



An Agenda for the President

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THE NEXT FOUR YEARS

An Agenda for the President

Interview with Thomas Kochan

Earnings are up since 1996, but the typical male worker is still behind. To compensate, women have gone to work in huge numbers, families are working many more hours, and Americans are borrowing like crazy. What can we do to improve individual earnings in the next four years?

Q We constantly hear terms such as “unprecedented prosperity” these days, especially from our politicians. How would you describe the actual state of working America?

A. Well, it is clear that at a macro level we have had a very strong economy and favorable economic growth for almost a decade now. But the reality is that the average American worker feels left out.

Q. Has he or she actually been left out?

A. The average male worker is at about the same place today as he was in 1979, except for those at the very high end of the occupational and income ladder. Women have done better because women are working more hours and are more engaged in career-oriented jobs, and so women’s earnings have improved somewhat.

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Q. But they still remain below men's earnings on average?

A. Yes. The gap has closed only slightly, and largely because men's earnings have not grown in the last fifteen years the way they had in the previous decades.

Q. There are a lot of skeptics who, when you contend that the average male worker is in the same place he was in 1979, will respond that it is not true and try to shoot holes in the argument. Precisely on what do you base this contention?

A. The two best measures are average hourly earnings and annual income. If you look at family income, there has been an improvement for those in traditional two-parent families with a good education and both parents in the labor force. Family income has increased enormously for married people when both are working and both have a good education. The reality is that there is a lot of purchasing power out there in the economy for these intact, traditional families. But, remember, that is because they are contributing many more hours to the paid labor force.

Q. They are working many more hours?

A. Yes, largely because women with children are working more hours. On average, two-parent families added from 15 percent to 20 percent more hours to the labor force over the past twenty years.

Q Let me get back to this average-worker concept because people misunderstand, and I want to get it clear. When we say the average worker, do you mean the average worker, say, thirty-five years old with twelve years of work experience is earning less today than the average worker thirty-five years old with the same kind of experience in 1979? Or are most workers earning less than they did before?

A. The average earnings of all workers in the full-time labor force have been down. We have seen growth of about 2 percent

in each of the past three years, so after six years of sustained economic growth, we are beginning to see some modest improvement. But that is a far cry from what we have observed in other periods of expansion. Then if you look within particular age cohorts, the workers who are doing especially poorly are young workers without college degrees or even with college degrees that are not in highly technical areas. There is a whole cohort of young people who are having a harder time reaching the same level of income today as earned by cohorts of an earlier generation. That is going to stay with them throughout their careers. Their lifetime earnings will be lower than earlier cohorts' unless something dramatically changes. That is the reality we are facing in the labor market.

Q. Is it fair to say that one of the only ways people were able to keep their standard of living up over the past twenty-five years was to have the spouse work?

A. There is no question that the economy and family living standards have benefited enormously from increased contributions of women to the paid labor force. Now that is beginning to taper off. There is not much more room for increases in hours of work in labor force participation of women, and therefore we cannot depend on that source in perpetuity. We will have to do something about increasing the wages of individuals as opposed to adding more family members to the labor force.

Q. That is an interesting point. Do you have a number in your head about how many more hours a typical family is working these days than it did, say, twenty years ago?

A. It varies by family status. I believe the best estimate comes from the Council of Economic Advisors. They say that women have increased the hours of work by about 16 percent over the last fifteen years. That is a substantial increase. Unmarried mothers are increasing their hours significantly now because of welfare reform. I have not seen the actual numbers on that segment

yet because it is too early. Unmarried mothers have always worked a lot of hours just because they had to, but now we are seeing more women going into the labor force and moving off welfare roles.

Q When Al Gore, in his acceptance speech last summer, talked about helping working families, it really seemed to strike a chord. I know that you think it struck a chord for a good reason.

A. I believe three things are going on here. First is the fact that the increased number of hours that families are spending in the labor force is putting stress on work–family issues. Families are wondering whether they can keep up this pace and still attend to their children and eldercare needs over time. That affects people at all occupational levels. Second, among lower-income people, the cost of child care becomes an additional burden. So while family income has gone up, the maintenance costs of families have increased enormously, creating pressure on families from the cost side. The third thing is a gnawing insecurity out there in the labor force: Knowing that the world is changing, technologies are changing, markets are changing, workers at all levels are not sure that their jobs are as secure as they were. They know they have to keep their skills current, they are not sure individual employers are able or even willing to provide that kind of training or security, and they are not sure where it is going to come from. That sense of concern is underneath the surface of the response that this term “working families” got from the American public.

Q. We are entering a new era with a new president. Obviously, if you were forming this agenda, you think it should be directed at the problems you just mentioned.

A. Yes. Unfortunately, we have had a twenty-year impasse in

labor and employment policy in the United States, largely because the traditional interest groups—business and labor—are divided ideologically around labor relations issues, which keeps us from getting at any of the broader employment-policy concerns of American workers and employers. The number one priority for the president is to break that impasse. The way to do that is to reframe the debate by looking at the reality of the full spectrum of working families today.

Q. Not just the lower income?

A. Not just the lower end, and not just framing it as a labor-versus-business issue. The president has to take this issue to the American public and say: I have listened to you. I understand your concerns, and I understand the opportunities out there for us to address these issues if we do it creatively. The starting point is to recognize that we must get more flexibility in the labor market, for both employees and employers. That means finding the sensible way to provide more paid time off to meet family needs.

Q Let me stop you there, and we will get to that in a second. But when you say “an impasse between labor and business,” are you talking about organized labor? Most people would react by saying, my gosh, organized labor does not have much clout anymore.

A. The reality is that business can block any agenda that labor brings to Congress, and labor can block most of business’s agenda.

Q. You mean organized labor?

A. Organized labor.

Q. Because they have political power beyond their numbers?

A. That is right. And that leaves politicians and presidents and members of Congress basically to shove these issues under the

rug and not address them because they are too politically volatile. The only way to break that impasse is through leadership from the president, for him to say, I am not going to be caught in this kind of narrowly focused debate, I am going to reframe it to speak to the broad cross-section of the American public and address their real needs, and to bring business and labor along with other groups in society—women's groups, family advocates, professionals, and so on—in addressing these issues.

Workers need more flexibility because they have less time at home and more people in the paid labor force. Therefore, they have to mix and match their schedules to attend to children, eldercare, and community responsibilities.

Q So you have led us back to flexibility. When you say we need flexibility, why is it so necessary?

A. The reality is that the marketplace is demanding services around the clock and is more demanding in terms of time pressures: project pressures, getting proposals to prospective clients, meeting deadlines for getting products out the door quickly and services delivered just in time, on time, and immediately. That means that the old nine-to-five, Monday-through-Friday, forty-hour workweek is under tremendous duress. Firms need more flexibility to adjust work schedules to meet these varying and increasing time pressures. Workers need more flexibility because they have less time at home and more people in the paid labor force. Therefore, they have to mix and match their schedules to attend to children, eldercare, and community responsibilities. So I believe there is an opportunity here to introduce more flex-

ibility in wage-and-hour provisions and at the same time provide more time for family matters.

Q. How would you go about doing that?

A. The way to do that is to build on what some of our best employers and, for that matter, best unions through collective bargaining are already doing. Many of them have flexible leave banks where you can use sick leave, vacation time, or days designated as personal days to attend to these responsibilities as long as you can work it out at your workplace and not impose significant hardships on the organization. Every firm and union that has this arrangement works it out according to its own specific needs. We should be building on those policies and extending them to more people. One way to do that is to set a floor to say that workers should be entitled to a certain number of paid days of leave per year. But how you get there, how you fund it, and how you work it out is up to individual firms and employees. You create more flexibility so that it dovetails with what the best firms are doing and does not create some standard, very rigid set of requirements.

Q. Who are some of the leading firms in this area?

A. Unionized firms like the auto industry or the telecommunications industry. The Verizon settlement provided for more of this flexibility. Other companies include AT&T, Bell South, Ford, and General Motors. The firms in the nonunion sector, such as Cisco Systems, which have very tight labor markets for professional and technical workers, are doing a lot of this type of arrangement for those workers. They do not necessarily extend it on down to all workers. When you get into collective bargaining, obviously you are talking about covering a wider cross-section of the hourly labor force than you would in the nonunion sector. But that is the pattern. Still, the majority of the labor force does not have this kind of flexibility unless it is done informally. By law about half the labor force is entitled to time off for family and medical reasons, but that is not paid.

Q What about the issue of wages themselves? Is that something we cannot do too much about?

A. Clearly there are some things we can do at the low end of the occupational ladder, and we should. In the United States, we have more working poor as a proportion of the workforce than any other advanced democracy. Our gap between the bottom and the median wage, and between the bottom and the top, is larger than anywhere else. And so we should be using a mix

Historically unions have been a very important tool for improving low-wage and semi-skilled workers' earning power and then putting pressure on business to improve productivity at those levels to remain competitive. We have to get that dynamic back in motion.

of tools. No single tool will address the problems of the working poor, but we clearly need to increase the minimum wage and restore its earning power, which has eroded in recent years relative to the median and to the cost of living. The earned income tax credit is a very useful tool, used in moderation, to increase disposable income without creating a loss of jobs. And so we should use the combination of minimum wage and earned income tax credits to help the working poor. But that is only the starting point. We must extend more training opportunities so workers can improve their status, and we must really extend the right to join a union to low-wage workers. Historically unions have been a very important tool for improving low-wage and semi-skilled workers' earning power and then putting pressure on business to improve productivity at those levels to remain

competitive. We have to get that dynamic back in motion. There is no question that the decline in unionization has hurt people below the median-wage level in the United States, and that needs to be addressed.

Q Are the labor laws themselves inadequate or is the enforcement of the laws inadequate?

A. The law really does not work. There is an abundance of independent empirical evidence and government commission reports demonstrating that today workers are at risk of losing their jobs in an organizing campaign, and the majority of campaigns are long and drawn out and frustrating for workers. This contradicts the promise labor law made to workers when it was first enacted. The remedies are also well known. We have to make some changes in the law that increase the penalties and make them immediate for companies that discharge or discriminate against workers who are trying to organize, and then we have to make sure that if workers decide by majority vote that they want to be represented, they in fact get a first contract. We need to use mediation and, if necessary, arbitration to ensure that when workers vote for collective bargaining, they actually get what they are voting for.

Q. Are the unions themselves to blame in some of these matters?

A. Unions have been slow in adapting to the changed labor force, but we now have enough examples where unions have increased their organizing activities, become more innovative, are ready to play more innovative roles. And, again, the way in which we will get the innovation that is needed is if the president and Congress say: We have allowed the labor movement as a democratic institution in society to decline to dangerously low levels, and American society is better off for having a strong innovative labor movement than having one that is backed into

a corner and fighting for its life. This approach will not come cost-free. When you give people a right to speak up, people are going to use those rights, and you are going to have some conflicts. Those are conflicts that a democratic society should accept and manage as a normal part of the democratic order. We cannot allow the inadequacies of the law to let this institution continue to decline. We already are paying a tremendous economic and, I believe, social price for letting unionization atrophy to this level.

Q You seem to put the loss of union power, and declining wages in general, in terms of power relationships between business and labor interests. But it seems to me there may well be an ideological issue there. The American people might not want to do this.

A. I would not put it in terms of ideology, and I would not put it just in terms of power. We need to reframe the way we approach employment policy. It is no longer just business versus labor. We have a very diverse economy. There are very diverse kinds of employment settings—professional, managerial, white collar workers, and blue collar workers, women and men. We need to engage their real concerns in labor policy and employment policy-making. We have to recognize that employers are not all of one type. We have very innovative employers, and we have some employers who are not taking responsibility for their social and legal obligations, and therefore we need to take a new approach here. That is what is needed. We have allowed business and labor to hold on to their old positions without confronting them with some new ideas. The new ideas are out there. The president can run with them and work with them and use them to break this impasse if he wants. And that is the task ahead.

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