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The Path to a High-Wage Society

The explosion of low-wage jobs is due, for the most part, to the declining bargaining power of America's employees.

PETER DREIER | *September 3, 2010*

American workers today face declining job security and dwindling earnings as companies downsize, move overseas, and shift more jobs to part-time workers. Last year, a survey by the Economic Policy Institute found that 44 percent of American families had experienced either the job loss of one or more members, a reduction in hours, or a cut in pay over the previous year. For the vast majority of workers, the costs of basic necessities are rising faster than incomes.

As this special report of *The American Prospect* has demonstrated, government has ample powers to change these trends for the better. Back in the days of Lyndon Johnson's War on Poverty, Republican critics liked to say that the best anti-poverty program is a job. The federal government has the capacity -- and responsibility -- to promote full employment, where everyone who wants to work has a job. But the kind of job -- the pay, benefits, security, and prospects for advancement -- are as important as the job itself.

A good job means one that pays enough to allow a family to buy or rent a decent home, put food on the table and clothes on their backs, afford health insurance and child care, send the kids to college, take a yearly vacation, and retire with dignity. A good job means that two parents don't have to juggle three jobs to stay afloat, and that they still have time to spend with their kids.

In July, roughly one out of 10 Americans -- nearly 15 million people -- was out of work. Add people who'd given up looking for work -- and not counted as jobless -- and the figure is considerably higher. Almost half (46 percent) of the jobless had been out of work for at least six months. This is the highest rate of long-term unemployment since the government began keeping such records in 1948. About a quarter of the unemployed had been jobless for more than a year. There were nearly five workers actively searching for work for every job available.

Economic security means more than having a job. It means not getting wiped out by a medical illness, rising college tuition, a workplace injury, or a layoff. Yale political scientist Jacob Hacker has calculated that one in five American households -- the highest level in the past 25 years -- is financially insecure. They've lost at least one-quarter of their income within a year due to a job loss and/or large out-of-pocket medical expenses and don't have enough savings to replace those losses.

Joblessness and economic insecurity lead to personal and economic disaster. People often lose their health insurance, lose their homes through eviction and foreclosure, suffer depression, and fall into poverty. And high unemployment weakens the bargaining power and reduces the wages of those who do have jobs.

For most people, losing their job, their life savings, their pension, a portion of their earnings, or their home is traumatic, even when it's through no fault of their own. Our individualistic culture leads people to blame themselves and to think of themselves as failures. Every day, week, and month that the current recession continues, and even deepens, more people die, get seriously injured physically, and suffer emotional hardships that can scar them for life.

Dr. Harvey Brenner is a longtime student of the correlations between economic fluctuations and mental and physical health. According to Brenner, who is a sociologist and public-health expert at Johns Hopkins University and the University of North Texas Health Science Center, for every 1 percent rise in the unemployment rate (about 1.5 million more people out of work), society can

anticipate 47,000 more deaths, including 26,000 from fatal heart attacks, 1,200 from suicide, 831 from murders, and 635 related to alcohol consumption.

Long-term joblessness increases the toll. And public policy can mitigate the casualty rate. Last year, for example, the nation's murder rate declined slightly. Criminologist Shawn Bushway of the State University of New York, Albany, attributes part of that decline to increased government aid. He told the *Christian Science Monitor* in May that "the extension of unemployment benefits probably held off crime."

Nonetheless, a national ABC/*Washington Post* poll last December found that 64 percent of Americans said they were concerned about being unable to maintain their current standard of living. And 57 percent of Americans said they're under personal stress as a result of the country's economic crisis. More than one in four -- 28 percent -- said they feel "serious" stress. Among people in the highest income bracket, 48 percent reported stress from the economy and 24 percent reported "serious" stress. Among low-income people, stress soared to 67 percent, with serious stress affecting four in 10.

The National Institute of Justice reported in a 2004 study that violence against women increases as male unemployment rises. When a woman's male partner is employed, the average rate of violence is 4.7 percent. But the average rises to 7.5 percent when the male partner experiences one bout of unemployment and to 12.3 percent when he suffers two or more periods of joblessness.

The National Suicide Prevention Lifeline, which operates 24-hour crisis help lines around the country, reported a significant increase in suicide calls during the first part of this year. "The increase in suicide attempts and suicides during recessions is one of the most predictable correlations we have," according to Brenner. "It's not only in response to unemployment. It's also about the loss of income and wealth."

Moreover, much like post-traumatic stress disorder in wartime, for some people the symptoms become chronic, lasting even after they find work again. Psychological depression, troubled marriages, and loss of self-confidence don't just go away when the economic recession ends. Economic hardship leaves behind a trail of wounded people who never fully recover.

Decent wages are necessary for social stability and for the purchasing power that the economy needs to trigger and sustain a strong recovery. The explosion of low-wage jobs is not the result of workers having inadequate education or skills. Over the past two decades, both education levels and skills have improved, while incomes have stagnated. This troubling trend is due, for the most part, to the declining bargaining power of America's employees.

Enforcement of labor laws and setting standards for government contractors could change that equation, both directly and indirectly. More workers would earn good wages -- and more would have the effective right to join unions.

Consider the case of two newly hired security guards with the same level of education who work in downtown Los Angeles for Securitas, the nation's largest security company, with \$8.7 billion in revenues last year. Both Jose and Bill work in two of LA's large office buildings. Jose's starting pay is \$11.50 an hour with paid health insurance as well as two sick days, five paid holidays, five vacation days (increasing to 10 days after five years), three paid bereavement days, and a uniform maintenance allowance of \$2 a day. Bill starts at \$8 an hour (the state minimum wage) and gets no health insurance or any other benefits. What accounts for the difference? Jose is a member of the Service Employees International Union, which has a collective-bargaining agreement with Securitas, while Bill is on his own, with no union contract.

Multiply this example millions of times, across different job categories and industries, and you get a sense that, contrary to business propaganda, unions are actually good for the economy.

Los Angeles provides a good illustration of how unions strengthen worker purchasing power and the economy. According to a December 2007 study by the Economic Roundtable, union workers in LA County earn 27 percent more than nonunion workers performing the same jobs. The higher wages for the LA union workers -- who number about 800,000 or 15 percent of the workforce -- add \$7.2 billion a year in earnings. And there is a multiplier effect. As these workers purchased housing, food, clothing, child care,

and other items, their consumption power created an additional 307,200 jobs, or 64,800 more than would have been produced without the higher union wages. The union wages also yield about \$7 billion in taxes to various levels of government. If unionization rates were higher, these positive ripple effects would increase across the economy.

According to the Economic Policy Institute, union workers earn 14.1 percent more in wages than nonunion workers in the same occupations and with the same level of experience and education. The "union premium" is considerably higher when total compensation is included, because unionized workers are much more likely to get health insurance and pension benefits.

Unions not only raise wages; they also reduce workplace inequalities based on race. The union wage premium is especially high for black employees (18.3 percent), Hispanic employees (21.9 percent), and Asian employees (17.4 percent). (The union wage premium is 12.4 percent for white employees.) In other words, unions help to close racial wage gaps by making it tougher for employers to discriminate.

Likewise, unions reduce workplace inequalities based on gender. The union wage premium is 14.5 percent for black women, 18.7 percent for Hispanic women, 12.6 percent for Asian women, and 9.1 percent for white women. Unions also reduce overall wage inequalities, because they raise wages more at the bottom and middle than at the top.

If unions are good for workers and good for the economy, why are so few employees union members? Some business leaders argue that American employees are simply anti-union, a consequence of our culture's strong individualistic ethic and opposition to unions as uninvited "third parties" between employers and their employees. Anti-union attitudes, business groups claim, account for the decline in union membership, which peaked at 35 percent in the 1950s and is now 12.3 percent.

But this story leaves out four decades of corporate union-bashing that has increased the risk that workers take when they seek union representation. In general, polls reveal that American workers have positive attitudes toward unions, and these positive views are increasing as anxiety about job security, wages, and pensions grows.

A majority of American employees say they would join a union if they could. But they won't vote for a union, much less participate openly in a union-organizing drive, if they fear they will lose their job or be otherwise punished or harassed at work for doing so.

And there's the rub. Americans have far fewer rights at work than employees in other democratic societies. Current federal laws are an impediment to union organizing rather than a protector of workers' rights. The rules are stacked against workers, making it extremely difficult for even the most talented organizers to win union elections. Under current National Labor Relations Board regulations, any employer with a clever attorney can stall union elections, giving management time to scare the living daylights out of potential recruits.

According to Cornell University's Kate Bronfenbrenner, it is standard practice for corporations to subject workers to threats, interrogation, harassment, surveillance, and retaliation for union activity during organizing campaigns. One-third of all employers illegally fire at least one employee. Some workers get reinstated, but it often takes years and exhaustive court battles. Penalties for these violations are so minimal that most employers treat them as a minor cost of doing business. Employees who initially signed union cards are often long gone or too afraid to vote by the time the NLRB conducts an election. Large employers spend hundreds of millions of dollars a year to hire anti-union consultants in order to intimidate workers from participating in or showing support for union campaigns. Employers can require workers to attend meetings on work time, during which company managers give anti-union speeches, show anti-union films, and distribute anti-union literature.

Unions have no equivalent rights of access to employees. To reach them, organizers must distribute leaflets outside offices, hospitals, and factory gates (an activity unions have not found cost-effective), visit workers' homes, or hold secret meetings.

Even with passage of the Employee Free Choice Act, employees would still need to mount campaigns to persuade other workers to join a union and then win a decent contract. But EFCA would provide greater balance between employees and employers in the workplace. This would make it more likely that union organizing campaigns would succeed, that workers would have better-paying jobs, that the ripple effects of union pay would improve the overall economy, and that the political influence of the labor movement would help the nation enact more progressive policies to make America a more humane society.

Even before EFCA is enacted, there is plenty that the executive branch of government could do to promote good jobs and the right of workers to bargain collectively. That, in turn, would increase the ranks of those battling for other policies to help working Americans. What are our friends in the White House waiting for?



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