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U.S. Unemployment Rate Hits 10.2%, Highest in 26 Years

By [PETER S. GOODMAN](#)

The American unemployment rate surged to 10.2 percent in October, its highest level in 26 years, as the economy lost another 190,000 jobs, the Labor Department reported Friday.

The jump into the realm of double-digit joblessness — from 9.8 percent in September — provided a sobering reminder that, despite the apparent end of the Great Recession, economic expansion has yet to translate into jobs, leaving tens of millions of people still struggling.

“The guy on the street is going to ask, ‘What recovery?’ ” said Stuart G. Hoffman, chief economist at the [PNC Financial Services Group](#) in Pittsburgh. “The job market is still in reverse.”

The sharp rise in unemployment seemed certain to inject fresh tension into the debate over economic policy in Washington.

Republicans point to elevated joblessness as proof that the Obama administration’s \$787 billion spending package aimed at stimulating the economy had failed. Labor unions and some Democrats are calling for another round of spending to create more jobs. And all of this comes against a backdrop of continued worries about swelling [federal budget](#) deficits.

In an interview this week, [Richard L. Trumka](#), president of the nation’s largest labor union, the [A.F.L.-C.I.O.](#), called on the government to unleash fresh spending on large-scale construction projects to put people back to work.

Absent that, “it will probably be 2012 before there starts to be real job creation,” Mr. Trumka said.

Yet despite the headline-grabbing unemployment number in the government’s snapshot of the October job market, economists sifting through the details found several reasons to take comfort.

The pace at which jobs are disappearing continued to taper off in October, the precursor to eventual growth.

Between November 2008 and April 2009 — amid the paralyzing fear that accompanied the collapse of prominent financial institutions like [Lehman Brothers](#) — the economy shed an average of 645,000 jobs a month. Between May and July, the pace dropped to an average monthly loss of 357,000 jobs. And over the last three reports, average monthly job losses have slipped to 188,000, after factoring in upward revisions to the data for August and September.

The number of temporary workers increased by 44,000 in October, adding to gains in the previous two

months — an apparent sign that businesses have squeezed as much production as they can out of their existing workforces and feel the need to bring in more people.

“That goes the right way,” said Dean Baker, co-director of the Center for Economic and Policy Research in Washington. “That’s an encouraging sign.”

The hope is that as the economy expands, companies will use fresh profits to add to payrolls as they reach for increased sales. As workers spend their paychecks, they will create opportunities for other businesses, generating more jobs.

Some experts see this scenario unfolding now, asserting that the economy will add jobs by late winter.

“People are hurting, but if you can get past the sticker shock of the unemployment rate and look at the guts of the report, they are still very consistent with a recovery,” said Michael T. Darda, chief economist at the research and trading firm MKM Partners. “We’re getting very close to the peak unemployment rate.”

But some doubt whether recent trends can continue, absent another dose of government spending.

Though the economy grew at a 3.5 percent annualized rate between July and September, much business activity was stirred up by special programs aimed at encouraging consumers to spend, not least the cash-for-clunkers program that provided taxpayer-financed cash incentives to people trading in their cars.

As the effects of this and other stimulus programs fade over coming months, fundamental weakness may reemerge, with consumers — whose spending accounts for 70 percent of overall economic activity — confronting enormous debt, the loss of wealth and fears about job security.

“We just went through an unbelievable financial catastrophe in this country and it typically takes a long time to come back,” said Joshua Shapiro, chief United States economist at MFR, a market research firm in New York, who envisions jobs continuing to decline until at least the middle of next year.

Beneath the dueling interpretations of future prospects, the report left little doubt that the present was still bleak in millions of American households.

In Columbia, S.C., Raymond Vaughn is still unemployed a year and a half after he lost his job installing and repairing windows. Back in April, he was training for a new career in medical billing, a growing field, through an online course he found on the Internet. But his unemployment benefits soon ran out, eliminating his \$221-a-week check, and then he could no longer muster the \$98 weekly payments for his course.

Mr. Vaughn, 43, is back to what has become a familiar if dreary everyday routine. He drives to the unemployment office downtown, where the crowds seem thicker than ever. He waits his turn to sit in front of a computer so he can scan meager listings and send out fresh applications. Then, he returns home, to his sagging couch and his television, where cheerful news anchors tell him that the economy is looking up.

“They say it’s supposed to be better, that’s what I see on the news,” Mr. Vaughn said. “But I sure see a lot of people down at the unemployment office. I really don’t see how the job stuff is going to change. I don’t see any jobs out there.”

Last month, Mr. Vaughn thought he had a job, a position at a factory that makes flooring boards for \$13 an hour. But two weeks before he was to go in for training, the company called him to revoke the offer.

“They said they had a hiring freeze,” he said.

And so Mr. Vaughn finds himself stuck in a crowded slice of a lean economy: another unemployed man living on the largess of a woman. His fiancée’s wages from her secretarial job pay the bills.

The latest job report amplified the reality that the pain has fallen particularly hard on men, who suffered a 10.7 percent unemployment rate in October, as compared to 8.1 percent among women. Among African American men, unemployment reached 17.1 percent in October.

Unemployment reached 9.5 percent among white Americans, 13.1 percent among Hispanics and 27.6 for teenagers.

Among all groups, the underemployment rate — a broader measure of the jobs shortfall which includes people whose hours have been cut, those working part-time for lack of full-time work, and those who have given up looking — is 17.5 percent.

Health care remained a rare bright spot, adding 29,000 jobs in October. For another month, construction and manufacturing led the declines, losing 62,000 and 61,000 jobs respectively.

Such were the details of a report dominated by a single fact: The official jobless rate now occupies two digits. More than a mere statistical marker, some worried that this could perpetuate anxiety, prompting a further hunkering down within the economy.

“It’s a benchmark,” said Mr. Baker. “It’s part of a general backdrop of economic news that does affect decisions by businesses and purchases of big ticket items.”

Javier C. Hernandez contributed reporting.

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