US corporate profits soar as productivity rises and wages stagnate

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With productivity soaring and wages declining or stagnating, US corporations are extracting ever-greater profits off the backs of American workers.

According to revised US government figures by the Bureau of Labor Statistics, productivity grew at a 2.3 percent annual rate in the third quarter, up from the 2 percent rate earlier estimated. On the other hand, unit labor costs fell by one percent instead of the .3 percent rise previously calculated. For the second quarter, unit labor costs plunged 3.7 percent, according to revised calculations. This was far more than the .5 percent rise previously estimated.

Meanwhile, hourly pay rose just 1.3 percent in the third quarter. Over the past year, average hourly pay is up 1.9 percent and average weekly earnings up 2.5 percent. That is barely above the annual increase in the consumer price index of 1.7 percent. For corporations, labor costs have risen just 1.2 percent over the past year, below the annual rate of inflation and well below the long-term average of 2.8 percent.

These figures show the extent to which the so-called economic recovery in the United States has been fueled by driving down the wage levels of workers. Increases in productivity and declining labor costs have led to a profit boom, with corporate profits at their highest level in at least 85 years.

In the third quarter, US corporate profits rose 1.7 percent over last year, an adjusted annual rate of $1.873 trillion compared to $1.842 trillion in the second quarter. That is the 12th straight quarter that profits have risen year over year. For companies listed in the S&P 500 index, profits have gone up nearly 12 percent from a year earlier.

Among the sectors seeing significant profit gains was banking. Commercial banks and savings institutions that are insured by the Federal Deposit Insurance Corporation saw their aggregate net income increase to $38.7 billion in the third quarter. That figure was up 7.3 percent from one year ago.

Retail giant Walmart reported net earnings of $3.71 billion for the quarter ending October 31. The company’s revenue beat expectations, rising to $119 billion in the period.

According to the Economic Policy Institute some 35 million American workers, or about 26 percent of the US workforce, earn less than $10.55 per hour.

Workers in the retail sector, meanwhile are among the lowest paid in the United States. Some 4.6 million US retail sales employees earn about $21,600 per year, well below the poverty level for a family of four. According to the Bureau of Labor Statistics cashiers make even less, $18,970, or about $9.12 an hour. About one in five retail workers are the sole support of their families. Three-quarters of those earning the minimum wage are 20 years or older.

A report by the National Employment Law project showed that of the 6.2 million production workers in the United States, 600,000 make $9.60 an hour or less and 1.5 million make $11.91 an hour or less. Real wages for manufacturing workers fell by 4.4 percent between 2003-2013, almost four times faster than wages for the population as a whole. In total, US manufacturing wages are now 7.7 percent lower than for all workers, public and private. This represents a historic decline and a reversal of the wages and benefits gains made by American industrial workers over decades of struggle.

However, retail and manufacturing are not the only occupations affected by the wage decline, which has impacted all sectors. In the first half of 2014, real wages fell in almost every occupation category of the US workforce. Level of education was not a major factor. Real wages declined for those with no high school degree as well as among those who graduated from high school. They also fell for those with a college degree and, in fact, fell the sharpest: 2.7 percent, for those with an advanced degree.

What expansion of employment has taken place has been to a large extent in the area of low wage, temporary or part time jobs. According to the most recent jobs report there were 7 million people in October who were working part-time because they weren't able to find full-time employment.

The recent figures on wages and productivity growth continue a long-term trend. Since 1979, hourly wages have lagged far behind the growth in productivity. While productivity grew 64.9 percent in the period 1979-2013, hourly pay for production and non-supervisory workers rose by just 8.0 percent. This differential has translated into a significant increase in the share of after-tax profits, reaching 10 percent in 2013, the first full year it has reached that level. Meanwhile, in 2013, the share of wages in the national economy fell to 42.5 percent, lower than any year previously recorded.