

Growing Permanent Unemployment

Comments on the *NY Times* article: “Millions of Unemployed Face Years Without Jobs”

[This is a letter I sent to friends on Feb. 21, 2010.]

Hi everybody,

The headline for the *NY Times* article appended below is “Millions of Unemployed Face Years Without Jobs”, but actually the situation is much worse even than that. The jobs that have been lost are mostly gone for good. And under capitalism there will be no surge of new jobs to replace them no matter how far down the road you look.

1. This developing problem has been recognized in some quarters for quite some time now, and not just by us Marxists. For example, in 1995 Jeremy Rifkin wrote a prescient book entitled *The End of Work* in which he presented many of the reasons for believing that a severe problem with permanent job losses was looming that would continue to get worse and worse over time.

But Rifkin had the usual problem for those who are *too* prescient; he was too far ahead of his time. The time, however, has now definitely arrived.

2. One aspect of the situation that Rifkin didn't fully point out (unless memory fails me) is that while productivity increases pretty much every year, job losses don't occur in a way that is just as uniform and regular. Instead, the biggest bursts of job losses occur during recessions, especially the severe ones. Put it this way: Bad recessions provide the big push for giant bureaucratic corporations to really cut down their workforce to the lower levels that are all they really need at that point.

In part this arises because modern capitalist corporations keep much of their productive capacity in reserve. Most of the time their monopoly (or oligopoly) profits allow them to keep extra plants open even if all their production could be consolidated in fewer plants. But during economic crises they stop doing this to the same degree. And that means sudden big layoffs.

3. One of the things Rifkin pointed to was the steady fall in manufacturing jobs, especially in the U.S. Partly, of course, this has been due to the shifting of production to lower wage countries, especially China. But mostly it has been due to automation, and rapid productivity increases not only here but in other countries too (including China!).

4. Bourgeois economists pooh-poohed the dangers of the early rounds of automation in manufacturing in the post World War II era, and pointed out that A) the economy was more and more shifting to services instead of manufacturing, and B) there were lots and lots of new jobs opening up in high tech areas such as computers. This was true for a few decades.

It is no longer true. Most service jobs, and most “high tech” jobs can also be automated! (Or outsourced to India!) It has been harder to do so, and has taken more time to implement, but it is being implemented now.

What this means is that not only manufacturing jobs are disappearing, but also clerical jobs. Not only manual labor jobs are disappearing, but also intellectual jobs are disappearing. Not all of them, of course, but more and more of them, and at an increasing pace.

Thus the claim that we should not worry about automation and disappearing jobs, because technology would open up plenty of new jobs, is simply no longer valid.

5. Of course many jobs are now also being lost because of the actual cutbacks in production (and not just from productivity improvements), especially in certain key industries such as autos. There is a massive overproduction crisis in the world. The bourgeois assumption at the present time (including in this *NY Times* article) is that we have reached the bottom of this economic crisis, that the recession (as they define it) is over, and that production will steadily be picking up from this point on.

This is false. There is in fact a very mild improvement in production levels underway at present, but I predict that this recovery will remain very weak and shallow, and moreover that it will falter before the year is out. Most likely a new downturn will start this summer as the previous artificial Keynesian deficit stimuli peter out. (The Democrats may push for another deficit stimulus, but the Republicans will probably be able to block it—at least until things become obviously desperate again.)

The *NY Times* article is predicting that there will continue to be massive long-term unemployment even if their tacit assumptions of “economic recovery” are true. If those assumptions are false (as I predict) then the unemployment situation can only be even worse than they project.

6. What we are seeing here at the present time is a sudden burst in a process that has been going on slowly since the late 1970s—a decline in the so-called “middle class”. More and more people are being pushed out of the middle class, being pushed down into what can only be called poverty. And even most of those who remain in the middle class are becoming worse off than before.

In Marxist terminology, what we are seeing is the re-proletarianization of a proletariat that had previously become considerably embourgeoisified in this country. Included in this, the labor aristocracy is starting to crumble (though it still exists, especially ideologically).

7. It is often claimed that Marx’s predictions of the immiserization of the working class did not come true. Actually, they pretty much *did* come true on a world scale! About 1.1 billion people in the world are now said to be suffering from hunger; more than that number live on less than the equivalent of \$1.25/day, and about a third of the world’s population lives on less than \$2.00/day. And that is before the current economic crisis took effect!

But now we are beginning to see a “secular” (steady) fall in the economic welfare of the working class even in the U.S. Real wages for most working class people have fallen for decades (though only slightly so far), and are falling rapidly at the present time. And, of course, more and more people are losing their jobs entirely.

It seems to me that as the years go by Marx is looking smarter and smarter!

8. The capitalist ruling class doesn't know what to do about the huge and growing unemployment problem. The Democrats keep pushing for longer unemployment payments, and so far they've been able to get at least a few Republicans to go along. But the recent “jobs bill” failed, and that line of approach can probably not continue for long. [Note: That bill was resurrected and passed, though it didn't amount to very much of an additional Keynesian boost to the economy. –S.H. (5/15/10)]

At any rate it is unlikely that the bourgeoisie will decide to make unemployment benefits *permanent!* Oddly enough, none other than the ultra-reactionary bourgeois economist Milton Friedman did propose such a thing back in 1962, though he called it a “negative income tax” (or guaranteed minimum income). But I don't think there is any real possibility of something like that actually happening, at least in the next few years. In fact, the movement in recent years has all been in the other direction, eliminating most of the welfare system for example (engineered by *both* the Republicans and the Democratic president Bill Clinton).

So what does this mean then? It means really major increases in poverty, hunger, homelessness, and so forth, in coming years.

9. The world and U.S. economic crisis is continuing to develop and deepen. Times are bad and getting worse. They will get *much* worse! These crises are inherent in capitalism and have become unacceptably horrendous. This current crisis will soon become the very worst in the entire history of capitalism. There is no acceptable resolution of this current crisis possible under the capitalist system.

Scott

February 21, 2010
The New Poor

Millions of Unemployed Face Years Without Jobs

By Peter S. Goodman

BUENA PARK, Calif. — Even as the American economy shows tentative signs of a rebound, the human toll of the recession continues to mount, with millions of Americans remaining out of work, out of savings and nearing the end of their unemployment benefits.

Economists fear that the nascent recovery will leave more people behind than in past recessions, failing to create jobs in sufficient numbers to absorb the record-setting ranks of the long-term unemployed.

Call them the new poor: people long accustomed to the comforts of middle-class life who are now relying on public assistance for the first time in their lives — potentially for years to come.

Yet the social safety net is already showing severe strains. Roughly 2.7 million jobless people will lose their unemployment check before the end of April unless Congress approves the Obama administration's proposal to extend the payments, according to the Labor Department.

Here in Southern California, Jean Eisen has been without work since she lost her job selling beauty salon equipment more than two years ago. In the several months she has endured with neither a paycheck nor an unemployment check, she has relied on local food banks for her groceries.

She has learned to live without the prescription medications she is supposed to take for high blood pressure and cholesterol. She has become effusively religious — an unexpected turn for this onetime standup comic with X-rated material — finding in Christianity her only form of health insurance.

“I pray for healing,” says Ms. Eisen, 57. “When you’ve got nothing, you’ve got to go with what you know.”

Warm, outgoing and prone to the positive, Ms. Eisen has worked much of her life. Now, she is one of 6.3 million Americans who have been unemployed for six months or longer, the largest number since the government began keeping track in 1948. That is more than double the toll in the next-worst period, in the early 1980s.

Men have suffered the largest numbers of job losses in this recession. But Ms. Eisen has the unfortunate distinction of being among a group — women from 45 to 64 years of age — whose long-term unemployment rate has grown rapidly.

In 1983, after a deep recession, women in that range made up only 7 percent of those who had been out of work for six months or longer, according to the Labor Department. Last year, they made up 14 percent.

Twice, Ms. Eisen exhausted her unemployment benefits before her check was restored by a federal extension. Last week, her check ran out again. She and her husband now settle their bills with only his \$1,595 monthly disability check. The rent on their apartment is \$1,380. “We’re looking at the very real possibility of being homeless,” she said.

Every downturn pushes some people out of the middle class before the economy resumes expanding. Most recover. Many prosper. But some economists worry that this time could be different. An unusual constellation of forces — some embedded in the modern-day economy, others unique to this wrenching recession — might make it especially difficult for those out of work to find their way back to their middle-class lives.

Labor experts say the economy needs 100,000 new jobs a month just to absorb entrants to the labor force. With more than 15 million people officially jobless, even a vigorous recovery is likely to leave an enormous number out of work for years.

Some labor experts note that severe economic downturns are generally followed by powerful expansions, suggesting that aggressive hiring will soon resume. But doubts remain about whether such hiring can last long enough to absorb anywhere close to the millions of unemployed.

A New Scarcity of Jobs

Some labor experts say the basic functioning of the American economy has changed in ways that make jobs scarce — particularly for older, less-educated people like Ms. Eisen, who has only a high school diploma.

Large companies are increasingly owned by institutional investors who crave swift profits, a feat often achieved by cutting payroll. The declining influence of unions has made it easier for employers to shift work to part-time and temporary employees. Factory work and even white-collar jobs have moved in recent years to low-cost countries in Asia and Latin America. Automation has helped manufacturing cut 5.6 million jobs since 2000 — the sort of jobs that once provided lower-skilled workers with middle-class paychecks.

“American business is about maximizing shareholder value,” said Allen Sinai, chief global economist at the research firm Decision Economics. “You basically don’t want workers. You hire less, and you try to find capital equipment to replace them.”

During periods of American economic expansion in the 1950s, '60s and '70s, the number of private-sector jobs increased about 3.5 percent a year, according to an analysis of Labor Department data by Lakshman Achuthan, managing director of the Economic Cycle Research Institute, a research firm. During expansions in the 1980s and '90s, jobs grew just 2.4 percent annually. And during the last decade, job growth fell to 0.9 percent annually.

“The pace of job growth has been getting weaker in each expansion,” Mr. Achuthan said. “There is no indication that this pattern is about to change.”

Before 1990, it took an average of 21 months for the economy to regain the jobs shed during a recession, according to an analysis of Labor Department data by the National Employment Law Project and the [Economic Policy Institute](#), a labor-oriented research group in Washington.

After the recessions in 1990 and in 2001, 31 and 46 months passed before employment returned to its previous peaks. The economy was growing, but companies remained conservative in their hiring.

Some 34 million people were hired into new and existing private-sector jobs in 2000, at the tail end of an expansion, according to Labor Department data. A year later, in the midst of recession, hiring had fallen off to 31.6 million. And as late as 2003, with the economy again growing, hiring in the private sector continued to slip, to 29.8 million.

It was a jobless recovery: Business was picking up, but it simply did not translate into more work. This time, hiring may be especially subdued, labor economists say.

Traditionally, three sectors have led the way out of recession: automobiles, home building and banking. But auto companies have been shrinking because strapped households have less buying power. Home building is limited by fears about a glut of foreclosed properties. Banking is expanding, but this seems largely a function of government support that is being withdrawn.

At the same time, the continued bite of the financial crisis has crimped the flow of money to small businesses and new ventures, which tend to be major sources of new jobs.

All of which helps explain why Ms. Eisen — who has never before struggled to find work — feels a familiar pain each time she scans job listings on her computer: There are positions in health care, most requiring experience she lacks. Office jobs demand familiarity with software she has never used. Jobs at fast food restaurants are mostly secured by young people and immigrants.

If, as Mr. Sinai expects, the economy again expands without adding many jobs, millions of people like Ms. Eisen will be dependent on an unemployment insurance already being severely tested.

“The system was ill prepared for the reality of long-term unemployment,” said Maurice Emsellem, a policy director for the National Employment Law Project. “Now, you add a severe recession, and you have created a crisis of historic proportions.”

Fewer Protections

Some poverty experts say the broader social safety net is not up to cushioning the impact of the worst downturn since the Great Depression. Social services are less extensive than during the last period of double-digit unemployment, in the early 1980s.

On average, only two-thirds of unemployed people received state-provided unemployment checks last year, according to the Labor Department. The rest either exhausted their benefits, fell short of requirements or did not apply.

“You have very large sets of people who have no social protections,” said Randy Albelda, an economist at the University of Massachusetts in Boston. “They are landing in this netherworld.”

When Ms. Eisen and her husband, Jeff, applied for food stamps, they were turned away for having too much monthly income. The cutoff was \$1,570 a month — \$25 less than her husband’s disability check.

Reforms in the mid-1990s imposed time limits on cash assistance for poor single mothers, a change predicated on the assumption that women would trade welfare checks for paychecks.

Yet as jobs have become harder to get, so has welfare: as of 2006, 44 states cut off anyone with a household income totaling 75 percent of the poverty level — then limited to \$1,383 a month for a family of three — according to an analysis by Ms. Albelda.

“We have a work-based safety net without any work,” said Timothy M. Smeeding, director of the Institute for Research on Poverty at the [University of Wisconsin](#), Madison. “People with more education and skills will probably figure something out once the economy picks up. It’s the ones with less education and skills: that’s the new poor.”

Here in Orange County, the expanse of suburbia stretching south from Los Angeles, long-term unemployment reaches even those who once had six-figure salaries. A center of the national mortgage industry, the area prospered in the real estate boom and suffered with the bust.

Until she was laid off two years ago, Janine Booth, 41, brought home roughly \$10,000 a month in commissions from her job selling electronics to retailers. A single mother of three, she has been living lately on \$2,000 a month in child support and about \$450 a week in unemployment insurance — a stream of checks that ran out last week.

For Ms. Booth, work has been a constant since her teenage years, when she cleaned houses under pressure from her mother to earn pocket money. Today, Ms. Booth pays her \$1,500 monthly mortgage with help from her mother, who is herself living off savings after being laid off.

“I don’t want to take money from her,” Ms. Booth said. “I just want to find a job.”

Ms. Booth, with a résumé full of well-paid sales jobs, seems the sort of person who would have little difficulty getting work. Yet two years of looking have yielded little but anxiety.

She sends out dozens of résumés a week and rarely hears back. She responds to online ads, only to learn they are seeking operators for telephone sex lines or people willing to send mysterious packages from their homes.

She spends weekdays in a classroom in Anaheim, in a state-financed training program that is supposed to land her a job in medical administration. Even if she does find a job, she will be lucky if it pays \$15 an hour.

“What is going to happen?” she asked plaintively. “I worry about my kids. I just don’t want them to think I’m a failure.”

On a recent weekend, she was running errands with her 18-year-old son when they stopped at an A.T.M. and he saw her checking account balance: \$50.

“He says, ‘Is that all you have?’ ” she recalled. “ ‘Are we going to be O.K.?’ ”

Yes, she replied — and not only for his benefit.

“I have to keep telling myself it’s going to be O.K.,” she said. “Otherwise, I’d go into a deep depression.”

Last week, she made up fliers advertising her eagerness to clean houses — the same activity that provided her with spending money in high school, and now the only way she sees fit to provide for her kids. She plans to place the fliers on porches in some other neighborhood.

“I don’t want to clean my neighbors’ houses,” she said. “I know I’m going to come out of this. There’s no way I’m going to be homeless and poverty-stricken. But I am scared. I have a lot of sleepless nights.”

For the Eisens, poverty is already here. In the two years Ms. Eisen has been without work, they have exhausted their savings of about \$24,000. Their credit card balances have grown to \$15,000.

“I don’t know how we’re still indoors,” she said.

Her 1994 Dodge Caravan broke down in January, leaving her to ask for rides to an employment center.

She does not have the money to move to a cheaper apartment.

“You have to have money for first and last month’s rent, and to open utility accounts,” she said.

What she has is personality and presence — two traits that used to seem enough. She narrates her life in a stream of self-deprecating wisecracks, her punch lines tinged with desperation.

“See that,” she said, spotting a man dressed as the Statue of Liberty. Standing on a sidewalk, he waved at passing cars with a sign advertising a tax preparation business. “That will be me next week. Do you think this guy ever thought he’d be doing this?”

And yet, she would gladly do this. She would do nearly anything.

“There are no bad jobs now,” she says. “Any job is a good job.”

She has applied everywhere she can think of — at offices, at gas stations. Nothing.

“I’m being seen as a person who is no longer viable,” she said. “I’m chalking it up to my age and my weight. Blame it on your most prominent insecurity.”

Two Incomes, Then None

Ms. Eisen grew up poor, in Flatbush in Brooklyn. Her father was in maintenance. Her mother worked part time at a company that made window blinds.

She married Jeff when she was 19, and they soon moved to California, where he had grown up. He worked in sales for a chemical company. They rented an apartment in Buena Park, a growing spread of houses filling out former orange groves. She stayed home and took care of their daughter.

“I never asked him how much he earned,” Ms. Eisen said. “I was of the mentality that the husband took care of everything. But we never wanted.”

By the early 1980s, gas and rent strained their finances. So she took a job as a quality assurance clerk at a factory that made aircraft parts. It paid \$13.50 an hour and had health insurance.

When the company moved to Mexico in the early 1990s, Ms. Eisen quickly found a job at a travel agency. When online booking killed that business, she got the job at the beauty salon equipment company. It paid \$13.25 an hour, with an annual bonus — enough for presents under the Christmas tree.

But six years ago, her husband took a fall at work and then succumbed to various ailments — diabetes, liver disease, high blood pressure — leaving him confined to the couch. Not until 2008 did he secure his disability check.

And now they find themselves in this desert of joblessness, her paycheck replaced by a \$702 unemployment check every other week. She received 14 weeks of benefits after she lost her job, and then a seven-week extension.

For most of October through December 2008, she received nothing, as she waited for another extension. The checks came again, then ran out in September 2009. They were restored by an extension right before Christmas.

Their daughter has back problems and is living on disability checks, making the church their ultimate safety net.

“I never thought I’d be in the position where I had to go to a food bank,” Ms. Eisen said. But there she is, standing in the parking lot of the Calvary Chapel church, chatting with a half-dozen women, all waiting to enter the Bread of Life Food Pantry.

When her name is called, she steps into a windowless alcove, where a smiling woman hands her three bags of groceries: carrots, potatoes, bread, cheese and a hunk of frozen meat.

“Haven’t we got a lot to be thankful for?” Ms. Eisen asks.

For one thing, no pinto beans.

“I’ve got 10 bags of pinto beans,” she says. “And I have no clue how to cook a pinto bean.”

Local job listings are just as mysterious. On a bulletin board at the county-financed ProPath Business and Career Services Center, many are written in jargon hinting of accounting or computers.

“Nothing I’m qualified for,” Ms. Eisen says. “When you can’t define what it is, that’s a pretty good indication.”

Her counselor has a couple of possibilities — a cashier at a supermarket and a night desk job at a motel.

“I’ll e-mail them,” Ms. Eisen promises. “I’ll tell them what a shining example of humanity I am.”

[End]