US Unemployment Figures are a Camouflage. Boom in Corporate Profits, Collapsing Wages

February employment report masks depth of US jobs crisis

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The number of jobs in the US grew by 236,000 in February, and the official unemployment rate fell to its lowest level since 2008, according to the Labor Department's latest jobs report released Friday.

The media jumped on the jobs total—significantly higher than the 165,000 that had been predicted—to proclaim an economic turnaround, while the Obama White House said the report indicated that "the recovery that began in mid-2009 is gaining traction."

In reality, the jobs gained are a drop in the bucket compared to those lost during the recession. In the downturn that started in 2008, the US economy lost 8.9 million jobs, and if previous economic trends had continued, another 5.9 million jobs would have been added. Since the end of 2009, the economy has added only 5.7 million jobs.

At February's rate of job growth, the US economy would not get back to the pre-recession level of unemployment until 2017.

By and large, the new jobs created pay much less than those lost during the crash. According to Friday's figures, average hourly earnings for production workers have risen by only 2 percent over the past year, a figure wiped out by rising prices.

In addition to paying lower wages, an increasing number of new jobs are part time. Compared to late 2007, 5.8 million fewer people in the US are now working full time, but 2.8 million more are working part time. The share of people working part-time has grown from 16.9 percent at the start of the recession to 19.2 percent today.

Even as payrolls increased in February, a significant number of people simply stopped looking for work and dropped out of the labor force. With 130,000 people dropping out of the workforce, the labor force participation rate fell to 63.5 percent, the lowest level in over three decades.

The percentage of the population that is employed fell from 63.3 percent in February 2007 to 58.5 percent in February 2010. This figure has stayed essentially unchanged at that level since then, with the latest figure coming in at 58.5 percent.

Long-term unemployment has likewise increased significantly in the most recent report. The percentage of unemployed people who have been out of work for more than half a year hit 40.2 percent in February, up from 38.1 in January. At the end of December 2007, this figure stood at 17.4 percent.

The latest jobs report came after a surprise drop in the United States' gross domestic product in the fourth quarter of 2012, which was revised up to a growth of only 0.1 percent. The combined economies of the advanced industrial countries in that quarter shrank by 0.2 percent.

The US public sector once again shed jobs in February, losing 10,000 positions. Since June 2009, 742,000 state, local, and federal jobs have been eliminated, half of those in public education.

The slashing of government jobs is only likely to intensify with last week's passage of $1.2 trillion in 'sequester' job cuts. According to the Congressional Budget Office, the imposition of the sequester will result in 750,000 job losses, and significantly increase the unemployment rate.

Friday's US jobs report appeared the same day the DOW Jones Industrial average hit the highest level in its history. The corporate cash hoard has likewise reached a new record, hitting an estimated $1.79 trillion in the fourth quarter of last year, up from $1.77 trillion in the previous quarter. Instead of investing the money, however, companies are using it to buy back their own stock and pay out record dividends.

Corporations have sharply increased dividend payments to investors. The *New York Times* reported Friday that S&P 500 companies are expected to pay over $300 billion in dividends this year, a sharp increase over last year's payout of $282 billion. American corporations bought back $117.8 billion in their own stock last month, the highest total on records going back to 1985.

"Corporations are flush with cash and that cash sitting in the corporate coffers is earning next to nothing," Rob Leiphart, an analyst at Birinyi, told the *Times*. "Companies have to do something with it."

The rise in corporate stock buy-backs harkens back to the period prior to the 2008 crash. As the *Times* noted, "Similar buyback activity occurred the last time stocks hit record highs. During the housing boom that ended in 2007, S&P 500 companies ramped up their share buybacks to what were the highest levels in history."

After four years of "recovery," the US economy is nowhere near its pre-recession level of unemployment. Instead of investing in production, major corporations, flush with cash and with their stock at record levels, are paying out dividends and inflating their own stock values.

These actions work to further enrich the financial elite, which has seen its wealth increase dramatically with the rise of the stock market. This is made possible in large measure by the US Federal Reserve's vastly expansionary monetary policy, which is throwing $85 billion a year into financial markets and ultimately into the coffers of the super-rich.

The unprecedented combination of mass unemployment, falling wages and an influx of free money from the Federal Reserve has led to a boom in corporate profits, which have set records for three years in a row. In the third quarter of 2012, corporate profits as a percentage of the total economy were 14.2 percent, the highest level on record going back to 1950, while the share of national income that went to workers, 61.7 percent, was at its lowest level in nearly five decades.

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