Under Obama, Labor Force And Wages Shrinking Alike

by Paul Gallagher

May 6—Following the May 3-4 weekend in which Democratic officials touted the government's May 2 announcement of "288,000 new jobs in April," the realities of accelerating U.S. labor force shrinkage and continued low wages reasserted themselves. The loss of just under 1 million Americans who dropped out of the labor force in April was the largest in one month in many years; and hourly and weekly wages, again, did not change at all. As AFL-CIO President Richard Trumka was quoted after the report's release, average weekly wages in "real" terms (when deflated only by the phony Consumer Price Index), are lower than they were in 2009; and the median income of American households is equal to the level of 1978, despite more individuals working in each household.

This is not just a disaster for the current American population; it's a signal of the death of the nation economically, which must be reversed immediately by removing all blocks to a Hamiltonian credit policy.

Legacy of Bush and Obama

Putting aside the Labor Department's month-to-month announcements of job-growth totals—which come from putting the data it actually collects through various seasonal and other "adjustments," both dramatic and mysterious—the Department's *unadjusted* reports show that 2.2 million more Americans were working to some degree in April, than in April 2013. That rate of about 180,000 increased employment per month is still somewhat below the rate at which America's labor force *would* increase from population growth and immigration, if creation of actual employment allowed it. The economy thus, again, made no net progress in the past year in restoring the 9 million jobs eliminated in the two years following the 2007-08 crash.

The condition of the American workforce remains extremely depressed, and even creative economists are having to stop attributing this to "structural" factors (the "desire to retire," etc.). Productive, steady, and well-paid employment has simply disappeared.

About 70% of the U.S. population of 315 million—those between the ages of 16 and 65 and not in an institution (the armed forces, a hospital, prison, etc.)—is considered eligible to be in the workforce. The number of such work-eligible Americans without a job has reached 102.3 million (9.8 million "officially" unemployed, and 92.5 million out of the workforce by "choice"). This is 27.3 million more than were without a job in 2000; and this 27.3 million represents the *entire potential growth* of the workforce in those 13-plus years. That entire potential growth was wiped out by economic stagnation and unemployment under the disastrous Presidents G.W. Bush and Obama.

Through three and one-half consecutive presidential terms and a 40 million increase in population, the workforce—those working or looking for work—has grown by less than 10 million, and most of that "growth" is increased unemployment.

The percentage of eligible Americans with employment remains lower (58.9%) after five years of "recovery" than when Obama took office in January 2009 (60.6%). And 20% of all American families have no one working.

A Brookings Institution study released March 21, entitled "The Plunging Labor Market Fortunes of Teens and Young Adults" considers precisely the period of the three terms of those disastrous Presidents, 2000-12. It found that the younger the cohort of Americans, the worse the collapse in employment. For teenagers, the *employment rate* has fallen nearly by half, to 26%. For those 20-24, it has fallen by a fifth, to 60%. For those 25-34, it is down by one-ninth, to 72%; for those 35-54, by one-tenth, to 75%. Ironically, the only increase for any age cohort is among those 65-74 years old, 25% of them working well past the previously traditional retirement age.

Even in the Labor Department's ballyhooed April report, the attributed employment increase of 288,000 went predominantly to the oldest part of the workforce; for all of those 25-54 years old, a net job *loss* was reported.

Job Creation at McBama's

The National Employment Law Project (NELP)'s April 27 report, "Tracking the Low-Wage Recovery," dramatized the devastation during Bush's and Obama's dismal presidencies.

Since 2000, while total government employment has slowly but steadily fallen by about 2 million, private-sector employment first fell by 3 million (through 2003), then rose by 7 million (through late 2008), then fell rapidly by 8 million (through mid-2010), and now has recovered by 9 million (through first-quarter 2014).

For Obama's Presidency alone, the picture is even worse. The number of Americans "choosing" to stay out of the workforce has jumped by 13 million in his five and one-half years. While governments have eliminated 625,000 jobs, the private sector lost 8 million jobs in the 18 months after Obama's inauguration and has then gained 9 million over four years. While total employment has thus gained essentially nothing, the *potential* workforce has increased by that 13 million, predominantly younger and/or immigrant labor-force entrants.

Some 40% of the private-sector jobs created during this time were in restaurants and food services, administrative and waste services, and retail trades, many paying only the Federal minimum wage.

The ten most common jobs categories in the U.S. economy, now accounting together for 60% of all employment, earn $35,000 a year or less.

NELP's analysis of impoverishment within the workforce is based on industry data. Some 1.85 million jobs making $22,000 a year or less have been created since 2010, over and above those that were lost until that point; about 30% of these jobs are less than full-time, meaning in the $15-17,000/year range, *if* kept for a year. This range is the government definition of "low-wage employment," and now represents about 45% of all U.S. employment.

About 950,000 "mid-wage jobs" (up to $40,000/year) remain lost since 2007, net of those which have been created since 2010; and about 950,000 "high-wage jobs" (up to $70,000/year) were lost since 2007, net of those which have been created since 2010. Thus there has essentially been a straight replacement of just under 2 million decent jobs lost, by just under 2 million low-wage jobs created; and to this add the loss of non-wage benefits which accompanies the down-waging.

The continuing disappearance of full-time employment is part of this development. Among the employed, some 28 million were working part-time in April—20% of those working, the highest on record. Several survey agencies have developed indices of full-time employment of the whole U.S. population on payrolls—as opposed to freelance and self-employment. Gallup's "payroll/population rate" has dropped a long way since 2007, from 47.9% to 43% now. A *Forbes* report on April 14 put this full-time work ratio even lower, at 37%, and estimated full-time employment at 4.3 million less than Fall 2007.

This combination of sharp shrinkage of the labor force and stagnant or falling wages is historically unusual. A study by Adam Posen and David Blanchflower appeared May 5, purporting to show that wages are being driven down by the disguised unemployment. It did show that the two are correlated, and that both workforce shrinkage and low-wage economy accelerated over the past year.

But the issue underlying both is national credit policy. U.S. households have reduced both their debt and access to credit, and their living standards, since the crash. U.S. corporations, said to be "flush with cash," have actually become "flush with debt"; non-financial corporations' cash holdings divided by their debt average of 40%, is more than 15% lower than in 2007. The Obama White House's blocking of bank reorganization and national productive credit, and the Federal Reserve's promotion of new bank debt bubbles, are the problem.