

## PRODUCTIVITY GAINS AND LABOR GAINS IN THE POST WWII ERA

In 1950, Walter Reuther, the renowned president of the United Auto Workers (UAW), negotiated what has been referred to as the "Treaty of Detroit" with General Motors. "The contract," according to Steven Greenhouse, in his new book *The Big Squeeze*, "caused huge ripples across America, and by the early 1960s, more than half the union contracts in the nation had copycat provisions calling for annual improvement factors and...putting the nation's workers on a steadily rising escalator" (Cohen, *Consumers' Republic*, p.154). Greenhouse goes on to add, "With labor unions representing one in three workers and threatening to unionize millions more, many nonunion companies adopted a me-too approach, providing cost-of-living adjustments and annual improvement factors...That era established a social contract in which workers were to share in a company's growing profits and productivity" (p.75).

In addition to the good pay and benefits, job security was also an important dimension of the "social contract." Corporations essentially promised lifetime job security to white-collar workers in return for hard work and loyalty. Blue-collar employees, especially those who were union-represented employees, could expect layoffs by order of seniority during economic downturns, but could also expect to be rehired when the economy improved.

However, as noted by Michael Harrington in his book *The Other America* (1989), although these developments that established the "social contract" ushered in a time of economic progress previously unknown, blacks, migrant workers, and residents of Appalachia were largely left behind. (Harrington's book was considered a groundbreaking study of poverty in America, was published in 1962. It was read and referenced by President John F. Kennedy, and was considered to be the driving force behind the "war on poverty.")

*The State of Working America 2006/2007* by Mishel, Bernstein, and Allegretto (Cornell University Press, 2007, p. 75) provided Greenhouse with statistical information regarding productivity: "Worker productivity overall more than doubled from 1947 to 1973, soaring by 104 percent, while median family income rose by an identical 104 percent, after accounting for inflation." However, in the early years of this century, there has not been a correlation between productivity and the income of workers. Although corporate profits and worker productivity have grown, workers' wages have stagnated.

A *New York Times* article (08/28/2006) by Steven Greenhouse and David Leonhardt had this to say about productivity and lack of gains by labor: "With the economy beginning to slow, the current expansion has a chance to become the first sustained period of economic growth since World War II that fails to offer a prolonged increase in real wages for most workers.

"The median hourly wage for American workers has declined 2 percent since 2003, after factoring in inflation. The drop has been especially notable, economists say, because productivity — the amount that an average worker produces in an hour and the basic wellspring of a nation's living standards — has risen steadily over the same period.

"As a result, wages and salaries now make up the lowest share of the nation's gross domestic product since the government began recording the data in 1947, while corporate profits have climbed to their highest share since the 1960's."

Greenhouse and Leonhardt continue their analysis in the same *New York Times* article with this distressing observation: "For most of the last century, wages and productivity — the key measure of the economy's efficiency — have risen together, increasing rapidly through the 1950's and 60's and far more slowly in the 1970's

and 80's. But in recent years, the productivity gains have continued while the pay increases have not kept up. Worker productivity rose 16.6 percent from 2000 to 2005, while total compensation for the median worker rose 7.2 percent, according to Labor Department statistics analyzed by the Economic Policy Institute... Benefits accounted for most of the increase."

In the book referenced above, *The State of Working America 2006/2007* (by Mishel, Bernstein, and Allegretto), and noted by Greenhouse, we get this statistic: From 1979 to the end of 2007, hourly earnings for 80 percent of U.S. workers (those in private-sector, nonsupervisory jobs) have risen by just 1 percent, after inflation (p.119). Another statistic noted in the book is the following: For male workers, the average wage actually slid by 5 percent since 1979. Worker productivity, meanwhile, had climbed 60 percent during the 1979-2007 period (p. 115). Although the economic pie has been growing, companies have not shared a larger slice of the pie with their workers.

Citing three different sources--U.S. Bureau of the Census, *Income, Poverty, and Health Insurance 2006* ( pp. 12, 22); *Two Income Trap* by Warren and Tyagi (New York: Perseus Book, 2003, p. 20); and *America Works: The Exceptional U.S. Labor Market* (New York: Russell Sage Foundation, 2007, pp.41-45), Greenhouse summarizes the "squeeze on the American worker" in this way: "The squeeze on the American worker has meant more poverty, more income inequality, more family tensions, more hours at work, more time away from the kids, more families without health insurance, more retirees with inadequate pensions, and more demands on government and taxpayers to provide housing assistance and health coverage. Twenty percent of families with children under six live below the poverty line, and 22 million full-time workers do not have health insurance. Largely as a result of the squeeze, the number of housing foreclosures and personal bankruptcies more than tripled in the quarter century after 1979. Economic studies show that income inequality in the United States is so great that it more closely resembles the inequality of a third world country than that of an advanced industrial nation.

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