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The War Against Wages

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Today's editorial by Paul Krugman in the New York Times:

Should we be cheering over the fact that the Dow Jones Industrial Average has finally set a new record? No. The Dow is doing well largely because American employers are waging a successful war against wages.

Economic growth since early 2000, when the Dow reached its previous peak, hasn't been exceptional. But after-tax corporate profits have more than doubled, because workers' productivity is up, but their wages aren't -- and because companies have dealt with rising health insurance premiums by denying insurance to ever more workers.

If you want to see how the war against wages is being fought, and what it's doing to working Americans and their families, consider the latest news from Wal-Mart. Wal-Mart already has a well-deserved reputation for paying low wages and offering few benefits to its employees; last year, an internal Wal-Mart memo conceded that 46 percent of its workers' children were either on Medicaid or lacked health insurance. Nonetheless, the memo expressed concern that wages and benefits were rising, in part "because we pay an associate more in salary and benefits as his or her tenure increases." The problem from the company's point of view, then, is that its workers are too loyal; it wants cheap labor that doesn't hang around too long, but not enough workers quit before acquiring the right to higher wages and benefits. Among the policy changes the memo suggested to deal with this problem was a shift to hiring more part-time workers, which "will lower Wal-Mart's health care enrollment."

And the strategy is being put into effect. "Investment analysts and store managers," reports The New York Times, "say Wal-Mart executives have told them the company wants to transform its work force to 40 percent part-time from 20 percent." Another leaked Wal-Mart memo describes a plan to impose wage caps, so that long-term employees won't get raises. And the company is taking other steps to keep workers from staying too long: in some stores, according to workers, "managers have suddenly barred older employees with back or leg problems from sitting on stools." It's a brutal strategy.

Once upon a time a company that treated its workers this badly would have made itself a prime target for union organizers. But Wal-Mart doesn't have to worry about that, because it knows that these days the people who are supposed to enforce labor laws are on the side of the employers, not the workers.

Since 1935, U.S. workers considering whether to join a union have been protected by the National Labor Relations Act, which bars employers from firing workers for engaging in union activities. For a long time the law was effective:

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workers were reasonably well protected against employer intimidation, and the union movement flourished. In the 1970's, however, employers began a successful campaign to roll back unions. This campaign depended on routine violation of labor law: experts estimate that by 1980 employers were illegally firing at least one out of every 20 workers who voted for a union. But employers rarely faced serious consequences for their lawbreaking, thanks to America's political shift to the right. And now that the shift to the right has gone even further, political appointees are seeking to remove whatever protection for workers' rights that the labor relations law still provides.

The Republican majority on the National Labor Relations Board, which is responsible for enforcing the law, has just declared that millions of workers who thought they had the right to join unions don't. You see, the act grants that right only to workers who aren't supervisors. And the board, ruling on a case involving nurses, has declared that millions of workers who occasionally give other workers instructions can now be considered supervisors. As the dissent from the Democrats on the board makes clear, the majority bent over backward, violating the spirit of the law, to reduce workers' bargaining power.

So what's keeping paychecks down? Major employers like Wal-Mart have decided that their interests are best served by treating workers as a disposable commodity, paid as little as possible and encouraged to leave after a year or two. And these employers don't worry that angry workers will respond to their war on wages by forming unions, because they know that government officials, who are supposed to protect workers' rights, will do everything they can to come down on the side of the wage-cutters.

Posted by Laura - October 6, 2006 09:45 AM - [In The News](#)

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Posted by [steve](#) - October 10, 2006 07:52 AM

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