US jobs report: More factory and construction jobs lost

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The US economy added 132,000 jobs in November, according to a report released Friday by the Labor Department. This was less than the number of workers entering the labor force, pushing the official unemployment rate up from 4.4 percent in October to 4.5 percent in November.

Average hourly wages rose by only 0.2 percent, to $16.94, before taking inflation into account. Figures for inflation will not be available until next week. However, energy prices have begun to rise after declining in September and October, likely offsetting in real terms the slight nominal increase in wages. The rise in wages was below Wall Street expectations of a 0.3 percent growth.

The modest wage growth produced a positive reaction from Wall Street, which interpreted it as a sign that the Federal Reserve will not raise interest rates to counteract inflation when it meets next week. Investors also interpreted the job growth, though moderate, as a sign that the economy will experience a “soft landing” in 2007, rather than a more serious recession.

However, the details of the report confirm several trends pointing to basic structural problems in the US economy, particularly the decline of the housing market and the continued deterioration of the manufacturing sector.

Construction employment declined by 29,000 jobs in November, due in large part to a sharp slowdown in new home building. According to the Labor Department report, “Since peaking in February of this year, employment in residential specialty trades was down by 109,000.”

Several other financial indicators released in the past several weeks point to a deflation of the housing bubble, which has been one of the main props of consumer spending. Home prices rose only 0.86 percent from the second to the third quarter of 2006, the lowest quarterly increase since 1998. Construction spending fell one percent in November, mirroring the decline in construction jobs. And last month both new home sales and construction showed sharp declines.

The continued decline of the housing market will have a major impact on consumer spending, since many Americans have sustained spending by borrowing against their rising home prices. As the value of property begins to decline, homeowners will be faced with mortgages that exceed their underlying assets. A growing number of workers in the US are also facing rising mortgage bills because of the heavy use of adjustable rate mortgages and other “exotic loans.”

In addition to having devastating consequences for millions of Americans, the decline in home prices could provoke a general economic recession, since the economy as a whole depends heavily on consumer spending. Consumer sentiment began to fall again in November after rising in the two previous months due to the temporary decline of energy prices. In November, the University of Michigan’s consumer sentiment index fell to 90.2, below expectations of 92, and its consumer expectations index also fell, to 78.6 from 83.2 last month. Other consumer sentiment surveys have shown a similar decline.

At the same time, the United States continues to experience a long-term deterioration of the manufacturing sector. The jobs report indicates that employment in manufacturing declined by 15,000 in November, including a loss of 7,000 jobs in the motor vehicles industry alone.

The decline of manufacturing, and with it a whole layer of higher-paying jobs, is also confirmed by a series of recent economic reports. In October, new orders at US factories fell by 4.7 percent, the largest decline in over six years. This was the third decline in four months.

Challenger, Gray & Christmas, the employment consulting firm, reported earlier this week that there were 76,773 announced layoffs in November, up 11 percent from October. According to a statement issued by the firm, “There is no question that the economy is slowing. Weakness in the housing market is expected to continue and higher-paying jobs in manufacturing and construction continue to shrink.”

The destruction of jobs in the auto industry is particularly pronounced. So far this year, the auto industry has announced planned job losses of 151,457, surpassing the previous record of 133,686 set in 2001.

According to a recent report by the Institute for Supply Management, the manufacturing sector actually contracted in November for the first time in three years. And the Manufactures Alliance/MAPI, an industry group, said this week that it expects US industrial production to rise by only 2.6 percent in 2007, down sharply from 4.8 percent this year.

Like the deflation of the housing bubble, the decline in manufacturing will depress consumer spending through the elimination of higher-paying jobs such as those in the auto industry.

Even if the present slowdown does not produce a formal recession (defined as two or more successive quarters in which the country’s Gross Domestic Product declines), all indications are that the period of economic growth—which has been largely “jobless,” with flat wages and employment—is giving way to a period of economic slump and increased pressure on working people.