

Three jobs today equal one paycheck from the 1950s

by Richard Freeman

The decline in U.S. living standards is such that today, the average worker must hold down three jobs to earn what a manufacturing worker could earn in one job in the 1950s and 1960s. This loss of purchasing power is symptomatic of the overall breakdown in the American economy, and reflects the destruction of America's productive labor force.

Figure 2 depicts the downward transformation of the U.S. labor force during the half-century from 1947 through March 1996. The composition of the labor force is an essential indicator of the direction of an economy. As a benchmark for an economy that "worked," the mid-1960s economy had 50% of the workforce employed in productive jobs (manufacturing, infrastructure-related, and so on), and the rest in various kinds of overhead. Today, with far less than 50% of operatives employed in productive or infrastructure-related activity, the economy is saddled with such a high percentage of overhead, that its profitability is being undermined—a situation which cannot long continue.

The correlative to this, not accidentally, is that productive jobs in manufacturing, construction, and so forth, are the best-paying—outside of the ludicrous salaries paid to yuppies, who speculate on Wall Street, which represents a net drain on the economy. This principle of economics, that a higher-skilled, better-educated workforce is more productive, and must be better paid, was championed by Benjamin Franklin in his 1780s pamphlet "Reflections on the Augmentation of Wages, Which Will Be Occasioned in Europe By the American Revolution" (see *The Political Economy of the American Revolution*, 2nd edition, by Nancy Spannaus and Christopher White, Editors, [Washington, D.C.: Executive Intelligence Review, 1996]).

Physical economy is based on creative reason, which increases man's mastery of nature, producing an increase in the rate of

potential relative population density. It involves the process by which the human species reproduces itself, culturally and materially, at increasingly higher rates. Man employs science to offset the depletion of "natural resources," which occurs when a society continues too long in a given technological mode of production. The passing from the wood-burning age of man's industry presented no problem, since man invented the heat-powered machine, which relied on coal, and later developed nuclear power, representing a higher energy-flux density, level of scientific development, and power to transform nature.

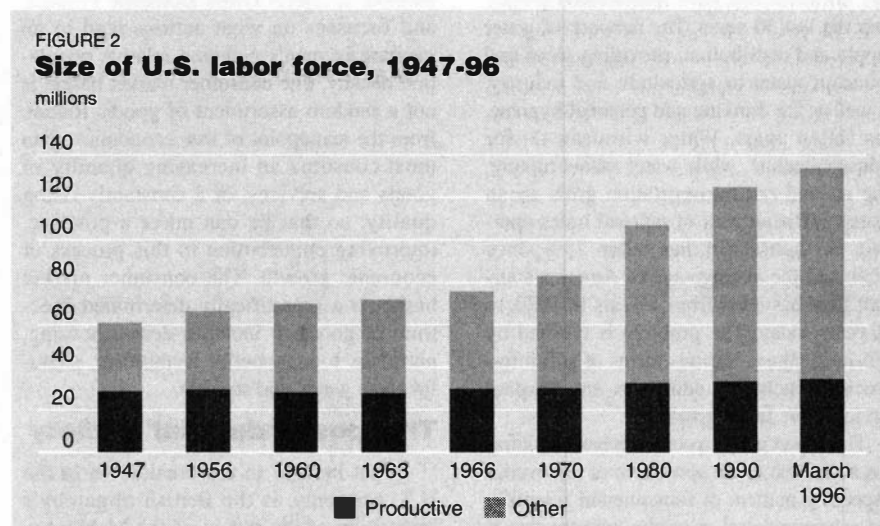
But each advance in the scientific matrix of the economy requires an upgrading of the educational and skill level of the labor force, to enable it to utilize the new technology. This requires an increase in the family consumer market basket, in order to rear, nurture, and educate the next generation of workers with a higher intellectual and scientific level than the preceding generation.

The British oligarchy's imposition in the United States of the post-industrial society

policy, following its murder of President John F. Kennedy in November 1963, changed this economic policy that had characterized America's best periods of economic development from 1630 through 1960, a policy which built the nation. Since scientific and technological progress was to be halted, there was no need, according to this "post-industrial doctrine," to maintain a productive labor force or to advance living standards.

The composition of the workforce

To analyze an economy, the labor force is broken down into three segments. First, the productive labor force consists of operatives employed in manufacturing, construction, farming, mining, public utilities, and transportation. "Productive" signifies the direct alteration of nature through labor, in order to increase the rate of potential relative population density. Second is the nonproductive labor force. This in turn is broken down into 1) the "essential" labor force, consisting largely of workers in "soft" infra-



structure, such as medicine, education, and useful engineering; and 2) workers who are neither productive nor essential, and are characterized as overhead.

We look in this section at the breakdown of the productive labor force as a percentage of the total labor force. We also document the fact that the economic collapse has made it impossible for a single worker to support a family. This is part and parcel of the destruction of the family unit.

The fact that a family has to hold down 2 to 4, or sometimes even 6 or 7 jobs, in order to maintain a necessary standard of living, has a huge social impact. If a woman wants to work, that is her right. But most women who have entered the labor force en masse since the 1970s especially, have not done so voluntarily, but in an attempt to hold up a collapsing family income. The result has been the fragmentation of the family and a severe drop in the birthrate and family formation, to the point that America can no longer biologically reproduce itself.

We first discuss the composition of the labor force, and, in the section that immediately follows, we discuss the fall in the consumer market basket, which has caused the disappearance of the single-wage-earner household.

Productive labor force shrinks

In Figure 2, the darker portion of the bar represents the combined productive and essential infrastructure workers of the labor force. Notice that the height of this portion of the bar remains the same, even as the height of the overall bar more than doubles.

In 1947, America's labor force had 60.9 million workers. Of this total, 47.2% were in productive or essential (mostly infrastructural) employment. (It should be noted, that we are counting as productive only the production workers in manufacturing, agriculture, construction, and so on.) By March 1996, America's labor force had grown to 133.7 million workers, much of this growth occurring as women entered the labor force in the 1970s and 1980s. But productive-infrastructural employment had shrunk to 26%, a near-halving of the percentage of the labor force engaged in production and infrastructure.

Thus, during the past half-century, the U.S. labor force more than doubled. Yet of the increase of 72.8 million workers since 1947, 66.8 million workers (90%) entered work-employment in areas that are overhead. Of the remaining increase of the labor force, the number of workers in infrastruc-

ture grew by 6.4 million, and productive workers actually declined by 400,000, for a net increase of 6.0 million workers. So, today, 74% of the labor force is overhead, and only 26% of the labor force consists of productive and essential workers (see Figure 3).

Conceive of America, for a moment, as a single, integrated agro-industrial firm. A company with three overhead workers relative to each worker who produces something, will destroy itself. The shift in this ratio, toward ever-higher levels of overhead, is the overriding reason that tax revenues have lagged and that, therefore, federal and state budgets are unbalanced.

But another result of this trend has been a collapse in production itself. Back in 1947, roughly for each productive-infrastructure worker, there was a worker in overhead. That meant that each productive-infrastruc-

ture member of the labor force had to produce goods and infrastructure services to support two families—his own and the family of someone engaged in overhead. Today, that has radically changed, such that each productive-infrastructure worker is called upon to produce enough for four families: his family and the families of three overhead workers. With 2.6 persons per American household, on average, the productive-infrastructure worker must produce enough to support 10.4 people. Were productivity levels rising because of the introduction of new technology, that might be possible, but the policy of the post-industrial society forestalled most technological advance. The goods simply aren't there. Even imports cannot adequately make up for the missing production.

The degradation of productive output, simultaneous with the devolution of the

FIGURE 3
Productive compared to non-productive labor force
percent of total labor force

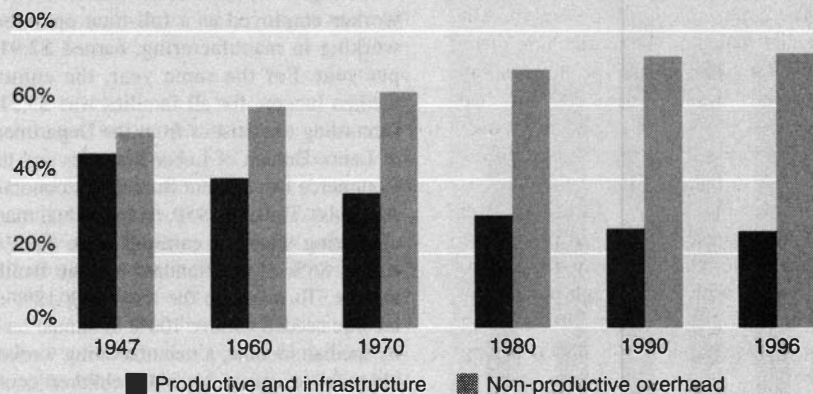
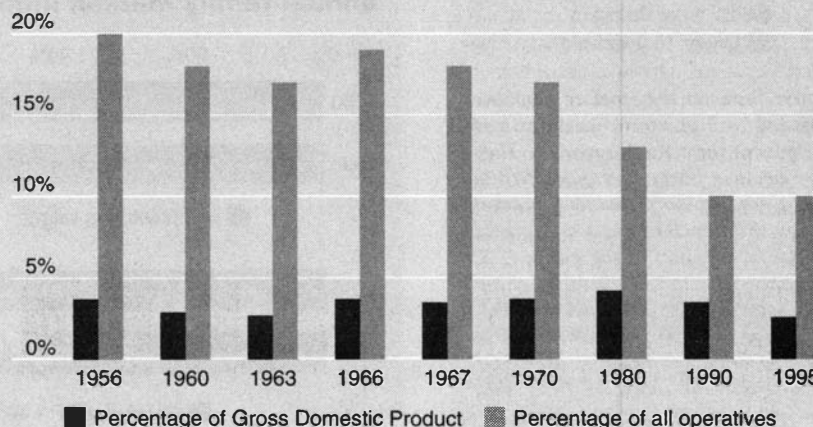


FIGURE 4
Manufacturing investment and employment



labor force, is encapsulated in the case of manufacturing, which is shown in **Figure 4**. Manufacturing produces the vast majority of all intermediate and finished industrial goods in the economy. The right-hand bars show manufacturing production operatives as a percentage of the total labor force. In 1956, one out of every five U.S. workers was a manufacturing production worker. By 1995, that had been halved, to only 10%.

The left-hand bars represent manufacturing's new dollar expenditures in productive investment in plant and equipment, expressed as a percentage of Gross Domestic Product. To replace worn-out machinery and to technologically upgrade for the future, is a critical parameter, indicat-

ing what faith manufacturing puts in its own future and that of the economy. As such, it is a measure of manufacturing's capital intensity. In 1956, manufacturing's monetary investment in new plant and equipment was equal to 3.7% of the U.S. economy's GDP. It held at that level until 1980. Today, it is one-third lower than in 1956.

The pattern in manufacturing, with respect to the collapsed productive employment and capital investment, is similar in the cases of agriculture, mining, construction, and hard infrastructure (such as transportation, water management, and power production and distribution).

The extinction of the single-wage-earner family

The British oligarchy's post-industrial society not only created a cancerous speculative bubble, but it also unleashed the sex-rock-drug counterculture. These processes undermined the family, culturally and economically, making the single-wage-earner family extinct.

In **Figure 6**, one can see that in 1950, a worker employed as a full-time operative working in manufacturing, earned \$2,916 per year. For the same year, the annual median income for all families was \$3,319 (according to statistics from the Department of Labor Bureau of Labor Statistics and the Commerce Department Bureau of Economic Analysis). Thus, in 1950, an individual manufacturing worker's earnings were equivalent to 88% of the standard median family income. To make up the remaining 12% of income needed to have 100% of annual family median income, a manufacturing worker, his wife, or one of his older children could work part-time jobs, for five hours or less

per week. While a 1950 median family income did not permit a family to pursue the high life, it enabled the family to support 3.5 children, on average, and thus, it supported a family of 5 to 6 people adequately—indeed, at a higher standard of living than today. Such an adequate wage was provided to many other categories of productive workers, such as miners and construction workers.

By 1995, a single manufacturing worker's annual wage had deteriorated relative to its purchasing power of 1950. At \$25,709 per year, it only provided 65% of the median family income of \$39,500. This left the family \$13,300 short of the median family income, meaning that a second person, or the wage-earner, had to work a second job, of 25 to 40 hours per week.

However, consider the case of the retail worker, which is also presented in **Figure 6**. The retail trade includes flipping hamburgers at McDonald's, a low-skilled job at Wal-Mart, and so on. In 1950, the retail worker's annual wage of \$2,208 constituted 67% of the annual median family income; yet, today, that same retail worker's annual wage, at \$11,088, constitutes only 28% of the annual median family income of \$39,500.

Since 1980, the number of manufacturing jobs has contracted by 2 million, and new jobs created in the economy over the past two decades have been almost exclusively in retail or low-paying services. Thus, today, if a husband and wife, between them, hold down three full-time retail jobs, that is, each is working 50-60 hours per week, their income would still only equal 84% of the median family income (three times 28% equals 84%), leaving them 16% short.

FIGURE 5
Machine tools in use, by age

millions of units

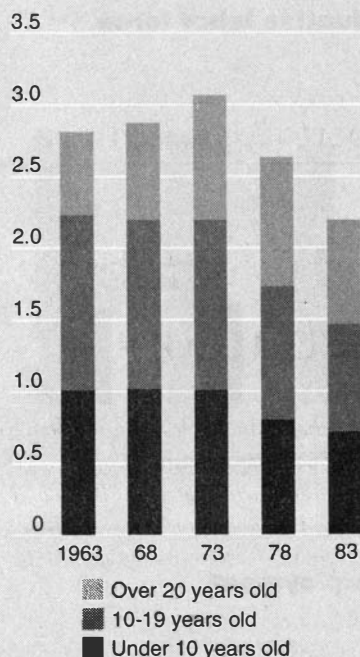


Figure 5 shows the stock of machine tools that are in use in factories and workplaces throughout America. They have become fewer and older. While this is part of the producers' market basket, still, machine tools are crucial for the functioning of the entire U.S. economy. In 1963, 21% of machine tools were over 20 years old. In 1983, 33% were over 20 years old. Whereas in 1973, America's workplaces used 3.07 million machine-tools, by 1983, that number had shrunk to 2.19 million.

FIGURE 6
Manufacturing and retail yearly wages, compared to annual family median income, 1950 and 1995

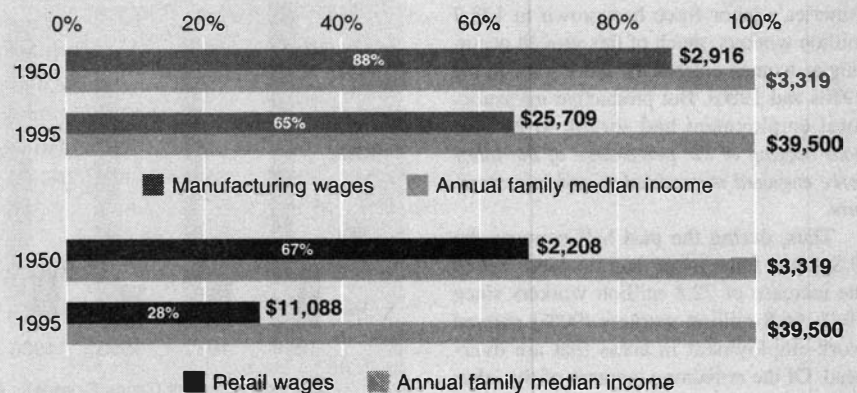


FIGURE 7

Retail employment surges as manufacturing employment declines

millions



Moreover, if they worked three full-time retail jobs, they would earn less than the 88% share of median family income that a single manufacturing worker earned in 1950. So, for comparison, it takes three full-time retail jobs today to earn less than what a single manufacturing worker earned, in 1950, relative to the annual median family income.

Figure 7 shows the manufacturing and retail trade employment pattern for 1953 through 1995, which says quite a bit about the falling income levels of the population. In 1953, there were nearly two and one-half times the number of manufacturing workers as there were retail trade workers (17.5 million versus 7.4 million), a healthy ratio. But the post-industrial devolution of the economy produced a surge in the retail trade, such that, in 1995, there were 20.8 million retail workers versus 18.4 million manufacturing workers. (And of the 18.4 manufacturing workers in 1995, only 12.7 million were production operatives; the other 5.7 million were non-productive workers working in the industry.)

These 20.8 million retail workers constitute one out of every 6.5 workers in the U.S. labor force. Their average wage, at \$11,088 per year, is \$4,000 below the poverty line

New segment of U.S. workforce: prison labor

One of the fastest-growing sectors of the labor force is the 1.6 million Americans now incarcerated in our jails and prisons. The number of Americans in prison grew by 6.8% between 1994 and 1995 and has tripled since 1980. Americans are now incarcerated at the highest per-capita rate of any nation which reports reliable statistics. Russia is second.

In the 1996 Presidential primary season, the use of prison labor became a key issue when Sen. Phil Gramm (R-Tex.) told the National Rifle Association's annual convention, "I want to turn every federal prison in this country into a mini industrial park." Even Adolf Hitler was not so blatant in his use of prison labor for the Nazi war machine. A win by the Conservative Revolution in November 1996 would virtually guarantee the rapid expansion of this policy.

The National Institute of Justice, a part of the Office of Justice Programs under the U.S. Department of Justice, recently published a report titled "Work in American Prisons: Joint Ventures with the Private Sector," whose purpose is to promote the use of prison labor by the private sector. The report documents how, since 1979, when federal legislation was enacted to restore private sector involvement in prison industries, joint ventures between private sector industries and state and federal prisons have taken off.

While still a small percentage of the prison population, today almost 72,500 prisoners are working in publicly and privately run work programs, producing \$1.35 billion worth of goods and services annually. Prisoners are involved in everything from assembling electronic cables to taking reservations for TWA flights. Most states either have passed or are in the process of passing legislation to enable such joint ventures to be set up in their prisons.

The federal government has the largest such prison labor program, called Unicor, which was first established in

1934. Unicor, a private for-profit corporation, sells products made by inmates in most federal prisons to federal agencies, and subcontracts prison labor to companies such as defense contractors and subcontractors that get contracts from the government. Unicor inmates are paid between 23 cents and \$1.15 per hour, and up to 50% of that can be deducted for debts and restitution. Loud protests against the ongoing expansion of Unicor have been registered recently both by labor unions and small companies in the government-supply business, who cannot compete with Unicor's low labor costs.

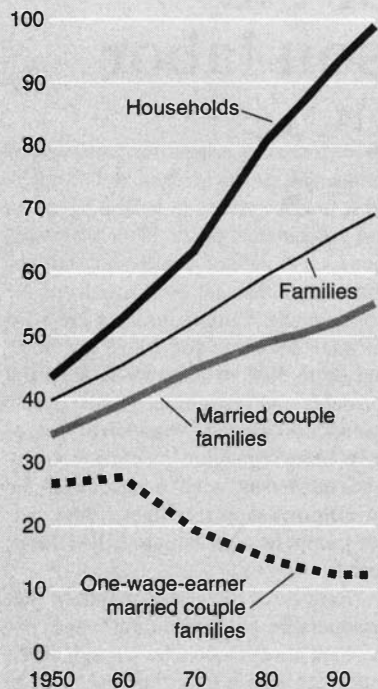
State laws generally mandate that prisoners be paid minimum wage, but there are always loopholes through which states can ram a tank. For instance, in three prisons in Virginia, prisoners are working for a private company which sells furniture to non-profit organizations. Since the ultimate purchaser is non-profit, the minimum wage law doesn't apply, and the prisoners earn 60 cents an hour. Even those who receive the minimum wage generally actually get only at most one-half of their pay, the balance going to cover the cost of their incarceration, victim restitution, and payment of court fines. About 40% of a typical working inmate's incarceration costs are recovered from wages.

Prisoners don't have the right to strike, and any complaint can result in punishment or loss of job; thus, prison labor is just about ideal, from a cost-cutting point of view. There are no OSHA complaints, and the prisoners have to show up for work. In addition, as the National Institute of Justice report states, employing American prisoners has the advantage that the product can carry the "Made in America" label, while the ultimate cost of employing American prisoners is comparable to, if not lower than, employing cheap labor in such places as Mexico's maquiladoras.

—Marianna Wertz

FIGURE 8
Households and families

millions



income for a family of four. They constitute some of the working poor, who are a growing percentage of the labor force.

The breakdown in family structure

The shrinkage of the annual wage as a percentage of the annual family median income, provides the backdrop for the extinction of the single-wage-earner fami-

FIGURE 9
Families, married couple families, and one-wage-earner families as a percent of all households



ly—which parallels an alarming trend in the breakdown of the family structure. (For those who like to preach about family values, they should pay strict attention.)

Figure 8 shows the number of households; families; married-couple families; and one-wage-earner, married-couple families. Each classification is a sub-set of the preceding classification. For example, a household is any combination of person or persons living together; a family is any form of a family living together, such as a married-couple family, a mother and children, a father and children, and so on; a married-couple family is a family which specifically has a husband and wife heading it, plus, possibly, children; and a one-wage-earner, married-couple family is one in which only one person works. In 1950, there were 43 million households; by 1995, there were 98.5 million. The increase or

decrease of the other three classifications is shown.

Figure 9 depicts the latter three classifications expressed as a percentage of the number of households. The breakdown of the family comes to the foreground. In 1950, families comprised 91.5% of all households. But by 1995, they comprised only 70% of all households, as the strange pairings of Baby Boomers or Generation X took over. In 1950, four-fifths of all households were headed by married couples; that declined to only slightly more than half by 1995.

But the most dramatic change is registered by one-wage-earner, married-couple families. In 1950, they constituted six out of every 10 households; today, they are a mere 12% of households. One wage earner no longer can support a family. The single wage-earner family has indeed become extinct.

A note on our sources

Data for the tables and graphs accompanying this *Special Report*, were taken from the following sources:

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American Hospital Association

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