

latimes.com/business/la-fi-jobs3-2009oct03,0,2971924.story

latimes.com

Unemployment rate rises to 9.8% as employers cut more jobs than expected

A net 263,000 jobs were eliminated in September, pushing the jobless rate to a 26-year high. The rate of unemployment plus underemployment -- representing workers whose hours were cut back -- is 17%.

By Don Lee and Tiffany Hsu

October 3, 2009

Reporting from Los Angeles and Washington

The nation's unemployment rate edged closer to double digits in September but only began to reflect the miserable reality confronting America's workforce.

The government reported Friday that the jobless rate rose to a 26-year high of 9.8%, up from 9.7% in August. The gauge's latest move up came as employers cut their payrolls by 263,000 jobs, far more than analysts had expected, raising fresh concerns about the economy's ability to sustain its budding recovery.

And those figures tell only part of the story.

For example, those who had jobs last month worked an average of only 33 hours a week, a record low.

And in addition to the 15.1 million people counted as officially unemployed, 9.2 million workers last month were working only part time because their employers had scaled back their hours or they simply could not find full-time jobs, the Labor Department reported.

Adding those two groups together, along with other categories such as people so discouraged that they have quit looking for jobs, produces a rate of unemployment plus underemployment, which stood at 17% in September.

This broader measure is significant not only because of the picture it paints of the hardships

many workers face, but also because of what it suggests about the future -- and the picture isn't pretty.

Most government officials and outside economists believe the economy has technically entered a recovery; that is, the economy has stopped shrinking and begun to grow again. But many of these same experts are predicting a long period of high unemployment as well as stagnant wage growth for workers who do have jobs.

One contributing factor is the large pool of involuntary part-time workers.

By having their hours and workweeks shortened, they have experienced sometimes sharp reductions in income. That means a corresponding loss of purchasing power -- an indirect loss for the country as a whole because consumer spending now accounts for about 70% of economic output.

And for the future, many economists say that even if the prospect of recovery encourages businesses to step up production, many are likely to begin by restoring the hours of workers who were cut back, instead of hiring new workers.

"When the economy starts to recover, firms can expand quite a bit without adding new workers," said David Card, a labor economist at UC Berkeley.

Friday's report disappointed Wall Street, which had expected a smaller decline in the number of jobs. The Dow Jones industrials sank as much as 78 points before recovering somewhat to close at 9,487.67 points, down 21.61 points for the day. The drop came a day after the index tumbled 203 points on weak economic data.

Even with a recovery apparently underway, many employers aren't done ratcheting back work hours -- or days.

Media General Inc., a newspaper and television company based in Richmond, Va., told its employees in February to take 10 days off without pay because of the tough business situation. Last month the company added five more days between September and December.

In Wichita, Kan., workers at jet maker Hawker Beechcraft will be taking additional, unpaid days off around Thanksgiving and Christmas. The company is noncommittal about next year. "I don't know if it's safe to say things have stabilized," spokeswoman Nicole Alexander said.

Shannon Robinson, of Kihei, Hawaii, found out Thursday that her 40 hours of work a week as office manager at a small real estate company were being cut in half -- taking a big chunk out of her \$45,000-a-year salary.

"I thought it might be coming," the 39-year-old mother of two said. "With the market tanking, I know how slow it is. . . . We don't know how long this situation will last. It could just be for October. It could be for the rest of the year, it could be for another year."

With Robinson's husband collecting unemployment benefits -- he has been laid off twice since last year -- she said the family would be spending just one-fourth of its usual budget for holiday shopping.

Like Robinson, most part-time employees who want full-time work aren't the youngest or oldest in the labor force but are in their prime working years, between ages 25 and 54, according to Labor Department statistics.

It's stories like the Robinsons' that worry economists. The Obama administration's massive stimulus package and other government measures have bolstered car sales, beefed up home purchases with tax credits and plowed billions into highway and environmental work projects.

Although there are signs that the housing market and manufacturing are stabilizing, the stubbornly grim job market still threatens consumer spending and the recovery itself.

Alan Krueger, the Treasury Department's chief economist, on Friday sought to put the best light on the latest labor statistics, noting that the pace of job loss had slowed each quarter this year despite monthly fluctuations, from 691,000 in the first three months to 256,000 in the third quarter.

"At least we're seeing less job loss, and that's necessary before we start to see job growth," Krueger said.

But he acknowledged that the large number of involuntary part-time workers was one of the reasons the White House believes "the job market poses a severe challenge."

High unemployment coupled with the scarcity of new jobs -- the Labor Department says there are six jobless people for every job opening -- also means employers will feel little pressure to raise wages to attract and retain employees.

The result is a further dwindling of workers' bargaining power, said Sophia Koropecjy, a labor economist at Moody's Economy.com.

As employers restore lost hours, she said, "they can say, 'You're making more money now, and the economy is still bad. Be happy with what you have.' "

Government figures show that in September, workers forced into part-time status were concentrated in three major sectors -- wholesale and retail trade, leisure and hospitality, and education and health services. But more recently, there's been a surge of state and local government employees whose hours or days have been shaved.

Kimberly Adams, 24, of Mt. Washington, Md., started a part-time temporary job Wednesday, assisting a local artist for \$10 an hour. Unemployed for six weeks, the former graphic designer said she couldn't find a full-time job.

"There's nothing out there," she said. "I've been applying to every job, anything."

Adams, who lives with her fiance, a student, said she was worried about being able to keep up with the payments on a new car she bought two weeks before she was laid off.

Alberto Alquicira, a technology help-desk manager at UCLA, has taken two unpaid furlough days since the university began requiring them about a month ago. The 26-year-old West Los Angeles resident said he had to take about a dozen more such unpaid days before the end of the year.

The university's other options would have been worse, he said -- layoffs or an outright salary cut.

"When I saw my check, it wasn't as drastic as I thought it would be," he said. "But the furlough definitely calls for some reevaluation of spending priorities. It'll definitely be tighter for me."

don.lee@latimes.com

tiffany.hsu@latimes.com

Times staff writer Jim Puzzanghera in Washington contributed to this report.

Copyright © 2009, [The Los Angeles Times](#)