

Unemployed Surge Shows Physical Economy Drops

by Richard Freeman

The sharp rise of American unemployment in February starkly highlighted the unwinding of the U.S. physical economy. In goods-production, especially manufacturing, the job firings are relentless, rendering America, month-by-month, less of a producing nation. In February, according to the Department of Labor's Bureau of Labor Statistics (BLS) report released March 7, the official level of unemployment rose to 8.450 million, from 8.302 million in January: 138,000 more unemployed workers. The official unemployment rate was reported as 5.8% in February, an increase of 0.1% from the rate in January. But *EIR* has determined that real unemployment is twice what the BLS has told the public.

Importance of 'Not in the Labor Force'

There was a significant growth in official unemployment starting in November 2000, when it stood at 5.477 million. By December 2001, unemployment had surged to 8.259 million workers, 2.787 million Americans tossed into the ranks of the unemployed in only 13 months. But since December 2001, the number of *official* unemployed has stayed more or less in a band around the 8.3 million range: Each month, it has moved up or down by 100,000 to 200,000 from that level, but has not significantly changed. One might ask, why didn't unemployment continue its explosive surge of 2001? Maybe it did.

The BLS divides the 16-and-over civilian population into two broad categories: "In the Labor Force," and "Not in the Labor Force." The latter category includes youth who are attending school; elderly who have retired from the labor force; housewives; and a special sub-group called "Want a Job Now," who, though they want work, are still counted as "Not in the Labor Force," and accordingly, are not classified as officially unemployed. In December 2001, the number of Americans counted as "Not in the Labor Force" stood at 70.613 million. By February 2003, it had leapt to 74.257 million, a huge increase of 3.644 million people in only 14 months, unprecedented for such a period of time.

One hypothesis is that some laid-off workers were funneled by the BLS into "Not in the Labor Force." This would include workers who were dumped into the sub-group, "Want a Job Now." But this would also include the 70- to 75-year-old worker, who was working part-time, and lost his or her job: he or she would go back to "retired" status, not unemployed. Likewise, a woman who has children under 16, if she were forced out of the job market, might be counted as

"housewife," and therefore not unemployed.

Though precise figures do not exist on this, the abnormally high growth of "Not in the Labor Force" since December 2001, may represent the BLS' attempt to conceal hundreds of thousands, perhaps a million or more, additional unemployed. A large increase in unemployment likely did occur. *EIR* has exposed in other locations, other ways the BLS has hidden unemployment. Whatever fraud the BLS may use, the destruction of manufacturing jobs is one unmistakable process that cannot be concealed. During February, there were 53,000 American manufacturing workers' jobs eliminated; but even more remarkable is the fact that February saw the elimination of the jobs of 58,000 *manufacturing production workers*, those who physically alter nature to improve mankind's existence. The category of manufacturing workers includes manufacturing production workers as a subset, and so it is not clear how the fall in the latter could exceed the fall in the former. But the process is clear: February was the 31st consecutive month in which manufacturing jobs have been axed; 2.157 million in all since July 2000, of which 1.703 million were production manufacturing workers. This represents 11.6% of the U.S. manufacturing workforce and 13.4% of its manufacturing production workforce. The process is destroying what remains of the economy.

Since Sept. 11, 2001 in the aerospace-defense sector, for example, which employs highly skilled manufacturing workers, employment has been cut by 106,000. This was caused by the crisis in civil aviation, due to the collapse of the airline industry; by the decline in commercial space activity due to the decline in telecommunications; and by industry mergers and acquisitions. Aerospace now employs 689,000 workers, half the level of 1989, and the lowest level since 1953.

Other vital sectors besides manufacturing are being devastated. In February, 41,000 transportation and public utilities jobs were lost. Since its peak employment of two years ago, this sector has lost over half a million jobs.

Worse Than a 'Jobless Recovery'

In a fraudulent effort to show growth, one index the news media have harped on is that of non-agricultural payroll jobs (which the BLS compiles from its "establishment survey"). In the past, the BLS has produced manipulated data which the media have trumpeted. But in a very important development, the BLS reported that in February, the level of non-agricultural payroll employment crashed by 308,000 jobs.

During the past two years, the Bush Administration has alternately ignored the upsurge in unemployment, or named it the misfortune of a "jobless recovery." But it is much worse. When since mid-2000, 2.157 million manufacturing jobs, half a million transportation and public utilities jobs, and hundreds of thousands of other jobs have been axed, this shows not a recovering economy failing to create *new* jobs, but rather a collapsing economy destroying *existing* employment in the heart of U.S. production.