http://www.wsws.org/en/articles/2013/07/06/jobs-j06.html?view=print

Modest US job growth masks impact of mass unemployment

By Barry Grey

6 July 2013

The US Labor Department on Friday reported a net increase in US non-farm payrolls of 195,000 in June, while the official unemployment rate remained steady at 7.6 percent.

The increase in new jobs, some 30,000 higher than that predicted by economists, together with a combined upward revision of 70,000 jobs for April and May, was generally hailed by the media and touted by the Obama administration as a sign of a "strengthening recovery."

In reality, the job figures for June reflect a stagnant economy in which long-term, mass unemployment has become entrenched and a large majority of new jobs are either part-time or in industries that pay low wages and offer few benefits.

At the rate of job-creation reported for June, it will take another seven years for the US economy to close the 8.5 million "jobs gap" that has emerged since the official onset of recession in December of 2007. (The US still has 2.4 million fewer jobs than in December 2007, and it should have added 6.1 million more jobs since then than it has, just to keep up with the growth in the labor force).

According to the Economic Policy Institute, it would take a steady monthly net job growth of 340,000 to overcome this gap and restore unemployment to pre-recession levels by January of 2016.

The private sector last month generated a net increase of 202,000 jobs, according to the Labor Department, but federal, state and local governments eliminated a total of 7,000 positions. Of these, 5,000 were federal jobs, reflecting the initial impact of the across-the-board $85 billion cut in federal spending this fiscal year imposed under the so-called “sequestration” program worked out between the Obama administration and congressional Republicans that took effect on January 1.

Among these cuts are reductions of up to 20 percent in benefits for the long-term unemployed—those out of work for more than six months—who presently number over 4.3 million people and make up 36.7 percent of those officially counted as unemployed. Prior to the onset of the recession, the percentage of long-term unemployed was below 20 percent.

According to the government, there were 11.8 million unemployed workers in June, an increase of 17,000 from May. There were an additional 8.2 million workers holding part-time positions but wanting to work full-time, plus 2.6 million so-called “marginally attached” workers desiring a job but not counted among the unemployed because they had not looked for work over the previous month. Within this latter group, “discouraged workers,” who have given up looking for work, number 1 million, an increase of 206,000 from a year earlier.

In June, the number of involuntary part-time workers shot up by 322,000, an indication of growing desperation among laid-off workers, who are forced to accept positions at a fraction of the pay they received in their previous jobs.

While the official jobless rate held at 7.6 percent—historically, an extremely high level—the so-called “underemployment” rate, including those working part-time for economic reasons and those who have stopped looking for work, shot up by half a percentage point, from 13.8 percent in May to 14.3 percent in June. This, the highest level since February and the biggest monthly increase since the height of the crisis in 2009, is a more accurate measure of the social crisis than the headline figures in the jobs report.

Some 23 million Americans are officially counted as “underemployed,” and even this figure significantly underestimates the real scale of unemployment and its associated social ravages.

The bulk of the payroll gains occurred in industries dominated by low wages and extreme levels of exploitation. The “leisure and hospitality” sector accounted for 75,000 of the new jobs and the retail sector contributed another 37,000. Construction added only 13,000 net jobs and manufacturing actually lost 6,000 positions, continuing a months-long trend of job-shedding.

Most of the employment gains took place among a single demographic—women aged 20 to 24. There was no improvement in the key category of workers aged 25 to 54.

The devastating impact of the protracted jobs crisis on the most vulnerable sections of the working class was reflected in an increase in the official jobless rate among African Americans, which rose to 13.7 percent in June from 13.5 percent in May.

The labor force participation rate—the percentage of adults who are either employed or looking for work—ticked up by a tenth of a percentage point to 63.5 percent, far below the levels that prevailed prior to the beginning of the slump. The employment to population ratio—the percentage of adults who are actually working—also rose by a tenth of a percentage point to 58.7 percent. This is the same percentage that prevailed in September 2012, when the Federal Reserve Board began its third round of massive bond purchases, known as "quantitative easing," ostensibly to bring down the unemployment level.

The Obama administration responded to this dismal picture with its usual combination of complacency and cynicism. Alan Krueger, President Obama's chief economic adviser, repeated verbatim the stock phrases he has used month after month, saying: "While more work remains to be done, today's employment report provides further confirmation that the US economy is continuing to recover from the worst downturn since the Great Depression."

Wall Street's main concern was that the jobs report not be so robust as to encourage the Fed to move more quickly than expected to pare back its current level of asset purchases. At $85 billion a month, or more than $1 trillion a year, this huge infusion of virtually free credit into the financial markets provides an unprecedented windfall for the banks and finance houses, fueling the rise in stock prices and the fortunes of the financial elite.

Encouraged by statements Thursday by European central bank heads that near-zero interest rates would remain in place, and heartened by the indications in the Labor Department's employment report of continuing pressure on workers to accept lower wages, the US markets rose sharply Friday. All three major indexes jumped about 1 percent, with the Dow gaining 147 points.