US job growth down sharply, wages stagnate

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The US jobs report for May, released Friday by the Bureau of Labor Statistics (BLS), showed an increase in non-farm payrolls of only 75,000, far below the 223,000 jobs added in April. While the official unemployment rate remained at 3.6 percent, the lowest figure in half a century, this has not translated into significantly higher wages.

Wages continue to stagnate, with workers seeing an average hourly pay raise of only six cents, or 0.2 percent, in May, the same as in April. Over the last 12 months, average hourly wages have grown by only 3.1 percent. With an annual inflation rate of two percent, the increase in real wages for US workers over the past year is a mere 1.1 percent.

The virtual freeze in real wages has been constant feature of the so-called economic recovery since the Great Recession. In fact, real wages for American workers peaked 46 years ago, in 1973.

The reported net gain of 75,000 jobs in May was offset by a reduction of 75,000 in the BLS' job estimates for April and March. Factory employment is up just 30,000 this year, compared to a gain of 110,000 in the first five months of last year. Overall job increases are likewise sharply down in 2019. In the first five month of this year, the US economy added an average of 164,000 jobs, down from an average gain of 223,000 for all of 2018.

"Following an overly strong April, May marked the smallest gain since the expansion began," said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute, which surveys the payroll data of nearly half a million employers.

ADP said goods-producing employers cut 43,000 jobs in April, including 4,000 in mining and natural resources, 36,000 in construction and 3,000 in manufacturing. The retail sector lost jobs for the fourth month in a row and employment in that sector has dropped by 50,000 since January. Gains in employment were limited to professional and business services and health care.

In a separate report released last week, the Bureau of Labor Statistics found that non-farm business sector labor productivity increased 3.4 percent in the first quarter of 2019, while unit labor costs decreased by 1.6 percent due to negligible increases in wages. Labor productivity rose less in the manufacturing due to a fall in overall output and fewer hours worked, both signs that the US economy is slowing.

Despite the claims of "full employment," the number of workers officially listed as unemployed remained unchanged at 5.9 million in May. Just short of a quarter of these workers—1.3 million—are listed as long-term unemployed because they have been jobless for 27 weeks or more.

Not included in the official unemployed numbers are the 4.4 million workers who were forced to work part-time in May because their hours were reduced or they were unable to find full-time work. Another 1.4 million workers, also not counted as jobless, were those defined by the government as marginally attached to the work force because they had not searched for work in the four weeks preceding the survey, although they wanted and were available for work and had looked for a job sometime in the prior 12 months.

Anemic job growth in the US and a decline in retail sales and factory orders in April all point to a slowing of the US economy. This, along with slowing growth in Europe and China, have led to mounting predictions of a looming global recession. These trends have been exacerbated by the trade war the Trump administration has launched against China, the world's second largest economy, along with protectionist threats against Mexico, Germany, Japan, Australia and other countries.

The US Federal Reserve has made clear its willingness to reduce interest rates to keep the speculative bubble on Wall Street inflated. Last

Tuesday, Fed Chairman Jerome Powell signaled that the central bank was prepared to cut rates if trade conflicts adversely affected the stock market. This triggered a jump of 512 points on the Dow Jones Industrial Average that day and further gains on Wednesday and Thursday. On Friday, the markets responded to the unexpectedly poor jobs report with another surge, confident that the Fed would use the slowdown in job growth to justify a rate cut, possibly as soon as its next meeting later this month.