Behind the US jobs report: Low wages and persistent mass unemployment

Gabriel Black
7 March 2015

The US economy created 295,000 new jobs in February, according to a Bureau of Labor Statistics (BLS) report released Friday. The percentage of the population officially unemployed shrank by 0.2 percentage points to 5.5 percent.

The report sent tremors throughout Wall Street, with the Dow Jones Industrial Average falling 1.5 percent. Investors fear that any slacking of the jobs crisis could lead the Federal Reserve to scale back on its policy of ultra-low interest rates that has formed the basis of financial speculation in recent years.

Media outlets have celebrated the jobs report as a sign of the US economy's growing strength. However, some have been confused with the question, voiced by the *New York Times*, "So Why Aren't Wages Rising More?"

Behind the headline figures of February's report lie two underreported facts. First, the fall in the official unemployment rate is largely fictional. Second, new jobs are concentrated in lower-paying sectors, while the overall wages of workers throughout the economy are under sustained attack.

While February was the 60th straight month of job growth in the private sector, it was also the 11th straight month in a row that the labor participation rate—a more accurate measure of unemployment—remained below 63 percent. The figure fell 0.1 percentage points to 62.8 in February, the lowest level since 1978. The contrast between the extremely low labor participation rate and the ostensibly recovering official unemployment rate arises from the fact that millions of unaccounted laborers in the official statistics cannot find suitable work.

Indeed, more than two-thirds of the drop in the jobless rate was due to workers leaving the workforce, not workers finding jobs. In February the number of people reported as being unemployed shrank by 274,000. Of those, 178,000 left the work force and 96,000 gained jobs.

According to the Economic Policy Institute (EPI), there were 5,970,000 unemployed workers missing from the official statistics in this month's job report. Were they to be added to the unemployment rate, it would stand at 9 percent. These missing workers "are people who would be either working or looking for work if job opportunities were significantly stronger." The EPI notes that more than half of these missing workers are in their prime age of working, between the ages of 25 and 54.

There are several signs that the jobs market is entering a renewed downturn. The number of Americans who filed new claims for unemployment benefits rose sharply last week, by 7,000, to a seasonally adjusted 320,000.

Meanwhile, Challenger, Gray & Christmas, the consultancy firm that tracks mass layoffs, reported yesterday that US employers announced 103,620 planned layoffs in the first two months of 2015, up nearly 20 percent from the same period last year.

As for wages, they remained stagnant for non-supervisory and production workers, the bulk of the workforce. Wages for all workers rose slightly, by $0.03.

One commentator on National Public Radio noted, "We're adding most of our jobs at or slightly above minimum wage, and as long as that's the case, you're not going to get a whole lot of upward pressure on wages."

A report released last April by the National Employment Law Project, "The Low-Wage Recovery," found that unlike previous recessions and post-recession recoveries, the current "recovery" has been dominated by low-wage growth. The authors wrote, “We find that low-wage job creation was not simply a characteristic of the first phase of the recovery, but rather a pattern that has persisted for more than four years now. Deep into the recovery, job growth is still heavily concentrated in lower-wage industries.”

The largest industry to gain workers in February was in “food services and drinking places,” which saw 59,000 new jobs, or about a fifth of all gains. Professional and business services increased by 51,000 jobs, retail by 31,000, construction by 29,000 and health care by 24,000. Part-time workers stood unchanged at 6.6 million people.

The Obama administration’s “recovery,” characterized by high stock prices for the rich, stagnating or declining wages for the majority, and long-term unemployment, is not a policy accident. Starting with the bailout of the auto companies, which cut in half the wages for new hires, the administration has led the charge in “wage restructuring” and “downsizing” in order to make American workers more easily exploitable. Meanwhile, the bailout of the banks and Federal Reserve’s quantitative easing program have ensured record profits and stock prices for the super-rich.