Employment report for July shows decline in US job creation under impact of rate hikes

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The US employment report for July released Friday showed that 187,000 jobs were created last month, fewer than the 200,000 that had been predicted. The news initially sent stock prices higher, as investors welcomed the indication that continuing interest rate hikes by the US Federal Reserve were beginning to deflate the demand for labor and undercut workers' wage demands.

However, stocks fell in the late afternoon on reports of lower revenue for Apple. Stock prices were down overall for the week in the wake of Fitch's downgrade of the US long-term credit rating and a rate hike by the Bank of England.

The response of Wall Street once again illustrates the socially retrograde nature of capitalism, where bad news for working people is considered a positive development by financial markets.

This view was expressed bluntly last week by Federal Reserve Chairman Jerome Powell, who said at a press conference, "What we're looking for is a broad cooling in labor market conditions, and that's what we're seeing... By so many indicators, labor market demand is cooling."

The jobs numbers do not reflect recent events, such as the bankruptcy of the freight company Yellow, which overnight threw 30,000 out of work.

Despite the efforts of the Fed to undercut the ability of workers to press for wage increases, strike activity has risen in 2023, according to the Cornell University labor action tracker. While there were 17 strikes involving more than 2,000 workers in the year before July 31, 2022, this year that number has risen to 22. Over the most recent 12-month period, there have been 407 strikes at 656 locations, a 12 percent rise.

The Fed has persisted with its policy of interest rate rises despite a pronounced decline in inflation and the threat posed to the massively leveraged banking system by higher credit costs. Three of the four largest bank failures in US history took place this year due to the interest rate increases, which have caused a devaluation of US government securities held by banks as reserves.

However, the consensus in the markets is that things are not nearly bad enough for the working class. The report showed that wage growth continued at a 4.4 percent annual clip in July, too low to make up for years of cuts in real wages, but still too high as far as Wall Street is concerned.

The monthly employment report by the US Bureau of Labor Statistics showed a sharp fall in hiring by temporary help companies as well as retail trade and tech and information services. A cutback in temp hiring is a sign of a slowing economy. The number hours worked in July was also down, another sign of a slowing economy.

Employment in the key construction sector remained steady, while residential construction slowed under the impact of rising interest rates. Nonresidential construction increased, likely due to government handouts to corporations aimed at spurring electric vehicle production. The official unemployment rate fell slightly to 3.5 percent, near an historic low.

Investors took the slowdown in hiring as an indication that the US central bank may pause its interest rate increases at its next meeting on September 19-20. Since March of 2022, the Fed has raised interest rates a total of 11 times, driving rates to their highest level in 22 years.

While the rate hikes have been carried out in the name of fighting inflation, the real target is the working class. The rate hikes are part of a deliberate policy by the Biden administration aimed at driving up the unemployment rate to weaken the working class and undercut the growing strike movement in the US, which is part of a counteroffensive of the international working class spurred by record inflation. Wall Street wants to impose the cost of the massive Wall Street bailouts and the expanding war drive of US imperialism on the workers.

The interest rate increases are already having an impact on workers' lives by driving up the cost of everything from home mortgages and car loans to credit card debt. On top of this comes the ending of the moratorium on student loan debt, with collections due to resume in September.

One of the clearest manifestations of the impact of this reactionary assault on the working class is the bankruptcy declaration by Yellow freight earlier this week, an action that overnight threw 30,000 workers out of jobs. Given that nearly half of Yellow's $1.6 billion debt is held by the US government, the bankruptcy was a calculated decision by the Biden administration, undoubtedly coordinated with the Teamsters union bureaucracy.

The Biden administration has forged an alliance with the trade union bureaucracy to suppress strikes and hold down wages. This was shown at Yellow, where the Teamsters union blocked a strike in order to ensure that the bankruptcy went ahead smoothly.

At UPS, the Teamsters have delivered a sellout contract tailored to the needs of management. The deal provides below-inflation pay raises and freezes the company's contributions to pension plans covering the majority of drivers.

As a result of decades of betrayals by the trade union bureaucracy, the ratio of CEO pay to worker pay is at its second highest level in history, 272-1, according to the Economic Policy Institute. Meanwhile, productivity gains have outpaced wage rises by a ratio of 3.7-1 over the past 40 years, a period that has seen a vast enrichment of the super wealthy and a massive growth in social inequality.