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Jobless Rate Hits 7.2%, a 16-Year High

By LOUIS UCHITELLE

The nation lost 524,000 jobs in December, reflecting a pervasive fear among employers that if they fail to shed workers quickly their companies may go under in a recession poised to become the worst since the 1930s.

The unemployment rate, meanwhile, jumped to a 16-year-high of 7.2 percent, the Bureau of Labor Statistics reported on Friday. The growing army of the unemployed, at 11.1 million, is nearly 50 percent bigger than at the start of the recession a year ago.

Responding to the report, President-elect Barack Obama said Congress must enact an economic stimulus plan quickly.

The December decline in jobs came on top of similar losses in October and November. Not since 1980 has the work force shrunk so much in just three months. Companies across all industries are grappling with sales that are deteriorating rapidly just as they lose easy access to loans.

“The simplest way for a company to hoard cash is to drain their inventories and fire their workers,” said Robert J. Barbera, chief economist at the Investment Technology Group, a research and trading firm, “and everywhere you look, that is what is happening.”

The total number of jobs lost in the recession now totals 2.59 million, counting upward revisions for October and November, with many more job losses expected in coming months.

Nearly as troubling, hundreds of thousands more people sought full-time work in December but could not get more than part-time jobs.

If those workers are included, the so-called total unemployment rate swelled to 13.5 percent, from 12.6 percent in November and just 8.7 percent at the start of the recession. Total unemployment includes the officially unemployed, the part-timers who seek more hours and the nearly 300,000 who would like a job but tell pollsters from the Bureau of Labor Statistics that they are too discouraged to look.

Employers in nearly every industry cut payrolls. Only health care and education bucked the trend in December, adding just 45,000 jobs combined, the Bureau of Labor Statistics reported. Manufacturers, construction companies and retailers led all last year in eliminating jobs, and they did so again in December.

“What happened to jobs in the fourth quarter tells us unmistakably that this recession is going to be a long one and a deep one,” Mr. Barbera said. “The toughest six months,” he added, “will be the just-completed fourth quarter and the first quarter of this year.”

The consensus view of economists surveyed by Blue Chip Economic Indicators is that the economy will continue to contract until July at the very least, but at a slowing pace in the second quarter. That would make it the longest recession since the 1930s, outlasting the two record-holders, the mid-1970s and early 1980s downturns. Each of these recessions lasted 16 months. The current recession, which started in December 2007, would reach that milestone in April.

At a news conference in Washington, Mr. Obama said that behind the latest job statistics were “real lives, real suffering, real fears,” and Congress must bring Americans relief by quickly enacting a stimulus plan. Asked whether he was worried that some lawmakers thought his proposed stimulus program, estimated at $775 billion, was too small, he responded that others thought it was too big and said he was open to a “whole host of ideas” in consultation with Congress.

“You are assuming that I expected it to be easy,” he told one questioner. “No.”

The latest jobs report suggested that many employers tried to cut back hours before resorting to job cuts or hiring freezes. The average number of hours that Americans worked fell to 33.3 a week in December, down two-tenths of an hour, to the lowest level since records first were kept in 1964. Over the course of the recession, average weekly hours worked are down 4 percent.

“There has been a change in psychology as the financial crisis has devolved into a panic,” said Mark Zandi, chief economist at Moody’s Economy.com. “Businesses have gone from trying to hold onto workers, by reducing their hours, to laying them off in an effort to survive.”

Economists fell over themselves in describing the dire nature of the jobs report, which they said was alarming confirmation that the economy was in the midst of a sharp contraction in which consumer spending and business investment bordered on free fall. Many say that the economy contracted in the fourth quarter at a 5 or 6 percent annual rate and that steep contraction will continue at least through the first quarter, letting up only if Congress approves a sizable stimulus, one that kicks in soon and is at least as big as the $775 billion that the Obama camp has proposed.

“It will add massively to the budget deficit,” said Stuart G. Hoffman, chief economist at the PNC Financial Services Group in Pittsburgh, who counts himself as an advocate of balanced budgets. “But I am not against running deficits in these circumstances, not with so many people losing their jobs.”

Mr. Hoffman expects the unemployment rate, which jumped to 7.2 percent last month from 6.8 percent in November, to rise to 8.5 percent by July and plateau there for the rest of the year.

Others are less sanguine. They see 9 or 10 percent unemployment by early next year, and a jobless recovery that continues for about six months even after the economy ceases to contract.

By comparison, the unemployment rate reached 10.8 percent in the 1981-1982 recession, its highest level since World War II. In those years, unemployment and economic growth rose and fell more or less in tandem. But in the early 1990s that changed. In the 1990-1991 recession and again after the 2001 recession, employers continued to shed jobs for months. In the case of the 2001 recession, employment did not return to its prerecession level for four years.

“Even with the help of a stimulus,” said David A. Levy, chairman of the Jerome Levy Forecasting Center, “the unemployment rate is going to keep rising for the rest of the year, or longer.”

Jeff Zeleny contributed reporting.

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