Tepid US jobs report points to ongoing slump

By Andre Damon
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The Labor Department reported Friday that the United States added 146,000 jobs in November, barely enough to keep up with population growth. The net payroll increase was below the average monthly number for the past two years of 150,000.

The US unemployment rate fell to 7.7 percent, down from 7.9 percent in October, but only because 350,000 people left the labor force. The labor force participation rate fell 0.2 percentage points to 63.6 percent.

A more accurate indication of the state of the US economy and the social conditions facing broad sections of the population than the jobless rate—itself very high by historical standards—is the fact that over the past year the number of people not in the labor force has grown by 2.4 million, from 86.7 million to 89.2 million.

Friday's report also significantly revised downward the payroll figures for the two months preceding the elections. The figure for new jobs in September was cut from 148,000 to 132,000, and that for October was downwardly revised from 171,000 to 138,000.

"At this rate of job growth, it will take more than 10 years to return to the pre-recession unemployment rate," noted Heidi Shierholz, an economist at the Economic Policy Institute.

The White House seized on the report to claim that the US is in the midst of an economic recovery. Alan B. Krueger, chairman of the White House Council of Economic Advisers, wrote that, "today's employment report provides further evidence that the US economy is continuing to heal from the wounds inflicted by the worst downturn since the Great Depression."

The fall in the official unemployment rate will likely be used to justify either the scrapping or further curtailing of federal extended unemployment benefits as part of any deal to avert the so-called "fiscal cliff." Unless the program is renewed by Congress before January 1, it will terminate, stripping more than 2 million long-term unemployed workers of cash benefits.

"You don't want to get into a cycle of dependency," said Moody's Analytics' Mark Zandi, an economist who has generally supported the Obama administration's economic policies. "You want to slowly phase out the support to the economy and let the private sector fill the holes."

While the Obama administration has called for the continuation of federal extended unemployment benefits as part of its budget proposal, it is likely to agree to Republican demands that the program be further eviscerated. In exchange for passage of a payroll tax cut last February, financed at the expense of the Social Security trust fund, the Democrats agreed to lower the duration of federal extended benefits in most states by 30 weeks.

This cut, along with cuts at the state level, has already caused untold economic hardship and plunged many thousands of families into poverty. George Wentworth, senior staff attorney at the National Employment Law Project, pointed out: "In 2010, about two thirds of unemployed people received unemployment benefits. That number had fallen to 54 percent by 2011, and is down to about 45 percent now."

If the extended unemployment benefit program is allowed to lapse completely, according to Wentworth, only about 25-30 percent of the jobless will receive any form of unemployment pay.

There are currently 4.8 million workers who have been unemployed for more than half a year, a figure that is four times higher than in 2007.

In Friday's jobs report, there was a sharp demarcation between the performance of service and goods-producing industries. The service sector added 169,000 jobs, while goods-producing jobs fell by 22,000. Construction slashed 20,000 jobs, while the manufacturing sector cut 7,000.

Retail trade added 52,600 jobs, while professional and business services added 43,000, and leisure and hospitality added 23,000.

The public sector lost 1,000 jobs, with the loss of 5,000 federal and 2,000 local government jobs partially offset by an increase of 6,000 jobs at the state level. Since the beginning of 2008, more than 700,000 government jobs have been eliminated.

Average hourly wages grew by 4 cents in November, bringing the growth in wages over the past year to 1.9 percent. Over the same period, consumer prices have grown by 2.2 percent, meaning wages have fallen in real terms.

The tepid jobs figure was accompanied by even worse numbers on consumer confidence and manufacturing activity. The University of Michigan's confidence index fell sharply to 74.5, down from 82.7 percent, indicating growing concerns over looming cuts in social spending.

The Institute for Supply Management (ISM), meanwhile, reported this week that its index of manufacturing activity fell to 49.5, the lowest level since July 2009. Figures lower than 50 indicate contraction. The ISM survey's measure of factory employment contracted for the first time in over three years.

The weak manufacturing activity is expected to slow economic growth in the third quarter. Macroeconomic Advisers, an economic consulting firm, says it expects the US economy to grow by only 0.5 percent in the fourth quarter, the lowest rate since the beginning of 2011.

These dismal figures for the US are set against the backdrop of a significant deterioration of the global economy. The day the Labor Department released its US jobs report, the Japanese government stated that the country's economy was probably in recession and gave its worst economic assessment since April 2009.

The German central bank cut its growth forecast for Germany, concluding that the country's economy would likely contract in the last quarter of 2012 and the first quarter of 2013.

These downgrades follow a similar downward revision by the European Central bank of its growth estimate for 2013. The bank said that economic growth in the 17-member euro zone would likely be no more than 0.3 percent, and could contract by 0.9 percent.