More Work for Less Pay Could be Fueling Economic Boom
BY R.C. Longworth, Knight-Ridder Tribune Business News:
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For Don Belcher, being a part-time worker means working 50-hour weeks. The long hours are a good deal for Belcher, 48, a truck driver who's been supporting his family for 19 years on a part-timer's pay. They're a good deal for his employer, UPS, the giant courier service, which has been getting long hours out of its employees, part time and full time, while laying off 16,000 workers over the past year. The trend may even be good for the American economy -- so good that it helps explain the enduring paradox of the 1990s, how unemployment can be so low without forcing up wages and igniting inflation. So says a new study by economists Barry Bluestone and Stephen Rose, who argue that Americans are working longer hours than ever before. This, in turn, lets employers get more work out of their existing workforce, at existing wages, and frees them from having to pay higher wages to lure new employees from the dwindling supply of unemployed workers.

That Americans are working long hours is not news. But experts differ on how much longer they are working and, especially, why. Harvard professor Juliet Schor, in her book "The Overworked American," estimated that the average U.S. worker put in 163 more hours per year in 1990 -- the equivalent of about an extra month of full-time work -- than in 1970. Schor argues that consumerism drives the trend, as people work more to buy more. The latest edition of The State of Working America, issued by the Economic Policy Institute (EPI) in Washington, says the average married-couple family worked 247 more hours in 1996 -- the equivalent of six weeks of normal work -- than in 1989.

Bluestone and Rose say the increase in the work year was more modest but still substantial --some 98 hours in 1970-1990, or the equivalent of nearly 2 1/2 weeks of full-time labor. The reason, they say, is not greed for goods but fear for the future, not a scramble by workers to increase standards of living but a struggle just to keep the standards they already have. The expansion of global markets, the deregulation of key industries, the weakening of labor unions and corporate downsizing have fundamentally changed the structure of labor supply." Bluestone, a professor at the University of Massachusetts Boston, and Rose, a senior economist at the Educational Testing Service, wrote in a study for the Jerome Levy Economics Institute of Bard College in Annandale-on-Hudson, N.Y.

"These factors," they said, "have generated a greater sense of job insecurity, and stagnating or, in many cases, declining family income. "In the face of heightened job insecurity and declining income, workers now toil as many hours as possible when jobs are plentiful in anticipation of downsizing and job loss -- and they do so at existing wage rates," they wrote.

"Moreover, declining hourly wage rates, even in the absence of job insecurity, have forced millions of families to increase their combined hours of work simply to maintain their annual income." Bluestone, in an interview, added that he "sees people who are working harder and harder just to pay old bills, not to buy anything that people want to sell them."

The Bluestone-Rose study found that people with jobs either volunteer to work long hours, or accept employers' orders to work them, and don't demand higher pay. Some, like Belcher, the UPS driver, belong to a union and get overtime pay. Others don't. Either way, few people are out agitating for raises: The few recent strikes have focused more on job security, and even Federal Reserve Board Chairman Alan Greenspan has noted the lack of worker pressure for more money. This, in turn, means that the demand for extra labor, now at a peak after six boom years, can be met without shoving up
wages or inflation. Various ways to compute working hours all show that Americans are working longer. Schor and the EPI relied more on government data than did Bluestone and Rose, who used the Panel Study of Income Dynamics (PSID), a respected annual survey from the University of Michigan Survey Research Center. Their result was less dramatic than the other two, they said, "but large enough to constitute a sharp reversal of the previous long-term trend toward declining working time."

"I need the money," Belcher, 48, a father of two teenagers, explains, summing up his willingness to work extra hours.

Despite his 19 years at UPS, diminished vision in one eye has made him ineligible for a full-time job. Instead, he works part time, putting in a regular part-timer's shift of 25 hours per week, plus another 23 to 25 hours of overtime. Sometimes, his workdays begin at 10 p.m. and end at 9 the next morning. The money is good, $60,000 a year, and the arrangement works for UPS, which suffers from high absenteeism and turnover among its other part-time staff. To settle the Teamsters' strike against UPS last year, the company promised to turn 2,000 part-time workers into full-time workers each year for five years, as soon as it recovered the business it lost during the strike. So far, that recovery hasn't happened, according to a spokesman, and the company actually employs 16,400 fewer people than it did last year.

There are many more Americans besides truck drivers working extra hours. Bluestone said vast numbers of employees -- particularly in sales, financial services, telemarketing and service occupations -- are routinely working 50 hours a week or more, with or without overtime pay. "In addition," he said," people are working multiple jobs -- in the evenings, or on weekends, or they're self-employed and still have a regular job."

"In manufacturing," he added, "overtime is at an all-time high. Firms prefer to work their present employers harder, since their benefits are already paid, rather than hire somebody new, with all those benefits, plus the costs of training. "John Challenger, executive vice president of Challenger, Gray & Christmas, a Chicago outplacement firm, said the growth in work hours also reflects the maturing of the Baby Boom, with workers "at their most energetic, and needing extra money."

But Challenger agreed with Bluestone and Rose that "people today are more anxious. They know that you're vulnerable to losing your job, no matter how well your company is doing, and they want to prove to their boss that they're the ones that should keep their jobs."

Challenger's latest monthly downsizing report said that workers are right to be anxious. Downsizing this year is up 37 percent over 1997, he said. Partly because of the Asian economic crisis, American companies announced 50,774 job cuts in July, Challenger said. The biggest job losses came in the semiconductor, computer and electronics industries, and more than one-third of them happened in the Middle West.

Also, he said, more white-collar work has become "piece rate," with pay pegged to performance. Customer service representatives, for instance, are paid according to how many calls they take, "and people are working harder and longer hours to take advantage of that."

The Bluestone-Rose study said that all this is "far different" from the 1970s, when employers could only expand output by "coaxing additional workers into the labor force -- a practice that historically had required offering higher wages."

"Instead of having to raise wages to attract more workers, firms have increasingly been able to fill their additional need for labor by employing their own workers longer or by offering second jobs to workers who are employed elsewhere," Bluestone and Rose wrote.

Their calculation that Americans are working 98 more hours each year means that the average workload has gone up by 3 percent since 1970, and by 1.6 percent since 1990. If all Americans were working a standard 40-hour
week, this would create more jobs and lower the unemployment rate from its current 4.6 percent to about zero. Any rate even close to that almost certainly would send wages up. Some workers are working harder or are moonlighting at second jobs because they fear layoffs. Bluestone and Rose cited a 1986 study showing that only 20 percent of workers were "frequently concerned about being laid off." By 1996, they said, that figure had more than doubled, to 46 percent. At the same time, Americans have had to work more just to stay even. Government figures show that real wages for average workers declined between 1973 and 1991. Even during the boom of the 1990s, the study said, real average wages have gone up 2 cents per hour, and still are about $1.10 per hour below their 1973 levels, not counting inflation.

Two-earner families have increased their income over the past 20 years, but not because wages have gone up, Bluestone and Rose said. "The 18.5 percent increase in (their) real earnings was purchased with a 16.3 percent increase in hours worked... . The combined average husband-wife hourly wage increased by only 1.8 percent."

Bluestone and Rose said their study indicates that, despite the economic boom and low unemployment rate, the Federal Reserve Board can lower interest rates without touching off inflation. The longer working hours are absorbing much of the pressure that normally would be applied to wages, they said.

"In the first quarter of this year," Bluestone said, "we had an unbelievable growth rate of 6 percent. Productivity was up 1.2 percent, which is pretty good, but the other 4.8 percent was due to the increased labor supply. But the unemployment rate in that quarter stayed steady, so all this increase in the labor supply was from people working longer hours."