"Positive" US jobs report reflects economic stagnation

By Patrick Martin
3 May 2014

The April jobs report from the Labor Department's Bureau of Labor Statistics (BLS) showed the US economy returning to the slow growth that has characterized the supposed recovery from the 2008 financial crash, after a winter of near complete standstill.

The BLS reported that 288,000 net new jobs were created in April, and the monthly figures for February and March were revised upward by an additional 32,000 jobs. The effect was to lift the average monthly figure for job-creation in 2014 to 197,000, nearly the same as the figure of 200,000 per month posted last year.

Monthly job-creation fell to a dismal 75,000 in December and 113,000 in January, as the combination of federal sequester cuts, the cutoff of extended unemployment benefits for two million long-term jobless, and the worst winter in a century slashed consumer spending and new hiring.

Given the size of the US population, it requires 160,000 new jobs each month just to keep up with new entrants into the labor force. The present rate of job-creation is barely sufficient to tread water, and does nothing to significantly reduce unemployment among the millions of long-term jobless.

The US news media celebrated the jobs figures, pointing to the drop in the official unemployment rate to 6.3 percent, the lowest level since 2008, and the gains in jobs in professional and business services (75,000) and construction (32,000). Manufacturing jobs rose by only 12,000. Low-paying sectors also showed increases, including retail (35,000) and temporary employment.

New York Times economics writer Neil Irwin observed in a blog posting, however: "Rarely does a monthly report on the United States job market look so terrific on the surface while being so disappointing underneath. But where the last couple of months have had disappointing top-line numbers with some excellent trends bubbling beneath the surface, this one pairs the excellent surface news with a soft underbelly."

The most important sign of fundamental weakness is the staggering drop of 800,000 in the labor force in a single month, an indication that the drop in the jobless rate is primarily the result of workers abandoning the search for nonexistent jobs and withdrawing from the job market entirely.

This figure is believed to be a combination of young people pursuing education or unpaid occupations, older workers retiring before they reach age 66 and become eligible for full Social Security benefits, and long-term unemployed people, particularly the millions who have been cut off jobless benefits, which required them to continue seeking work.

The official number for the long-term unemployed fell by 300,000 in April, not because the jobless workers found jobs, but because so many of them stopped looking for work entirely.

The labor force participation rate plunged in April, falling from 63.2 percent to 62.8 percent, the lowest figure since the late 1970s. For those aged 25-54, the labor force participation rate fell from 81.2 percent to 80.8 percent—meaning one fifth of those in the prime working years have given up seeking employment.

Another sign of weakness is the stagnation in hours worked and hourly wages, both of which showed virtually no change in April.

The hosannas for a 6.3 percent jobless rate only demonstrate the corporate media's historical blindness. During the last recession before the current one, the downturn that followed the collapse of the dot.com bubble in 2000-2001, there was only a single month where the unemployment rate was as high as 6.3 percent. The current slump has seen unemployment above that level for more than six years.

Moreover, key sectors of the working class are suffering disproportionately from unemployment, including minority workers and young people. The jobless rate for workers under age 25 is more than double the overall rate, and one million young workers are neither employed, in school or actively seeking work, and are not counted in the official rate. If these workers were included, the jobless rate for those under 25 would be 18.1 percent.

According to a study published Thursday by the Economic Policy Institute, the official unemployment rate today for both young high school graduates and young college graduates is 50 percent greater than before the financial crash: 22.9 percent for high school graduates, compared to 15.9 percent in 2007; 8.5 percent for college graduates, compared to 5.5 percent in 2007.

The "underemployment rate" (counting those working part-time who want full-time work) is nearly double that in 2007: 41.9 percent of high school graduates, up from 26.8 percent in 2007; and 16.8 percent for college graduates, compared to 9.6 percent in 2007.

The last set of figures means that nearly half of all young high school graduates either have no job at all, or want to work full-time but cannot get full-time hours. The capitalist profit system has simply abandoned a huge part of an entire generation of the working class.