Amid “full employment,” no recovery in US wages

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The US jobs report for November, released Friday, provides further evidence that the much vaunted economic “recovery” in the United States has overwhelmingly benefited Wall Street, whose stock bonanza is based above all on stagnant wages and the destruction of working-class living standards.

The Labor Department reported that nonfarm payrolls increased by 228,000 and the jobless rate remained unchanged at 4.1 percent, the lowest level since January 2000 at the height of the “dot.com” bubble. Manufacturing payrolls rose by 31,000; construction in the aftermath of the hurricanes in Texas and Florida added 24,000 jobs. There was also a boost in the low-wage retail (18,700) and leisure and hospitality (14,000) sectors.

Despite what economists, the media and politicians are calling “full employment,” average hourly earnings rose only 0.2 percent, or five cents, to $26.55 an hour, from a downwardly revised 0.1 percent drop in wages in October. Year-to-year wage increases in November were only 64 cents, or 2.5 percent. If wages rise by another nickel in December, yearly salaries will be up a mere 2.4 percent in 2017, barely above the official projected inflation rate of 2.0 percent.

“President Trump’s bold economic vision continues to pay off,” White House Press Secretary Sarah Huckabee Sanders boasted on Friday. “The economy’s vital signs are stronger than they have been in years,” the *New York Times* declared. “Companies are posting jobs faster than they can find workers to fill them. Incomes are rising. The stock market sets records seemingly every month.”

Economic analysts have pointed to anemic wage growth, euphemistically called weak “inflationary pressure,” as a major factor in the determination of the Federal Reserve to continue pumping up the stock market with cheap credit. Although most economists expect a modest interest rate hike at the Fed’s meeting Wednesday, Jerome Powell, President Donald Trump’s nominee to head the Federal Reserve, made clear last month at his Senate confirmation hearing that he would keep rates at historically low levels. At the same time, he assured the senators that there was little danger of a wages push because of continuing “slackness” in the labor market, i.e., an ample supply of workers desperate for full-time employment.

Other analysts agree. “Wage growth has been muted thus far,” especially given the “very healthy pace of job creation,” said Michelle Meyer, head of US economics at Bank of America. “It’s been the story throughout the course of this year.”

Describing November’s wage increase as “tepid,” Carl Riccadonna and Yelena Shulyatyeva of Bloomberg Economics wrote: “Even though job gains are well in excess of the natural growth rate for the labor market, labor scarcity is not yet driving wage pressures higher. The moral of the story from this jobs report is that full employment is indeed much lower in the current cycle relative to history.”

US employers are exploiting a reserve of unemployed and underemployed workers to keep wages low. At the same time, corporations are filling positions with young workers who are paid far lower wages and benefits than the older workers they are replacing.

According to the government, 6.6 million workers in the US remain unemployed, including 1.6 million, or nearly one out of four jobless people, who have been unemployed for 27 weeks or more. Another 4.8 million were forced to work part-time last month although they want full-time work, and 1.8 million were “marginally attached” to the labor force. The latter want to work but did not search for employment in the four weeks preceding the survey and were therefore not counted as “unemployed.”

The labor force participation rate, or share of working-age people in the labor force, remained at 62.7 percent in

November. However, just 79 percent of the prime-age work force, aged 25 to 54, is actually working—below the rate before the 2008 financial crash.

The situation facing the young generation is particularly dire. According to the Class of 2017 report by the Economic Policy Institute, the unemployment rate for young high school graduates is 16.9 percent (compared with 15.9 percent in 2007 and 12.1 percent in 2000). For young college graduates, the unemployment rate is currently 5.6 percent (compared with 5.5 percent in 2007 and 4.3 percent in 2000), and 7.1 percent for young male college graduates.

The figures are even higher for "underemployment," which includes young graduates who are involuntary part-timers or are only marginally attached to the labor force. For young high school graduates, the underemployment rate is 30.9 percent (compared with 26.8 percent in 2007 and 20.8 percent in 2000). For young college graduates, the underemployment rate is 11.9 percent (compared with 9.6 percent in 2007 and 7.1 percent in 2000).

The share of young graduates who are "idled" by the economy—neither enrolled in further schooling nor employed—remains higher in the wake of the Great Recession than in 2007 and 2000, the report noted. This includes 15.1 percent of young high school graduates and 9.9 percent of young college graduates, many of whom are burdened with unsustainable debts.

The stagnation of wages is a long-term tendency. Since the early 1970s, hourly inflation-adjusted wages have grown by only 0.2 percent annually, and labor's share of national income has fallen from nearly 65 percent in the mid-1970s to below 57 percent in 2017.

The deterioration in the social position of the working class and accompanying explosion of social inequality are not simply the result of objective economic laws. They are the intended outcome of the policies of the American ruling class, implemented by successive Democratic and Republican administrations alike. The transfer of production to lower-wage countries, deindustrialization and mass layoffs in the 1980s and 1990s were used as a hammer to beat back the resistance of workers to a historic lowering of their living standards.

This process was aided and abetted by the trade unions, whose pro-capitalist and nationalist orientation left workers without any progressive response to globalization. Far from opposing wage and benefit cuts, the United Auto Workers and other unions suppressed working-class opposition and collaborated with the corporations to slash labor costs in the name of boosting competitiveness and "protecting American jobs."

This assault was escalated in the aftermath of the global financial crisis of 2008. In the course of the eight years of the Obama administration, the unions limited strikes to the lowest levels since the Labor Department began recording work stoppages in 1947. They collaborated with the Democratic president to crush a potential wages push in 2015-16 as workers in auto, steel, oil, telecom, airlines, rail, health care, retail and other industries, as well as teachers and other public employees, were coming up for new labor agreements.

While workers were determined to recoup lost income after corporate profits had fully recovered from the crash, the unions signed deals that limited pay hikes to the rate of inflation or barely above it while shifting health care and pension costs onto the backs of workers. This was key to Obama's "in-sourcing" strategy for attracting investment on the basis of low wages, as well as his "quantitative easing" interest rate policy, which fueled the massive rise in the stock market that continues to this day. Virtually all of the net increase in new jobs created under Obama's "gig economy" were part-time, contingent or temporary.

Trump claims his $1.5 trillion tax cut—including the slashing of the corporate tax rate from 35 percent to 20 percent—will create more jobs and increase wages. As in the Obama years, however, this massive windfall for big business and the rich will not be used to expand production, let alone increase the wages and living standards of workers. It will go for stock buybacks and dividend increases, which benefit the richest investors.

Wages are so low now that 7.6 million Americans are forced to work multiple jobs, a number not seen in 20 years. In a recent article titled "China-Like Wages Now Part of US Employment Boom," *Forbes* noted that a forklift operator hired at $12.75 an hour at Amazon's Fall River, Massachusetts fulfillment center makes $382 for a 30-hour week, "not much more than the average guy in Beijing," where the median weekly wage is $329.53. At 40 hours a week, a higher paid, full-time Amazon worker in Fall River earns $28,800 a year before taxes, roughly what Amazon's billionaire CEO Jeff Bezos pockets every minute.