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Reevaluating America's Pay

Wage stagnation is an increasingly prevalent issue in the United States, as wages for the vast majority of American workers have stagnated since 1979. Yet corporate executives capture ever increasing shares of economic growth. The annual wages for the top 1% have grown 138% since 1979, while the annual wages for the bottom 90% have grown 15% in the same period (Economic Policy Institute). Evidently, corporate wealth generated over the past decades has failed to lift the average American's wage. Wage stagnation for the majority of Americans stems from multiple driving factors.

According to the Economic Policy Institute, worker productivity, defined as the output of goods and services per hours worked, grew by about 74 percent between 1973 and 2013. However, worker compensation grew at a significantly slower rate of only 9 percent during the same period. The decoupling of worker productivity and worker compensation in the last four decades illustrates why wage stagnation for the majority of Americans is so problematic. This disparity between worker productivity and compensation is telling; it indicates that companies and the people who run them are thriving while working and middle-class Americans are struggling.

One possible explanation for wage stagnation is globalization's downward pressure on labor-intensive workers' wages. For example, the United States imports more manufactured goods today than in prior decades, and an increasing proportion of these goods come from specializing low-wage countries (Brookings.edu). This results in manufacturing job losses in the United States. The steady acceleration of imports from

less-developed countries "punishes middle earners and those without a college education"(Prospect.org). At the same time, a heightened demand for educated professionals in the United States increases wages for workers in the upper part of the wage distribution. The underlying shift in trade and globalization creates a wage gap between these two groups, as labor-intensive workers are displaced and have to agree to wage cuts in the professional sectors.

Yet there are other, more deliberate factors that account for wage stagnation among lower-income workers. Intentional changes in labor market policies and business practices drives pay growth for executives while taking advantage of workers and exacerbating inequality. For example, workers have a decrease in overtime eligibility for working excessive hours. Millions of workers, particularly immigrants, have trouble simply getting paid for their labor. Others are "misclassified" as self-employed rather than payroll workers, a practice that "lowers their pay and protections" such as no unemployment insurance or worker compensation (Prospect.org). Explains WageTheft.org, "Working off the clock, stealing tips, not paying overtime, or misclassifying workers are just a few ways dishonest employers might steal wages."

Traditionally, unions serve as a means to combat wage theft and protect workers' rights. However, the steady decline in union membership prevents this and feeds wage stagnation. In 1956 about 28 percent of all workers belonged to a union; in 2016 that number was a little more than 10 percent, according to Brookings.edu. The decline in union membership has weakened workers' individual collective power to bargain for higher wages

to the point which unions "cannot do what they historically have done"(*Counterpunch* David Schulte). The weakening of labor unions hurts wages for both members and nonmembers. Unions create a more competitive labor market that boosts wages and benefits for workers overall by setting pay standards nonunion companies are compelled to follow. Wages are 3.1 percent lower in so-called "right-to-work" states, for union and nonunion workers alike, even after accounting for differences in cost of living and other market characteristics(Gould, Kimball). Furthermore, unions often establish labor-friendly policies that promote fairness in pay and institutionalize norms of equity.

Research by the International Monetary Fund suggests that with fewer workers organized in unions, "a bigger slice of the pie goes to managers and shareholders". This behavior encourages wage stagnation because company earnings are going to investors rather than being reinvested in the common labor pool. This behavior is "contributing to record income inequality in the country and starving the primary engine of U.S. economic growth — the vast American middle class — of purchasing power"(Business Insider). Corporate obsession with maximizing investors' profits creates a business culture in which executives undervalue their employees.

Wage stagnation is not only a moral problem, but also a social and economic problem. Wages are inherently tied to living standards; progress in raising living standards and decreasing poverty is incredibly difficult without first addressing wage stagnation. Stagnant wages lead to decreased economic mobility. Decreasing economic mobility means that, on average, the most talented and innovative people are less likely to get the

opportunities they need to create new businesses and make more jobs, in turn promoting growth and bettering the economy. Ultimately, it is in the corporate world's interest to reevaluate America's pay.

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