Labor Day 2019: Surveys Show Wages Not Rising & Jobs 500,000 Fewer

By Dr. Jack Rasmus
Global Research, September 02, 2019

Region: USA
Theme: Intelligence, Media Disinformation, Poverty & Social Inequality

What's the condition of the US working class on this Labor Day 2019? Wages and Jobs are of course the best indicators of that condition. So let's look at wages and jobs today in America today.

What we see is that—contrary to Trump, US government, and mainstream media hype and reporting—a growing number of independent surveys show that wages have not been rising as they claim. And 500,000 fewer jobs were actually created last year than initially reported.

The media's oft-quoted figure for rising wages is about 3.1% over the past year. But there are at least five reasons why 3.1% is not accurate and in fact grossly over-estimated. First, the 3.1% is not adjusted for inflation. Second, it represents an average only, which reflects higher wages for the top 10% of the workforce and higher salaries for professionals, managers, and supervisors. Third, it applies to full time workers only and therefore leaves out the 60 million or so part time, temp, and gig workers. Fourth, it does not factor into the 3.1% average the fact that the millions of unemployed are getting no wages whatsoever. Fifth, it defines wage narrowly, excluding the lack of any increase in deferred wages (pension payments) and social wages (social security pay for retirees).

Why Wages Are Not Rising 3.1%

Considering the first point, the 3% figure is what's called a 'nominal' wage. If adjusted for the 1.6% inflation rate, then the real wage gain is only 1.5% a year. (It's even less real wage gain for workers at the median household income level ($50K/yr.) and below—where inflation is even higher than 1.6% due to housing and rent cost, local utility fees and taxes, medical insurance premiums and drugs costs escalation, education and other costs escalation).

The second problem overestimating the wage gains for the vast majority of workers in the 'bottom 80%' of the workforce is that the 3.1% represents an 'average'. Averaging means the highest paid wage earners (which include most salaried workers) are getting more than the 1.5% and therefore, in turn, those at the median or below are getting much less than 1.5%. And in most cases they're not even getting that 1.5%.

A survey by the finance site Bankrate.com found that "more than 60% of Americans said they didn't get a pay raise or get a better-paying job in the last 12 months". So if 60% didn't get any wage increase at all, how could wages be rising 3.1% or even 1.5%? Unless of course workers in the best paid 10% of the labor force are getting 10% or more in wage increases last year. These are occupations like software engineers, data scientists, physicians assistants, professionals with advanced degrees, and of course middle and upper managers paid mostly by salary. Perhaps they were getting 10%+ last year, but that's highly doubtful.

Here's another mainstream respected survey that challenges the 3.1% wage increase myth peddled by the government and media: Focusing on the median wage—not the average wage—"according to figures from the PayScale Index…the median wage increases, when adjusted for inflation, were only 1.1% since last year and 1% over the past year".

The Payscale survey is corroborated further by a recent study by McKinsey Global Institute which shows that median wages have not risen at all since 2007. By 2017 they were the same level as in 2007, rising less than 1.1%.

Comparing McKinsey with Payscale, there's been no wage change under Trump. In fact, the Payscale survey concluded that real wages from June 2018 to June 2019 have shrunk by -0.8% and by 9% since 2006.

But that's still not the whole picture.

There's another adjustment necessary, even to the 1.1% real wage. Whether 1.5% or 1.1%, that figure applies only to the full time employed workers. It therefore does not take into account the lower wages, and more typical lack of any wage increases, for the 60 million plus 'contingent' (part time, temp, gig) workforce that exists now in the US. That's 37% of the total workforce of more than 160 million who are not factored into the 3.1% estimate at all!

And the numbers for the part time/temp/gig part of the total work force may be much larger than the government is estimating. US Labor Dept. statistics count part time, temp and gig workers for whom their work is a primary job. It doesn't accurately account those who have a primary part time job (or a primary full time job) AND who have also taken on second and even third part time, temp, or gig jobs to make ends meet. The aforementioned Bankrate survey showed, for example, that while the government data estimates less than a fifth of all workers are part time, the Bankrate survey found 45% of all US workers had second or third jobs. That included 48% of Millennials, 39% of GenXers, and even 28% of Boomers.

The real picture that appears, therefore, is NOT one of traditional full time workers getting annual 3.1% wage increases in their base pay every year. That's the US labor force of the 1950s and 1960s, not the 21st century.

The real picture is little or no wage increases for the vast majority those workers, especially those below the 80th percentile of the US labor force, and especially those at the median and below, who are being increasingly forced to take on second and third jobs to make ends meet. Meanwhile, a small percentage of the total workforce, likely well less than 10%, comprised of professionals, managers, tech, and advanced degreed special occupations are realizing wage gains well above the average. In fact, those at the very 'top', earning more than $150,000 a year may be getting exceptionally large wage increases. That's because the US Dept. of Labor employs a methodology in which it 'top codes' weekly earnings. Top coding means any raises for those earning above $150,000 a year are not being recorded at all.

What all the foregoing analysis strongly suggests is that wages under Trump have not been rising anywhere near close to 3.1%, or even near the inflation adjusted 1.5%. They are not rising at all for the vast majority of the US workforce since 2016.

To repeat the Payscale survey: real wages have actually fallen by -0.8% between 2017-2018.

The disjoint between the 3.1% and the -0.8% is due to the averaging in wages and salaries for the very top occupations and salaries of managers and professionals; due to accounting for only full time employed; and by ignoring most of the part-time/temp workers—the numbers for whom are also much larger than the official government data now indicate.

Add to these reasons for the gap between 3.1% and -0.8% the fact that monthly pension benefits and social security retirement payments—i.e. deferred wages—are never included in the 3.1% figure by the government. They are really wages as well. They are 'deferred' wage payments which are foregone by workers while they were actively in the labor force, to be paid out upon retirement. These wage payments are fixed and are therefore constantly declining in real terms. Nor of course do official wage statistics ever considered in calculating wages the millions of unemployed workers who, without jobs, get no wages whatsoever. If deferred wages and unemployed with no wages were included in calculating total wage change for the working class, the Bankrate, Payscale, McKinsey and other independent surveys would show annual wage gains—for all but the very highest paid—have been contracting ever faster than -0.8% under Trump.

Business-Investor Tax Cuts Haven't Created Jobs

A hallmark claim of Neoliberalism in general is that business tax cuts create jobs. This is part of the economic ideology notion called supply side economics. Cutting business taxes raises business disposable income, which it is assumed business then spends largely and instantaneously on new investment that boosts production and therefore hiring. But this is a deceptive misrepresentation (i.e. ideology) of reality. Businesses don't necessarily spend the tax windfall on investment. They may divert the tax savings into investing in financial markets that don't produce any jobs. They may distribute it to shareholders in the form of stock buybacks and dividend payouts. They may use it for buying up competitors via mergers and acquisitions. They may simply hoard the savings to boost their balance sheets. Or they may invest it on expanding production—but for their spend it on production—but for their offshore subsidiaries. All this is what in fact actually happens, not that business tax cuts create jobs.

In January 2018, once again, Trump and Congress 'sold' the economic lie that business-investor tax cuts create jobs. But there is no empirical evidence that such tax cuts causally result in job creation. In fact, even a correlation between Neoliberal tax cuts and job creation does not exist. Witness Trump's massive $4.5 trillion tax cuts of 2017. (Yes, $4.5 trillion, not his reported $1.5 trillion). What has actually happened to investment in expanding plant and equipment and therefore employment? After a very brief boost in early 2018, business investment in the US fell to only 2.7% (10% rate is historically average). In 2019 it fell further into negative territory by mid-year, as 'Business investment contracted in the second quarter for the first time since the first quarter of 2016". That means if investment—i.e. the mechanism for job creation per the supply side theory—has not risen, then the claim cannot be substantiated in turn that business tax cuts, by creating investment, in turn create jobs.

But hasn't there been actual job creation since Trump took office? Yes, there has. 1.1 million according to government official stats. However, its causation cannot be attributed to the tax cuts. So where have the 1.1 million jobs come from?

Are 'Contingent' (Part-Time/Temp/Gig) Job Greater Than Reported?

US Labor stats do not really report the number of workers finding employment when the Dept. reports job gains each month. It reports jobs—not people—growth. So jobs can be increasing (as second and third jobs added) but employment by real people may not be actually growing by the same number of jobs that were created. Jobs may be increasing by 1.1 million but those newly employed may be far less. Why? Because most of the 1.1 million jobs may represent already employed taking on second and third part time jobs. Recall the prior Bankrate survey which reported that 45% of all American workers indicate they are working second and third jobs to make ends meet! Or the Marketwatch survey that 33% need a gig side job in order to meet living expenses! But the Labor Dept. shows numbers not rising as high for part time and temp work. That may be due, however, to its reporting of part time/temp as the primary job of part time/temp workers. They may be working second and third additional part time jobs and the government is not picking that up—its only accounting for part time/temp jobs that are primary for the person.

Labor Dept. Revises Jobs Down 500,000 for Last Year

The confusion in the Labor Dept.'s job stats is perhaps further suggested by recent revisions in its job creation numbers. Annually the Labor Dept. adjusts its past year job numbers after more data is made available from States' unemployment insurance records. In its just latest report, prior to the Labor Dept. downward revisions, the Dept. indicated it had over-stated 2018 jobs by no less than 500,000. That brings 2018 monthly job creation numbers well under 200,000, which is about the 180,000 monthly creation in 2017. In other words, no actual increase due to Trump's tax cuts introduced in January 2018.

The Labor Dept. stats indicate employment rose from July 2018 through July 2019 by 1.1 million jobs. Does that mean the Labor Dept. had erred by nearly 50% in its job growth numbers? If so, it's such a gross margin of error it makes Labor Dept. job reporting under Trump highly suspect or else something is fundamentally wrong with US job creation stats. What's wrong is that the stats are failing to accurately reflect contingent job creation as second and third jobs.

Conclusions: A Much Different Wage & Job Picture Than Reported

A deeper look at the official wage and job numbers shows wages rising no where near the official 3.1%. In fact, most of the wage gains are highly skewed to the very top. At the median they're barely rising, if at all. And certainly contracting below the median (except perhaps for the few millions in blue states where minimum wages have been adjusting some). When defined more broadly and therefore accurately, wages have been contracting under Trump—as they have been since 2006. Various independent surveys that are not based on the Labor Dept.'s questionable assumptions or definitions, or even errors, in its estimation bear this out that wages are not rising.

Reliability of official jobs data is also a growing concern. Changes in the US labor market structure in recent decades means the growing number of contingent and gig jobs that are second and third jobs are not being reflected in the official job numbers. The Labor Dept.'s recent adjustment reducing last year's job gains by a whopping 500,000 raises further concerns about the methods by which it reports out monthly job gains. And actual job gains, after its adjustment, suggest that most of these may actually represent part time/temp/gig jobs that are second and third jobs taken on by workers who just can't make ends meet any more with the first contingent job, or even current full time job. Yet Trump and friends keep peddling the myth that more business-tax cuts are needed to create jobs.

*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

This article was originally published on the author's blog site, Jack Rasmus.

Jack Rasmus is author of the forthcoming book, 'The Scourge of Neoliberalism: US Policy from Reagan to Trump', Clarity Press, October 1, 2019, of which the preceding material is an excerpt. His website is https://kyklosproductions.com and twitter handle, @srjackrasmus. He hosts the Alternative Visions radio show on the Progressive Radio network weekly, podcasts available are available at http://alternativevisions.podbean.com.

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: **Dr. Jack Rasmus**