US labor force participation rate falls to lowest level since 1978

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The US economy added only 169,000 jobs in August, lower than predicted by economists and less than the number needed to keep up with the growth of the population. The percentage of the population in the labor force fell to its lowest level in 35 years.

According to the report released Friday by the US Labor Department's Bureau of Labor Statistics, the number of people actively seeking employment, and therefore categorized as being in the labor force, fell by 312,000. The labor force participation rate fell 0.2 percentage points to 63.2 percent, its lowest level since August 1978.

The official unemployment rate fell by 0.1 percentage points, to 7.3 percent, largely because of the decline in the labor force, as those who have stopped looking for work are not counted as unemployed.

In addition to the low number of new jobs in August, the government revised downward the estimates for the number of jobs added in June and July by a total of 74,000. The number for June fell from 162,000 to 104,000.

As a whole, the latest jobs figures reflect a stagnant economy, characterized by persistent high unemployment, with new jobs largely concentrated in low-wage and part-time sectors.

After the downward revisions, the average payroll growth per month for the last six months was only 160,000, well below the growth of the working-age population of about 184,000 per month. The average monthly gain for 2013 through August is lower than it was for the twelve months of 2012.

The bulk of new jobs was in service industries—134,000, compared to only 18,000 in the goods-producing sector and 17,000 in government. In the service sector, 44,000 were in retail trade, 43,000 in education and health services, and 27,000 in leisure and hospitality.

These sectors are likely to hire part-time workers at low wages. The number of people working part-time for economic reasons fell slightly, but remains at 7.9 million. The so-called "underemployment" rate, which includes those working part-time for economic reasons and those "marginally attached to the labor force," but not those who have fallen out of the labor force, also fell slightly, to 13.7 percent.

According to Keith Hall, a senior researcher at George Mason University and former head of the Bureau of Labor Statistics, over the last six months (before August), 97 percent of net job creation was part-time work, an unprecedented figure. (See: " Report: 97 percent of new US jobs are part-time ").

The decline of more permanent, better-paying jobs is reflected in the continued collapse in the labor force participation rate for men, who have traditionally been employed in higher-paying sectors such as manufacturing (though wages in these sectors have over the past decade been brought into competition with wages in the service sector).

The participation rate for men fell to 69.5 percent, its lowest level since the government began collecting records in 1948. The participation rate for women, which rose steadily throughout the 20th century, continued to decline as well, falling 0.1 percentage points to 57.3 percent.

The dismal jobs situation in the Untied States is not merely the product of abstract economic forces, but the direct result of the policy of the ruling class, led by the Obama administration, in response to the economic crisis. Since the collapse of 2008, the government has devoted itself to bailing out the banks, then initiating a policy through the Federal Reserve of funneling hundreds of billions of dollars into the stock market.

Nothing has been done to create jobs, and the Obama administration has rejected out of hand any federal jobs programs. When it speaks of the unemployment situation at all, on rare occasions, it is in order to advance “jobs” measures that focus largely on tax cuts for corporations, deregulation and private-public partnerships.

The assault on the working class continues. While preparing to spend billions of dollars on a new war against Syria, the federal government has rejected any financial assistance to Detroit, where an unelected emergency manager has thrown the city into bankruptcy in order to impose wage cuts and layoffs on city workers, while decimating pensions and other benefits. This is seen as a model for cities throughout the country.

The collapse of relatively higher-wage, full-time jobs is a product of the policy of the Obama administration, which, beginning with the auto industry, has encouraged sharp cuts in wages and benefits in order to make US companies more competitive with those that exploit cheap labor overseas.

Media commentary on the jobs report has focused largely on its impact on the Federal Reserve’s “quantitative easing” policy. In recent months, the Fed has indicated that it will “taper” its $85 billion a month securities buying spree. The poor jobs report initially sent the stock market up sharply, on the hope that it would lead the Fed to reverse its plans for cutting back on quantitative easing. The markets then fell on concerns over the impact of a new war in the Middle East on the economy, with the Dow Jones closing slightly higher.