

Labor Day 2024: The Condition of the American Working Class. Decline in Real Wages. Household Debt at Record Level. Threat of A.I.

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On Labor Day this writer has summed up the condition of the American working class over the past year. This national election year it is perhaps useful to review not only the past year but what has happened since the last election in 2020. How has the American worker fared the past four years—in terms of wages, benefits, inflation and jobs? How have their unions, now a mere 10% of the labor force, also fared during the period of recovery since the deep Covid era recession of 2020, the uneven recovery of 2020-21 that followed, and the past thirty months of what has been a modest economic growth.

A salient feature of the past 30 months after the US economy finally fully reopened after Covid in 2022 is that the growth in US GDP has not been all that impressive given the massive fiscal and monetary stimulus of 2020-22.

That stimulus in fiscal terms included about \$4 trillion in government spending programs and tax cuts from the April 2020 'Cares Act' through the early 2021 'American Relief Act'. In addition to that \$4 Trillion fiscal stimulus, the US central bank, the Federal Reserve, provided an additional \$4 Trillion of monetary stimulus to banks, investors, and businesses small and large from March 2020 until March 2022. Theoretically, this monetary stimulus in the form of Fed direct purchase of bonds from investors and virtually zero interest rates during that two year period should have provided a massive boost to real investment, production and employment. Another almost \$1 trillion was provided by the Fed (and FDIC) to prevent a crash in the regional banking system from March 2023 to the present. That's a total of around \$9 to \$10 trillion in fiscal-monetary stimulus.

On top of that amount the Biden administration pushed through Congress in 2022 another approximately \$1.7 trillion in mostly subsidies and tax cuts to corporations in the form of the Infrastructure Act, the Chip & Modernization Act, and the (misnamed) Inflation Reduction Act.

In total that's all more than \$10 trillion in economic stimulus during and immediately after the Covid recession in 2020. The economy began recovering slowly in late 2020 as it reopened in stages, sometimes with false starts and stops. It wasn't until 2020 that the US economy had fully reopened. Only then can the \$10 trillion plus fiscal-monetary stimulus be considered for its effects on growing (not reopening) the US economy. But the 2022-24 economic recovery record, even when measured in GDP terms, has not been all that impressive given the magnitude of the \$10 trillion stimulus of 2020-22.

Throughout all of 2022, that is the first full year of recovery (i.e. not counting reopening from the shutdown period that ended in 4th quarter 2021), US GDP adjusted for inflation rose year on year in 2022 by an annual average of only 1.9%. In 2023 it rose by another 2.5%. And so far in the first half of 2024 by an annual average of 2.2%. (These stats source: [Bureau of National Affairs](#) 'National Income and Product Accounts', Table 1.1.1, revised 8-29-24)

That's hardly an impressive performance of US economic growth given the more than \$10 trillion in fiscal and monetary stimulus injected into the economy by Congress and the Federal Reserve bank since 2020!

So how did American workers fare during this roughly four year period in the wake of what has been the most massive fiscal and monetary stimulus effort in US economic history? And how have American unions done during the recovery from recession period, during which historically union membership, union jobs and union wages have tended to recover as well?

Wages

The US government defines wages in a number of ways. So it's important to be clear on the definition. There's *Hourly Wages* that are actually wages and salaries of all the roughly 167 million employed in the US labor force. Then there's *Weekly Earnings*, which are hourly wages or salaries times the hours worked in a week. A subset of both hourly wages and weekly earnings is estimated for the roughly 110 million or so private sector Production and Non-Supervisory Workers (add about another 20m employed as teachers, state & local and federal government).

It is further important that their hourly wages or weekly earnings are adjusted for inflation, i.e. are real hourly and weekly, keeping in mind that the inflation adjustment using the Consumer Price Index (or Fed's Personal Consumption Price Index) does not account for price rises associated with interest rates at all (which is just the price of money). Nor does it adjust for taxes and government fees. Or increases in their contributions to their benefit and pension plans. In addition, the two main US inflation indexes contain a host of assumptions and methodologies that can be shown to result in an under-statement of actual inflation. But that's another story for another article. We'll assume 'real' wages or earnings is adjusted using the government's CPI or PCE inflation indexes. But the point is these points mean the wage gains noted below are actually less than reported in government stats.

Nevertheless, the wage data show American workers have not fared very well since 2020 and even over the past year. Which means that \$10 trillion plus stimulus went into the bank accounts of others, not American workers as a whole.

So what have been their real wage gains since 2020? As well as during the past year, July 2023 thru July 2024?

The best indicator is *Real Median Weekly Earnings*. That is adjusted for inflation using government inflation indexes and uses the midpoint of those employed, not the average. Averages skew the number to the top—i.e. those with high earnings get higher wage increases compared to those at the middle or below.

Real Median Weekly Earnings in the 4th quarter of 2020 were \$376 per week. As of end of 2nd quarter 2024 last month, they were \$368. (*Table 1, Median Weekly Earnings of Full Time*

Workers, Usual Weekly Earnings of Wage & Salary Workers, Bureau of Labor Statistics, July 2024). Remember, that's for Full Time Workers only, which is about 120 million private sector workers in the US civilian labor force of 168 million. So it doesn't count the 38 million who are part time or independent unincorporated contractors.

Also, that \$368 is, as noted, under-adjusted for inflation per the government's indexes. It's also not take home pay which means it's before workers pay for a higher share of benefits costs, higher taxes, and government fees (auto registrations, etc.).

What about the past year, not just the past four years?

Before adjusting for inflation (called nominal wages), Average Weekly Earnings for Full Time Workers rose July 2023 thru July 2024 from \$1,160/week to \$1,199/week for a gain of only \$39 which is about 3.3%. (*Source: US Weekly Earnings for Wage & Salary Workers 2nd Quarter 2024, Bureau of Labor Statistics, July 2024*).

But that's not adjusted yet for inflation. Plus it's also an average for all 168 million in the labor force so those with higher pay got more than the Median. Adjust for inflation and Median and it wipes out any gain in weekly earnings over the past year as Table 1 noted in the paragraph above shows: inflation adjusted *Median Weekly Earnings for Full Time Workers* was \$365/week in July 2023 and in July 2024 was still \$365/week. Make a further adjustment to include the 38 million part time and contract workers and you get numbers for Weekly Earnings still less.

What about Weekly Earnings for the subset of the 168 million US labor force—i.e. the approximately 119 million US private sector Production and Non-Supervisory Workers. No higher paid managers and higher salaried tech, finance and other professionals in this group. Their real average weekly earnings rose from \$972 in July 2023 to only \$980 in July 2024. Again, however that's an 'average' and for full time employed not part time or contract. At the Median and below, including part time, it's less than \$8/week gain over the past 12 months.

In summary with regard to wages, the American worker has not benefited at all from the \$10 trillion plus fiscal-monetary stimulus. Real Weekly Earnings are flat to contracting. And take home pay's even less.

One can't say the same for shareholders of corporations. Since 2020, the Fortune 500 corporations alone distributed more than \$5 trillion in stock buybacks and dividends to their shareholders, according to annual reports in the Wall St. Journal. This year 2024 should be a record of more than \$1.5 trillion.

Jobs

What about the jobs picture? The Biden administration likes to brag it created 15 million jobs. That fiction is perpetrated by most of the mainstream media as well as mainstream economists who should know better (and likely do).

During 2020 about 35 million Americans were unemployed at some point during that year. The economy reopened haltingly in late 2020 and again in 2021. As it did the 12 million who were still jobless at the end of 2021 steadily returned to their jobs in 2022 and beyond.

These 12 million jobs were not 'created'. They existed in February 2020 and most were still there by end 2021. Workers simply returned to jobs that were there, not to net new jobs that were 'created'.

According to the St. Louis Fed's *FRED database*, there were 106.5 million Production & Non-Supervisory Workers in the labor force in February 2020. That 106.5 was not reached again until July 2022.

If one looks at the July 2022 Employment Situation Report of the Bureau of Labor Statistics there were 158.2 million workers employed in July 2022, compared to 161.2 employed in the US economy in July 2024. So roughly only 3 million have been actually 'created'.

It is important to also note that the vast majority of the net new jobs created have been part time, temp, gig and contractor jobs. In the past 12 months full time jobs in the labor force has fallen by 458,000 while part time jobs have risen by 514,000. (*Source: Table A-9 Employment Situation Reports, Bureau of Labor Statistics, July 2023 and July 2024*)

Ever since the end of the Covid recession the US economy has been churning out full time jobs and replacing them with part time, temp, gig and independent contractor jobs.

The jobs reports over the past year are revealing as well. They continually reported monthly job gains of around 240,000. But the Labor Department just did its annual revisions and found that for the period March 2023 thru March 2024 it over-estimated no fewer than 818,000 jobs! The Wall St. Journal further reported that up to a million workers have left the labor force due to disability from Covid and long Covid related illnesses. Neither of those statistics are factored into the government's unemployment rate figures.

Which brings us to another convenient mis-reporting of jobs data. The government has two jobs surveys. One is for large establishments (and not really a survey but a partial census of sorts). Another is a true survey. The first is called the Current Establishment Survey (CES). The second The Current Population Survey (CPS).

The media typically picks up the total monthly employment gain figures from the CES; the second CPS is the source of the monthly unemployment rate statistic. The first is an estimate of total employment gains; the second the unemployment rate.

The problem is there are more than just one unemployment rate in the monthly CPS. There's the rate for full time workers only. Last month that rate called the U-3 was 4.3%. But the unemployment rate that includes involuntary part time workers and workers discouraged from working and haven't looked in four weeks or a year, called the U-6 rate was 7.8%. Moreover, neither reflect the recently adjusted 818,000 jobs over-reported. Or the millions who were so discouraged they left the labor force altogether. They're still presumably without a job, at least most. But for purposes of calculating either unemployment rate by the government they don't exist and their numbers are excluded from the calculation of unemployment. Those numbers are about 5 million since Covid. If they were included, the unemployment rate would be easily more than 10% today.

Last month the government estimated the CES employment number was 114,000. That compares with an average of 240,000 each month over the past year. It shocked even the myopic mainstream economists and the media. It was their favorite cherry picked jobs number and it came in well below healthy levels. There are at least 100,000 new entrants to

the labor force every month looking for work, due to population growth, immigration, and elderly returnees to work. The fastest growing age segment of the labor force is those over 65 years old who can't make it on social security or meager pensions any more.

It will therefore be interesting to see if on September 5 the monthly jobs report for August continues to reflect a weakness in the favored CES employment report. But if one were considering the other CPS jobs report which better catches small business employment trends, it would be clear for some months now that the labor market is quite weak. It's just that that weakness is now spilling over from small businesses in the CPS to the larger caught by the CES.

Working Class Debt in America

Another indicator of the state of the working class in America is the level of debt load it is now carrying. The last quarter century of poor wage increases has been offset to a degree by the availability of cheap credit with which to make consumer purchases in lieu of wage gains and decently paying jobs. Actually, that trend goes back even further to the early 1980s at least.

Household US debt is at a record level. Mortgage debt is about \$13 trillion. Total household debt is more than \$18 trillion, of which credit card debt is now about \$1 trillion, auto debt \$1.5 trillion, student debt \$1.7 trillion (or more if private loans are counted), medical debt about \$.2 trillion, and the rest installment type debt of various kind.

American households carry probably the highest load of any advanced economy, estimated at 54% of median family household disposable income. And that's rising.

Debt and interest payments have implications for workers' actual disposable income and purchasing power. For one thing, interest is not considered in the CPI or PCE inflation indexes and thus their adjustment to real wages. As just one example: median family mortgage costs since 2020 have risen 114%. However, again, that's not included in the price indexes. Home prices have risen 47% and rents have followed. But workers pay a mortgage to the bank, not an amortized monthly payment to the house builder.

One should perhaps think of workers' household debt as business claims on future wages not yet paid. Debt payments continue into the future for purchases made in the present, and thus subtract from future wages paid.

The State of Unions in America

In periods of recovery from recessions, as jobs are restored or created, union membership typically rises some. But not in the 21st century and not since the end of the Covid recession.

Since 2020 union membership has declined. There were 10.8% of the labor force in unions in 2020. There are 10.0% at end of 2023 which is about half of what it was in the early 1980s. Unions have not participated in the recovery since Covid, in other words, at least in terms of membership. Still only 6% or 7.4 million workers of the private sector labor force is unionized, even when polls and surveys in the past four years show a rise from 48% to 70% today in the non-organized who want a union.

In the past year in absolute numbers union membership has risen by just under 200,000 in

private industry which has allowed union membership to remain at 6% of total employment in that sector. In the public sector union membership over the past year has declined by about 50,000.

Some private sector unions have reversed in recent years the decades long dark years of concession bargaining. Recently the Teamsters union under new leadership made significant gains in restoring union contract language, especially in terms of limits on temp work and two tier wage and benefit structures. The Auto workers made some gains as well. But most of the private sector unionization has languished. And over the past year it has not changed much.

About half of all Union members today are in public sector unions. There is has been difficult for Capital and corporations to offshore jobs, displace workers with technology, destroy traditional defined benefit pension plans, or otherwise weaken or get rid of workers' unions. The same might be said for Transport workers whose employment is also not easily offshored, but is subject to displacement by technology nonetheless. But overall union membership has clearly continued to stagnate over the past year as it has since 2020.

The Artificial Intelligence Threat to Workers and Unions

Union membership as a percent of the total labor force will likely start to decline once again, at least in the private sector, as the Artificial Intelligence technology revolution takes hold. Recently Goldman Sachs bank research has estimated 300 million jobs world wide will be lost due to AI. These are mostly simple decision making jobs, in service as well as manufacturing. AI will displace these jobs and probably soon. So available jobs as well as union membership will be severely impacted.

The early trend is already observable for union membership and jobs in the recent Writers and TV-Movie sector union contract negotiations. The unions did not fare well. Workers job in general will be severely impacted by this latest tech trend. Several hundred billion dollars a year is being invested in AI, which is mostly about raising productivity by getting rid of workers. That investment is estimated to rise to nearly \$1 trillion before the end of the decade.

Summary

The foregoing accumulation of data and statistics on wages, jobs, debt and unionization in America this Labor Day 2024 contradicts much of the hype, happy talk, and selective cherry picking of data by mainstream media and economists. That hype is picked up and peddled by politicians and pollsters alike.

But the fact is those selectively chosen statistics are often contradicted by other government stats that are left unmentioned. US statistics are like the bible in a sense. One can find whatever data in it one wants.

But selective referencing—while ignoring other data—is a form of lying. And there's a lot of it going around this Labor Day 2024 by politicians of both parties, with their media complicit, and their crew of mainstream economists in tow.

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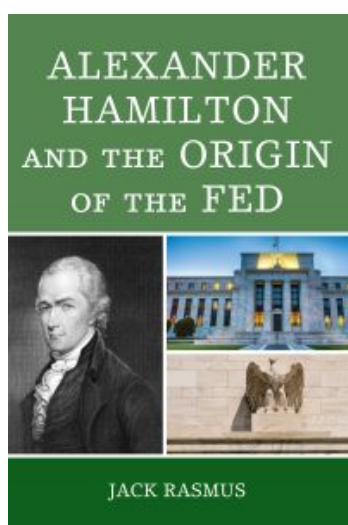
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Alexander Hamilton and the Origins of the Fed describes how US federal governments, often in cooperation with the largest US private banks, introduced and expanded central banking functions from 1781 through the creation of the Federal Reserve Act of 1913. Based on an analysis of the evolution of the US banking system – from pre-1781, through the 1787 US Constitutional Convention, Congressional debates on Hamilton's reports to Congress, the rise and fall of the 1st and 2nd Banks of the United States, and through the long period of the National Banking System form 1862-1913, the book shows how central banking in the US evolved out of the private banking system, and how following the financial crash of 1907 big New York banks pushed through Congress the Federal Reserve Act of 1913, creating a central bank which they then managed for their interests.

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