

Newsweek

July 3, 2010

Depressing Unemployment Numbers Forecast Long, Slow Recovery

The private sector added a meek 83,000 jobs to the economy during the month of June, according to new data from the U.S. Bureau of Labor Statistics—a figure that fell short of economists’ predictions and that’s far below the 150,000 to 200,000 jobs that must be created each month to bolster the economy.

“This is a game changer,” says **Bernie Baumohl**, chief global economist of the Economic Outlook Group. “Those chronically upbeat forecasters will have to take out their eraser and reassess the outlook.”

The details of the much-anticipated monthly report present a picture of an economy that’s still floundering. The unemployment rates for adult men edged up to 9.9 percent in June, up from 9.8 percent in May, while the average workweek for employees declined by one percentage point. The average hourly wages decreased by two cents.

This comes on the heels of a bad week of economic and political news for struggling Americans. The Senate failed to pass a jobs bill late Thursday, which would have extended unemployment insurance benefits for the long-term unemployed. (Roughly 3.2 million people could lose their unemployment insurance by the end of July unless Congress passes the legislation, according to the National Employment Law Project.) Weekly unemployment claims rose by 13,000, and both the pace of home construction and auto sales declined.

The question now becomes, when will companies add workers again? “The lack of hiring is keeping the unemployment rate high,” says Ryan Sweet,

senior economist at Moody's Economy.com. "Businesses are squeezing as much as they can out of their current workers." Temporary service jobs have increased by 379,000 since September 2009, but until Americans find permanent jobs and feel some sense of economic security, Baumohl says, they will not feel comfortable spending the money needed to fuel economic growth.

If anything, the June unemployment numbers prove we're not there yet. The optimistic May unemployment report, fueled by the hiring of temporary workers for the U.S. Census, was an exception. It could be a long recovery for the jobless, well into 2011.