US labor force participation rate hits lowest level since 1978

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4 October 2014

The share of US working-age adults who are in the labor force fell to the lowest level in 36 years, according to the monthly jobs report published Friday by the Labor Department.

While the economy added an estimated 248,000 jobs and the official unemployment rate fell from 6.1 to 5.9 percent, these headline figures hide a more fundamental reality. Six years after the financial collapse of 2008, the labor market remains stagnant and an increasing portion of the population has simply given up hope of ever finding work.

The jobs report revealed that nearly 100,000 people dropped out of the labor force last month, while wages continued to decline. The total number of working-age people who are not in the labor force hit a new record: 92.5 million, up by more than two million since September of 2013.

The Economic Policy Institute keeps track of “missing workers”—those who are likely to have dropped out of the labor force because no jobs are available (as opposed to those who are not in the labor force for other reasons). According to the organization, the number of missing workers has hit 6.32 million. If they were counted in the unemployment rate, it would be 9.6 percent, instead of the 5.9 percent that is officially reported.

In addition to the “missing workers” noted in the EPI’s calculations, there are the nearly three million people in the US who have been out of work force more than 27 weeks, making up a third of the 9.3 million people in the US who are officially counted as unemployed.

“While the unemployment rate for the short-term unemployed—people out of work for six months or less—has returned to pre-recession levels, the levels of unemployment for workers who remain jobless for more than six months is among the most persistent, negative effects of the Great Recession," noted a recent Rutgers University survey.

These long-term and hidden jobless, whose ability to find work decreases the longer they are unemployed, receive next to no social assistance, with less than one in ten getting either job training or job placement assistance funded by the federal government.

The persistent mass joblessness that dominates the US economy is accompanied by the decline and stagnation of wages. Average hourly earnings for workers fell one cent in September and have risen only about two percent so far this year, an increase that has been largely wiped out by the rise in prices.

According to the Federal Reserve’s latest Survey of Consumer Finances, released last month, between 2007 and 2013 the income of a typical US household fell 12 percent. The median American household now earns $6,400 less per year than it did in 2007. Five percent of that decline took place during the so-called “recovery” between 2010 and 2013.

The official job gains in September were concentrated in the service sector, which employs predominantly low-wage workers. The professional and business services sector, which includes workers at temp agencies, added 81,000 jobs, more than any other industry. This was followed by the retail sector, which added 35,000 jobs, and the leisure and hospitality sector, which added 32,000 jobs.

Commenting on the jobs report, the *New York Times* on Friday sought to explain the “puzzle” that the “usual link between unemployment and the rate of wage growth”—in which wages rise as the official unemployment rate falls—“has totally broken down over recent years.”

It is, in fact, not much of a puzzle. The official unemployment rate has simply ceased to be an objective measure of the real state of the labor market, which is characterized by a massive “reserve army” of workers who have dropped out of the labor force but would rejoin it if jobs became available. This state of affairs forces workers to accept lower pay and worse conditions, knowing that they can be fired at will and easily replaced.

Despite the precarious economic conditions facing ordinary people, President Barack Obama touted the economic “recovery” in his speech Thursday at Northwestern University in Evanston, Illinois. “It is indisputable that our economy is stronger today than when I took office,” Obama proclaimed. He declared that this supposed turnaround was the result of “sound decisions made by my administration.”

The only truthful element of Obama’s remarks was the correlation between his policies and state of the economy. This administration has slashed social spending and government payrolls, with 668,000 government employees laid off during his tenure in office. The Obama White House has encouraged companies to slash workers’ wages and benefits, including in the 2009 auto restructuring, in which the White House made wage cuts a precondition for government aid to the automakers.

To add insult to injury, Obama has presided over the cutoff of federal extended jobless pay, leaving more than three million long-term unemployed people without any cash benefits.

These policies have contributed to the dominant characteristics of the US economy: mass long-term unemployment, plummeting wages, and a concentration of wealth unprecedented in American history.