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Joblessness Hits 9.5%, Deflating Recovery Hopes

By PETER S. GOODMAN

The American economy lost 467,000 more jobs in June, and the unemployment rate edged up to 9.5 percent in a sobering indication that the longest recession since the 1930s had yet to release its hold.

“The numbers are indicative of a continued, very severe recession,” said Stuart G. Hoffman, chief economist at PNC Financial Services in Pittsburgh. “There’s nothing in here to show that the economy and the market are pulling out of the grip of recession.”

The Labor Department’s monthly snapshot of employment, released Thursday, challenged visions of a recovery already taking root. The numbers intensify pressure on the Obama administration to show returns on programs aimed at improving national fortunes — not least its $787 billion stimulus plan.

Some economists are now calling for another dose of government spending to stimulate the economy, though the White House maintains that enough money is in the pipeline already.

“Not all the recovery money has been put to work yet,” said the labor secretary, Hilda L. Solis. “We’re making progress.”

But Ms. Solis acknowledged that joblessness was already much worse than the administration projected in January when it created its stimulus spending bill, suggesting then that joblessness would peak at about 8 percent.

Asked why the unemployment rate is already much higher, Ms. Solis noted that much of the stimulus money was moving slowly, with construction projects in particular requiring time-consuming government permits.

“Over all, it’s been a challenge,” Ms. Solis said. “We still have a ways to go.”

That explanation echoed criticism that some initially leveled at the spending package when it was debated in Congress: many of the projects would take too long to get going, creating too few jobs in the near term. Still, Ms. Solis portrayed the program as a success.

“We would have done much worse had we not put the recovery plan in place,” she said.

In recent weeks, positive signs have emerged that automakers are beginning to see stronger sales, factories are gaining more orders, and housing prices have stopped falling in some markets. But the jobs report injected the sense that paychecks are disappearing so swiftly that consumer spending is likely to be tight, limiting economic activity. The gloomy news caused the Standard & Poor’s 500-stock index to tumble more than 2 percent.

Indeed, the report reinforced a consensus that high levels of unemployment are likely to afflict American life for many months and perhaps much longer. That will dump more jobless people into a weak job market, making it harder for those already unemployed to find work and pressing down wages and hours.

After a May report that showed the pace of deterioration was moderating, some economists expressed hopes that an economic recovery might finally be emerging. But the June report tempered such thoughts.

For another month, manufacturing jobs disappeared, dipping by 136,000, while construction jobs shrank by 79,000 and retail by 21,000. Health care remained a rare bright spot, adding 21,000.

The losses for June lifted net jobs shed since the beginning of the recession to 6.5 million — equal to the net job gain over the previous nine years.

“This is the only recession since the Great Depression to wipe out all jobs growth from the previous business cycle,” Heidi Shierholz, an economist at the labor-oriented Economic Policy Institute in Washington, said in a research note. She called this fact “a devastating benchmark for the workers of this country and a testament to both the enormity of the current crisis and to the extreme weakness of jobs growth from 2000 to 2007.”

The June figures did show continued slowing in the pace of job losses. From November to March — after the collapse of some prominent financial institutions — the labor market lost an average of 670,000 jobs each month. From April to June, the decline slowed to 436,000 a month.

The Obama administration seized on those numbers to argue that its stimulus spending plan was gradually working.

“We’re seeing a kind of leveling off here,” said Ms. Solis, the labor secretary.

Some economists contend that a recovery is indeed in its early stages, cautioning that the job market tends to lag behind progress in other areas.

Michael T. Darda, chief economist at the research and trading firm MKM Partners, pointed to a recent rally in the corporate bond market as a sign that normalcy was returning to the financial system. He asserted that this presaged the resumption of economic growth in the second half of this year and vigorous activity next year.

“The labor market is going to lag the recovery process to a certain degree,” he said.

But other experts argued that employment was a more crucial source of spending power than in downturns past, given how many alternate sources of cash had been lost.

Consumer spending amounts to 70 percent of overall American economic activity. In recent times, Americans found myriad ways to fuel spending even as incomes for many households stagnated, borrowing against the once-rising value of homes and tapping credit cards.

Now, the paycheck has returned as the primary source of spending. Yet pay is eroding even for those who have jobs.

The average workweek for rank-and-file employees in the private sector — roughly 80 percent of the work force — slipped by a fraction to 33 hours, the lowest level since the government began tracking such data in 1964.

The so-called underemployment rate — which captures not only the jobless but also those working part time because their hours have been cut or they cannot find a full-time job — increased to 16.5 percent.

Some economists contend that while unemployment remains high, millions of Americans will continue to watch their spending.

“It looks really bad,” said Dean Baker, co-director of the Center for Economic and Policy Research in Washington. “There are no green shoots here. People can’t spend when they don’t have the money.”

For another month, the average length of official unemployment increased, this time to 24.5 weeks — the highest level since the government began tracking such data in 1948. The unemployment rate, 9.5 percent, is the highest since 1983.

Layoffs have slowed in recent months, but hiring has yet to pick up, meaning that jobless people face a more frustrating search.

In the Brownsville section of Brooklyn, Jeffrey Jones, 40, has found no work since losing his job as a cook at a senior center in October. He worries about paying rent and caring for his four children.

“I know I’m not supposed to be letting it stress me out,” he said. “The way I’m going now, I won’t be able to make it too much longer. I can’t go this long without doing something for my family.”

Jack Healy contributed reporting.