Unemployment crisis grips US states

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The unemployment rate increased in 48 of 50 states and Washington, DC, in May, according to US Department of Labor statistics. For the year as a whole, the jobless rate has increased in every state, and in eight states it is now at its highest level since 1976, when monthly state-level statistics were first issued by the federal government. The national jobless rate in May rose to 9.4 percent.

The state of Michigan again had both the highest unemployment rate in the nation at 14.1 percent, and its biggest monthly increase, up 1.3 percentage points from 12.9 percent in April. Michigan, Indiana, and Ohio have been devastated by the shutdown of auto plants and their suppliers, orchestrated by President Barack Obama's Auto Task Force. In Ohio, unemployment increased to 10.8 percent, and in Indiana it rose to 10.6 percent. The Midwest as a whole had an unemployment rate of 9.8 percent. Kentucky, whose economy is also tied to the auto industry, saw its unemployment rate increase to 10.6 percent.

California, the nation's most populous state with about 37 million residents, lost the largest number of jobs, and its unemployment rate rose to 11.5 percent, the highest level on record and an enormous increase over May 2008, when the rate stood at 6.8 percent. There are now 2.1 million officially unemployed in the state, 885,000 more than last May. California has been hammered by a near-bankruptcy of the state government (14,000 public sector jobs were lost in May), the housing crisis (10,000 construction jobs lost) and a sharp fall-off in manufacturing (10,000 factory jobs lost.)

Among the regions, the West Coast had the highest jobless rate at 10.1 percent. Oregon, the state with the second highest unemployment rate, saw an increase to 12.4 percent from 12 percent in April. The state's wood products industry has lost tens of thousands of jobs in the past year. Washington state's unemployment rate rose to 9.4 percent in May. In Nevada, unemployment rose to its highest recorded level ever, at 11.3 percent.

The rapid increase in unemployment in the Southeast took economists by surprise. South Carolina's unemployment rate surged to 12.1 percent. The state has been hard-hit by layoffs in manufacturing, purging about 30,000 jobs since last May. In one South Carolina county, Allendale, unemployment is over 22 percent. In neighboring North Carolina, the jobless rate rose to 11.1 percent, nearly double the level of a year ago, largely owing to layoffs in banking, furniture manufacture, and metal fabrication industries. In Georgia the unemployment rate climbed to a record high of 9.7 percent. Georgia has been particularly hard hit by the financial crisis, with several regional banks collapsing so far this year. In Alabama, the unemployment rate increased rapidly from 9 percent to 9.8 percent in one month.

In Florida, the fourth most populous American state, the jobless rate vaulted to 10.2

percent, its highest level in 34 years. Florida lost 61,000 jobs in May, only slightly fewer than California. Arizona joined Florida as the states with the most rapid increase in unemployment. In Texas, the second most populous state, the unemployment rate increased for the seventh consecutive month and now stands at 7.4 percent.

Of the regions, the Northeast had the lowest unemployment rate, at 8.3 percent. Rhode Island paced the area in joblessness, with its rate increasing a full percentage point from April to 12.1 percent in May.

Major metropolitan areas are experiencing drastic increases in unemployment, as well. Metro Los Angeles now has an unemployment rate of 11.6 percent. In New York City there were about 360,000 officially unemployed in May, or nine percent of the workforce. In Washington, DC, unemployment rose to 10.7 percent, and in Chicago it climbed to 9.9 percent. The Detroit metropolitan area had the highest unemployment rate of any major US city, increasing to 15.4 percent. It is much higher—close to 25 percent—in the city proper.

Only in the sparsely populated states of Nebraska and Vermont did the unemployment rate hold steady. The agricultural states of Nebraska and nearby North Dakota share the lowest unemployment rate, both at 4.4 percent. This may reverse itself as the decline in agricultural commodity prices ripples through the plains states' economies.

As always, the official rate belies the true scope of unemployment by removing from the workforce count a large number of workers who are inactive or "discouraged" in seeking work, and by counting as employed those who are only able to get part-time hours. While state-by-state statistics for this expanded definition of unemployment are not available, it is very likely that the real unemployment rate in Michigan is now approaching 25 percent, and that in a number of states, including California, it is around 20 percent. On a national level, this broader rate of unemployment and underemployment stood at 16.4 percent in May. These are near-depression-level figures.

Layoff announcements continue. Rupert Murdoch's News Corp. on June 16 announced that it would cut the workforce of its social networking division, MySpace, by 30 percent, dismissing 420 workers. On June 12, Textron announced it would lay off 1,300 workers from its Cessna Aircraft plants in Kansas. Lockheed Martin will lay off 750 workers from its Owego, New York, factory. The Broward County public school system in South Florida is going forward with plans to lay off 400 teachers. Metalcraft, a machine fabricating plant located in the town of Mayville, Wisconsin, said it would indefinitely extend the layoffs of 375 workers who have been out of work since April. This will devastate the small town, which has fewer than 5,000 residents.

In one revealing layoff announcement, Hartford County, Maryland, carried forward plans to lay off over 35 employees from its public libraries. It will also likely close a branch, reduce library hours and services, even as patron use reaches an all-time high. "I am distressed that the library, which is seeing increased usage due to the economy, will have to limit its hours, services and maybe locations just when the community needs those services the most," local resident Patricia H. Fisher told the Baltimore Sun.

The first quarter of 2009 has also witnessed a fall-off in personal income. According to data from the Bureau of Economic Analysis (BEA), personal income fell 0.5 percent nationally. In California and Michigan, it tumbled by 0.8 percent. Meanwhile, private sector earnings fell in the first quarter by 1.4 percent nationally, and dropped in all 50 states.

The declines in private sector earnings and personal income spell disaster for state and local budgets, already in dire straits in much of the country due to the twin economic and financial crises. According to a recently-released analysis by the Nelson A. Rockefeller Institute of Government, state-level income tax collections fell a staggering 26 percent in the first quarter of 2009 compared to the previous year.

The fall-off was most pronounced in the states that have been hardest hit by the collapse in real estate and manufacturing. In Arizona, first quarter personal income tax revenue fell by 55 percent from the previous year; in South Carolina the decline was 38.6 percent; in Michigan, 34.4 percent. California, which is already teetering on the brink of bankruptcy, saw a decline of 33.8 percent in personal income tax receipts. The data bodes ill for the largest US state, which collects nearly half of its state revenues from income taxes, one of the highest proportions in the nation.

The drop in personal income tax revenue results from layoffs, wage cuts, and reductions in hours worked. The budget crisis in the states will be aggravated by declining revenue from real estate and sales taxes. The Rockefeller Institute predicted declining revenue will require a new round of austerity measures. It "will punch still deeper holes in the budgets of many states [and] increases the risk that state budget agreements for 2009-10 will not close budget gaps completely, and that states will need to make midyear budget cuts," the report notes.

Some analysts tried to find a silver lining in the latest spate of dismal economic data, latching on to a Labor Department report that found that the total number of unemployed workers collecting benefits fell last week for the first time since January, by 148,000. Now, a total of 6.69 million workers are receiving unemployment benefits. However, as Forbes pointed out, the drop came after 21 consecutive weeks of increases, and about "half of the unemployed have been reaching the end of their 26 weeks of unemployment payments without finding jobs—so they disappear from that unemployment statistic without actually being employed." The number of US workers filing for new jobless benefits claims also rose last week by 3,000 to 608,000.

Obama's economic advisers predicted in January that with passage of the economic stimulus package, the US unemployment rate this year would not exceed 8 percent in 2009. It has already hit 9.4 percent, rendering meaningless the stimulus package's modest promises of job creation. Most economists now believe that the US unemployment rate will top 10 percent by year's end, and that it could rise to 11 percent at some point in 2011.

There is general agreement, moreover, that employment levels and conditions of labor will not return to those that prevailed prior to the financial crisis. This is no accident. The ruling elite, led by the Obama administration, has seized on the crisis as a long-awaited chance to restructure class relations to its advantage for decades to come.

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