

Long-term unemployment in the US climbs 37 percent in one year

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The US economic slowdown has brought not only sustained job losses, but also a steep rise in the proportion those unemployed for prolonged periods. The number of people out of work for more than six months has shot up by 37 percent since June of 2007, according to the Bureau of Labor Statistics.

Last month, 1.5 million people had been unable to find work half a year or more. Many of these workers, without paychecks or medical insurance and having exhausted their unemployment benefits, are confronted with foreclosure on their homes, evictions and the threat of destitution.

The number of long term unemployed is up from 1.1 million in June of 2007. The average duration of unemployment climbed from 15.1 to 15.9 weeks in June from a year earlier. The increase in the number of long-term unemployed was twice the rise in the total number of jobless over the same time.

These figures come from the most recent Bureau of Labor Statistics report, which showed that the US economy shed 62,000 jobs in June, on top of an earlier 62,000 loss in May. The unemployment rate, which shot up in May by the highest amount in over 20 years, remained steady at 5.5 percent, up from 4.6 percent a year ago.

June marked the sixth straight month of falling payrolls, with the US economy having lost 438,000 jobs since the beginning of the year. The total number of unemployed reached 8.5 million last month, up from 7.0 million a year earlier.

The unemployment rate for prime-aged workers, those 25 and up, rose from 4.1 to 4.3 percent. This shift was compensated by a decline in youth unemployment, leaving the overall unemployment rate nominally unchanged.

These figures do not take into account the 1.6 million people who are “marginally attached” to the workforce, who had looked for work in the previous 12 months, but not in the last month. This figure includes approximately 420,000 “discouraged workers,” who had given up looking for work because they think that there is no work available.

The results followed layoff announcements from American Airlines, Goldman Sachs and Starbucks, which announced plans last week to close 600 stores and lay off 12,000 workers.

A significant portion of the June payroll loss was attributable to the construction sector, where employment fell by 43,000. The sector has lost some 528,000 jobs since the peak of

the housing bubble in 2006.

Manufacturing did not fare much better, with some 33,000 jobs slashed in the last month. Manufacturing payrolls have shed 353,000 jobs in the past twelve months.

While six consecutive months of declining payrolls have always signaled recessions during the past 50 years, current estimates indicate that the US economy managed to continue growing in both the first and second quarters. "We have not really had a downturn quite like this one in which we lose jobs month after month but the economy somehow manages to grow," Nigel Gault, chief domestic economist at Global Insight, told the *New York Times*.

The fact that the economy has continued to grow while unemployment has shot up hints that adverse economic conditions have not fully made themselves felt in consumer spending. This is likely due to the effect of the \$78 billion in tax rebates recently sent out by the government, which may have temporarily boosted consumer expenditures. Once those rebates are spent, however, it is likely that the economy will begin to contract and the current hemorrhaging of jobs will only accelerate. According to a recent survey, consumer confidence has sunk to its lowest level in 16 years.

All the while, real wages have continued to plummet. Median wages have increased by 2.8 percent in the past year; the Consumer Price Index rose by over 4 percent during the same period. This adds up to a decrease in median real wages of over 1.2 percent, as workers have lost bargaining power as the labor market has softened.

Congress responded to these developments last week by passing a law to extend the duration of unemployment benefits nationwide. The bill adds 13 weeks onto the 26 weeks of unemployment benefits currently guaranteed by state governments. The extension lasts only until March. Moreover, to qualify for the extension, workers must have been on the job for 20 months before being laid off, a provision that excludes 10 percent of the long term unemployed.

The provision is estimated to cost some \$8 billion, and was included in a bill funding the wars in Iraq and Afghanistan through 2009. In comparison to the war funding provision, estimated at \$162 billion, the aid to the millions of unemployed amounts to a pittance.

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