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

By [PETER S. GOODMAN](#)

As the unemployment rate surged to 10.2 percent in October, reaching double digits for the first time in 26 years, it suddenly seemed possible that the nation might yet confront the worst joblessness since [the Great Depression](#).

In the six decades since the government began compiling such data, the highest level of unemployment came at the end of 1982, when it hit 10.8 percent. Despite the widespread assumption that the [recession](#) has already ended, and even as the economy has resumed growing, the government's latest snapshot of the labor market released Friday testified to the uncomfortable truth that expansion had yet to translate into jobs.

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

The sharp rise in unemployment — which climbed from 9.8 percent in September, as the nation lost another 190,000 net jobs — intensified pressure on the Obama administration to show results from the \$787 billion package of spending measures unleashed early this year to spur the economy.

On Friday, [President Obama](#) signed into law a bill that extends both unemployment benefits and temporary tax credits for home buyers, adding that he was on the lookout for other ways to generate job growth.

[Hilda Solis](#), the labor secretary, noted a slowdown in the pace of deterioration in arguing that better days were already on the way, while dismissing suggestions that the stimulus had proved disappointing. "I don't think it's a matter of things going wrong," she said in a conference call with reporters. "We're making a tremendous turning point here."

But the stark reality of double-digit unemployment seemed certain to inject fresh tension into the economic policy debate, offering Republicans a prop as they assert that the administration's spending package has failed to create jobs.

Labor unions and some Democrats have called for more spending to create jobs — a course that runs headlong into 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.](#), urged the government to finance large-scale construction projects to put people to work. Absent that, he said, "it will probably be 2012 before there starts to be real job creation."

Despite the headline-grabbing unemployment number, economists sifting through the details of the Labor Department's report found several reasons to take comfort.

The pace at which jobs are disappearing continued to taper off in October. 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. 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.

Temporary workers increased by 44,000 in October, adding to gains in the previous two months — an apparent sign that businesses had squeezed as much production as they could out of their existing work forces and felt the need to bring in more people.

“That goes the right way,” said Dean Baker, co-director for 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 in a reach for increased sales. As workers spend their paychecks, they will create opportunities for other businesses, generating more jobs — an upward spiral.

Some experts see this 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 recent trends can continue, absent another dose of government spending.

Though the economy grew at 3.5 percent annualized rate between July and September, much business activity was enhanced by special programs aimed at encouraging consumers to spend, not least the cash-for-clunkers program, which 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 re-emerge, 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 Inc., a market research firm in New York, who envisions the decline in jobs to continue until at least the middle of next year. He forecasts that the unemployment rate will reach 10.6 percent by the middle of next year and then perhaps climb higher.

Some worry that double-digit unemployment carries a psychological dimension that could perpetuate anxiety, prompting further hunkering down within the economy.

“It’s a benchmark,” Mr. Baker said. “It’s part of a general backdrop of economic news that does affect

decisions by businesses and purchases of big-ticket items.”

Beneath the dueling interpretations of future prospects, the report left little doubt that the present remained bleak in millions of American households. The pain has fallen harder on men, among whom unemployment reached 10.7 percent in October, compared with 8.1 percent among women. The unemployment rate for African-American men reached 17.1 percent.

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

Health care, a rare bright spot, added 29,000 jobs in October. Construction and manufacturing led the way, losing 62,000 and 61,000 jobs respectively.

In Columbia, S.C., Raymond Vaughn, 43, remains unemployed a year-and-a-half after he lost his job installing windows, relying upon his fiancée’s wages from a secretarial job to pay the bills.

Back in April, he was training for a new career in medical billing 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.

Last month, Mr. Vaughn thought he had a job for \$13 an hour at a factory that makes flooring boards. But two weeks before he was to begin training, the company called him to revoke the offer. “They said they had a hiring freeze,” he said.

So Mr. Vaughn finds himself stuck in a drearily familiar routine: every morning, he drives to the unemployment office downtown, where crowds seem thicker than ever. He scans meager listings and sends 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.”

Javier C. Hernandez contributed reporting.

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