Retail sales slump points to dismal conditions for US workers

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The S&P 500 stock index hit a new record Friday, closing above 1,900 for the first time, having more than doubled in value since 2008. Corporate profits are booming, and economic pundits are proclaiming that the economic "recovery" is in full swing.

The flip side of the unprecedented growth in the wealth of the ruling class is the dismal economic conditions facing the vast majority. Six years after the economic crash, unemployment, poverty, stagnant wages, and increasingly precarious employment continue to be defining realities of life for broad sections of the population.

This reality was starkly expressed in a report on retail sales released Friday by Retail Metrics, which found that earnings in the first quarter fell below estimates by the largest level in thirteen years. The 87 major retailers surveyed saw their earnings fall by 4.1 percent, compared to January estimates of a 13 percent increase.

While the colder-than-average winter likely had an impact on the sales figures, the real culprit is the disastrous financial position of American households. "The American consumer is not fully back and remains cautious," wrote Ken Perkins, Retail Metrics' president, in the report.

Wal-Mart, the discount retailer, posted its worst quarterly same-store performance in five years, and its profits fell by five percent for the quarter. Twenty percent of the retailer's customers rely on food stamps, and the retailer said the two successive cuts to the program over the past year impacted sales.

Stores that target the affluent and wealthy were the exceptions. The upscale department stores Nordstrom and Dillard's reported sales increases; Nordstrom's sales grew by 6.8 percent, while those of Dillard's grew by two percent.

The disparity between the phenomenal growth of the stock market and corporate profits on one hand, and worsening conditions for the great majority of the population on the other, expresses the basic character of the economic "recovery." Stock markets have been fueled by an infusion of cash from the Federal Reserve, while corporate profits have been boosted by wage cuts and an increase in part-time labor.

Last month, the National Employment Law Project issued a report showing that nearly two million medium- and high-wage jobs have been replaced by low-wage jobs. While US businesses have on the whole added 1.85 million low-wage jobs over the past six years, they have eliminated 1.83 million medium-wage (paying between $13 and $20 per hour) and high-wage (between $20 and $32 per hour) jobs.

Speaking last month at the New York Federal Reserve's Regional Economic Press Briefing, William C. Dudley acknowledged, "The vast majority of jobs that were lost in the nation and across the region were middle-skill jobs, such as construction workers, teachers, machine operators, and administrative support workers. These jobs have not come back during the recovery." Dudley noted that these jobs are being replaced with "lower-skilled jobs—such as food service workers, retail clerks, health care aides, and child care workers."

The number of people working part-time because they cannot find full-time work, which stood at 7.3 million last year, has nearly doubled since before the 2008 economic crisis. Fifteen years ago, only 2.3 percent of the employed population was working part-time for economic reasons. This share now stands at 5.3 percent.

In addition to the growth in part-time labor, the percentage of workers employed by temp agencies has nearly doubled, from 1.3 percent of all employees to

2.1 percent of all employees. There are now 2.8 million workers in such jobs. They are employed not by the companies that exploit their labor, but rather by labor contractors. “Once known as a source of stopgap labor used primarily for routine clerical assignments, temp help services now plays an important role in the US economy,” wrote the Bureau of Labor Statistics last month.

Meanwhile, mass unemployment continues to take a disastrous social toll on the working population, with the long-term unemployed affected worst of all. A recent survey by the Brookings Institution revealed the extremely precarious situation for this section of the unemployed. In the survey, long-term unemployed people were interviewed during their bout of unemployment, and then again fifteen months later. Of those who were surveyed, only one in ten had found full-time work. Two-thirds were not able to find work of any kind.

The combined impact of falling wages and mass unemployment has had a devastating impact on workers’ incomes. The median household income in the US plummeted by 8.3 percent between 2007 and 2012. Meanwhile, the net worth of America’s billionaires reached $1.2 trillion last year, more than double what it was in 2009.

Over the past year, the White House and Congress have cut food stamp benefits twice, ended federal emergency jobless benefits for more than three million long-term unemployed, implemented sharp cuts to social spending, and used the rollout of the Affordable Care Act to encourage companies, including Target and Home Depot, to slash employee health care benefits.

These realities are an expression of the fact that the American ruling class, led by the Obama administration, is waging a brutal campaign against workers’ living standards, seeking to slash wages and social services while all instruments of government policy are directed at ensuring the wealth of the financial aristocracy.