Report shows continuing stagnation in US jobs, wages

Tom Hall
8 August 2015

The latest jobs report by the US Labor Department has been the subject of mild praise in the corporate media, which has portrayed the figures as an indicator of a slow but steady recovery in the American labor market.

As with previous reports, however, the anemic figures released on Friday actually demonstrate that American workers face continuing economic stagnation.

The economy added only 215,000 new jobs in July, slightly below analysts' already low expectations. Through the first half of the year, the job market is on pace to grow at a much lower rate than last year, which averaged 246,000 jobs a month.

The added jobs were not enough to affect the official unemployment rate of 5.3 percent. However, it is widely acknowledged that the official unemployment rate is largely fictitious, with the head of the Gallup polling agency going so far as to call it a "Big Lie" earlier this year.

The Economic Policy Institute, a Washington think tank, estimated that there were around 3.4 million "missing workers" last month, defined as those who would be looking for work if the job market were better. If these workers are included, the unemployment rate would rise to 7.3 percent. In addition, a large number of people are still underemployed. Some 6.3 million people were classified as "involuntary part-time workers" in July, meaning they worked part-time because they were unable to find full-time jobs.

The main factor in the fall in the unemployment rate is not a growing job market, but a falling labor force participation rate—a measure of the percentage of the population that is actively seeking employment. This remained constant at 62.6 percent in July, its lowest level since 1977. Particularly pronounced is the fall in labor force participation among those in the prime of their working career.

According to the EPI, the employment-population ratio for people aged 25-54 was only 77.1 percent in July. This figure has stagnated or declined since the beginning of the year, following years of extremely slow growth. During the early 1990s and 2000s, the employment-population ratio for 25-54 year-olds never dropped below 78.1 percent.

The number of people in long-term unemployment, defined as the percentage of the population that has been out of work for 27 weeks or more, remained constant at 2.2 million people in July, or 26.9 percent of all unemployed.

The jobs situation facing young people is especially bleak. The labor force participation for teenagers was only 41.3 percent in July, the lowest level in the post-war period. The official unemployment rate for teenagers was a staggering 16.2 percent.

A defining feature of the American economy seven years after the 2008 collapse is the prevalence of low-wage jobs. Wages grew by only 0.2 percent last month, according to the report. This follows on the heels of a previous report by the Labor Department that found that employment costs in the second quarter of the year rose by only 0.2 percent, the lowest quarterly rise since 1982. Over the past year, wages have only risen by 2.1 percent, barely enough to keep up with inflation.

The increase in employment in July skewed toward the retail industry, which added 36,000 jobs. The median hourly wage for retail salespeople in July was a poverty-level $10.29.

Significantly, the Labor Department statistics show a decline in employment in the mining sector of 5,000 jobs, reflecting a wave of layoffs and bankruptcies due to a collapse in the price of coal and of commodity prices. Last month, the world's fifth-largest mining conglomerate, Anglo American, announced that it would cut 53,000 jobs worldwide in the near future.

What is revealed in these monthly figures is the restructuring of class relations in the United States after the 2008 recession. The economic recovery that officially began in 2009, far from leading to any benefits for American workers, has been largely predicated upon their impoverishment. What remains of the social and economic gains made by American workers after World War II are being systematically dismantled, and the United States converted into a low-wage platform.

Friday’s report was considered especially significant because of its implications for the Federal Reserve’s widely-expected decision to begin raising interest rates sometime later this year. Although the report was slightly below analysts’ expectations, it spooked investors worried by the prospect of the Federal Reserve beginning to turn down the spigot of virtually free money.

This caused a brief sell-off throughout the middle of the day on the stock market. At one point, the Dow Jones Industrial Average was down by more than 135 points, before closing the day down by 46 points, the seventh day in a row the index had fallen.

The Federal Reserve’s near-zero interest rate policy, far from fueling new investment in productive capital, has encouraged an orgy of the sort of financial speculation by Wall Street firms that produced the 2008 financial crisis in the first place. This is expressed in the boom in share values on the stock market, which have almost tripled since 2009, even as the real economy has stagnated.