Wall Street rebounds after federal jobs report shows continued wage stagnation

Alec Andersen
7 July 2018

Following weeks of uncertainty over the escalating trade war measures imposed by the United States on China and other economic rivals, U.S. stock indexes ended the week with a rally in response to Friday's release of the Bureau of Labor Statistics (BLS) June jobs report, which found that continued job growth has still not produced any significant increase in wages for workers.

According to the BLS report, titled "The Employment Situation—June 2018," total nonfarm employment increased by 213,000 in June. However, the official unemployment rate increased from 3.8 percent to 4 percent, largely as a result of more people entering the workforce and actively looking for jobs. The labor force participation rate rose by 0.2 percent to 62.9 percent in June, remaining below pre-2008 levels.

The U-6 unemployment measure—which includes those who have given up searching for work, are marginally attached to the labor force (due to lack of steady employment), and those who are forced to work part-time but would like to work full-time—also moved up by 0.2 percent to 7.8 percent over May's report.

In spite of the tightening labor market, however, wage growth remains anemic. Wages increased by 0.2 percent from May to June of this year, and 2.7 percent since June 2017. This means that workers' wages will likely fall behind the rate of inflation, which in May reached 2.8 percent.

The combination of strong job growth with stagnant wages has been an ongoing pattern in jobs reports since the 2007-2008 financial crisis and subsequent "Great Recession." Neither the BLS report nor any of the establishment press outlets have sought to provide any explanation for this trend, which runs contrary to the commonly-accepted capitalist economic principle that a tighter labor market will result in higher wages as employers compete against one another for workers.

This phenomenon is a direct result of the artificial suppression of the class struggle and policies designed to shift the burden of the capitalist crisis onto the backs of the working class in the United States and around the world. The capitalist class exploited the crash of 2008 and subsequent recession to restructure social relations to ones even more favorable to the financial elite. It could not have done so without the assistance of the trade union bureaucracy in suppressing working class unrest and imposing concessions on their memberships.

Far from being unique to the United States, stagnant wages have been a central feature of economic life throughout the world over the past decade. A July 4 report by the Organization for Economic Cooperation and Development (OECD) found that among its 26 member countries, average nominal wage growth has slowed from an annual rate of 4.8 percent before the crash to just 2.1 percent.

The OECD attributes this decline to the immense increase in part-time and temporary jobs since 2008. A 2016 study by researchers at Princeton University and Harvard University, for example, found that 95 percent of job gains since 2008 were temporary, part-time, or contract jobs, which large corporations have used to avoid providing benefits and decent pay to ever-larger numbers of employees.

The guiding example of this assault was provided by Obama's restructuring of the auto industry, which sought to increase profit margins by slashing wages and benefits, increasing the temporary part-time workforce, and clawing back other gains made by the working class through struggle over the past century. Obama's so-called healthcare "reform" likewise represented an effort to shift the burden of rising healthcare costs from employers onto the working class.

© World Socialist Web Site

In Europe, the assault on working class wages and conditions has primarily taken the form of brutal austerity policies to slash social programs and increase the tax burden of workers to pay for the subsidies offered to European banks.

The result of these policies in the U.S. and internationally has been a steep decline in the social position of the working class and a precipitous rise in social inequality, with over 90 percent of income gains going to the top 10 percent of households in the United States over this period.

The wave of teachers' strikes earlier this year, all initiated by rank-and-file teachers in the teeth of opposition from the unions, has shaken the ruling class. It is desperately afraid of a new upsurge of class struggle, taking the initial form of a wages push. The central preoccupation of the Federal Reserve, as shown in its just-released minutes for June, is preventing such a push by raising interest rates, without at the same time collapsing inflated stock values.

Workers must draw the necessary conclusions from these experiences and make a decisive break with the capitalist political parties and their trade union stooges, instead turning to their class brothers and sisters throughout the world in a unified struggle to reorganize society to meet human need, rather than private profit.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site