



Labor Daze:

When bad politics trumps a good economy

Does George W. Bush get to veto the laws of economics? Or did he issue one of those signing statements that said we can only have an economic recovery if working families don't recover?

It's trite to be blaming George W. Bush for another bad year. But this year's Labor Day reports on the state of working America added another chapter to the story we've been living for five years now, in which working families in the U.S. are working harder but getting less for their efforts.

The newest chapter provides fresh data to show how we are not only working harder but *smarter* — and that even the “certified smart” workers who are college graduates have begun falling farther behind.

Working smarter doesn't necessarily require that you go back to school. Factory workers, dock workers and office workers who have mastered new technologies on their jobs are producing more each hour they work, with or without college degrees.

Their output-per-hour is what the economists call productivity. Rising productivity used to be the ticket to prosperity for working families. But that's not what's been happening during the Bush years.

The Economic Policy Institute examined U.S. Census data for the Clinton boom years of 1995-2000 and the Bush bash years of 2000-2005 and found a “stunning disconnect” between productivity and pay in the latter period.

The Clinton boom saw productivity gains of 13.4 percent — and an 11.3 percent increase in median family incomes. The Bush bash broke that Clinton record with productivity gains of 16.6 percent. But those gains under Bush had the opposite effect on family incomes, which declined by 2.9 percent.

For decades now, working fami-

lies have been urged to boost their sagging incomes by learning to work harder and smarter and to secure their children's futures by encouraging them to earn a college degree.

But, as Dr. Phil would say, to puncture the self-delusion, “How's that working for you?” Even worse, how's that working for your children?

Between 2000 and 2004, entry-level wages for new college graduates declined by 2 percent after inflation, while those for high school graduates declined by 1.5 percent. For both groups, the chances of getting a job with health benefits and pensions declined as well, although the decline was far greater for high school graduates.

Apparently, there is no law that says working harder and smarter means you'll get ahead in this 21st century “knowledge economy,” nor is there a law that guarantees college graduates will ride an escalator to ever-higher income levels. That's the promise, but it's not the reality.

More young people may be catching on to this reality — because another report, issued last week, found that 16 states (including Oregon) now have fewer college graduates among their younger adults (aged 25 to 34) than among the generation who came before them (the 35 to 64 year-olds).

The best study I've seen shows that college graduates can expect to earn almost 70 percent more over their working lifetimes than their contemporaries who have only a high school diploma. But that doesn't mean they'll be riding an up escalator. Lately, it means that they'll be riding down escalators that won't dip as fast or go as low as those occupied by high school graduates.

This year's Labor Day reports, like those of the previous four years, demonstrate with statistics what working people already know from

their own experience: They're earning smaller and smaller shares of the wealth they're producing in this economy, no matter what their effort or education.

But the economists at the Economic Policy Institute, who wrote “The State of Working America, 2006/07,” dug deeper into the data to search for causes.

The erosion of the federal minimum wage and the decline in union representation account for one-third of the decline in wages and benefits, they found. Another third of the decline stems from immigration, free trade policies and the loss of manufacturing jobs. The last third can be traced to lower employment levels — not just higher unemployment, as measured by the official statistics, but fewer people looking for work.

That last factor suggests a troubling vicious circle. If there are fewer good jobs, fewer people will look for work, just as fewer young people now appear to be making the effort to complete a college education.

The take-home truth from these Labor Day reports is not that we shouldn't work harder and smarter and support more educational opportunities for our children. It's that we have to demand policies that reward the effort, skills and abilities that we bring to our jobs and the productivity that is fueling this economy.

Politics has always shaped economics when it comes to the distribution of wealth in society, even in societies dedicated to free markets. That's all the more obvious now that we have a highly productive workforce delivering record-breaking corporate profits and getting smaller pay raises with less health benefits and fewer pensions.

Tim Nesbitt is a former president of the Oregon AFL-CIO.

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