

Module 3:
**Why the Economy Isn't
Working for Workers**

Trainer's Guide

**A Popular Economics Education
Workshop Series**

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Module 3

Why the Economy Isn't Working for Workers

Their hearts were bowed down with hard labor; they fell down, with no one to help.
— Psalm 107:12

Workshop Goals

- Share the values and principles that stem from our faith traditions and explore how these values inform our understanding of and response to our economic lives (as workers, as consumers, as employers.)
- Explore trends in income and its consequences for working people, particularly low-wage workers.

Workshop Preparation

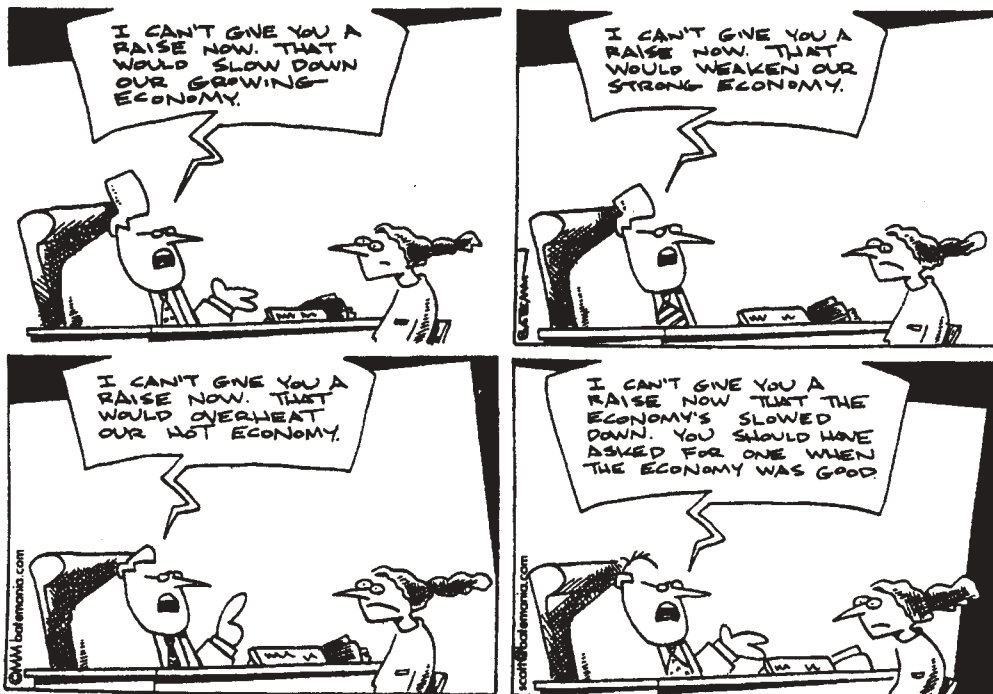
1. Materials include a set of pre-printed flip charts that serve as visual aids for the activities. An easel is extremely helpful to display the charts. In a pinch, you can use 2 or 3 large binder clips to attach the charts to an unused flip chart pad and set the pad on a folding chair.
2. A flip chart pad and set of markers is useful for recording participants' comments. Put the session agenda on the first sheet of the pad. After the agenda review, tape it to a wall for reference.
3. The Income Quintiles activity requires a set of 8.5" x 11" placards for each volunteer participant to hold, identifying the quintiles and showing the income range of each. (A set, suitable for reproduction on card stock, is included with this Guide.)
4. Prepare the packet of information that includes copies of the flip charts, the opening prayer, and a list of information sources and resources, for each participant.

Activity 1. Introductions (5 minutes)

- a. The trainer welcomes the participants and asks one of the participants to lead the group in a prayer (or leads the group her/himself).
- b. Trainer states the goals of the workshop (see page 2) and reviews the agenda.

Agenda Outline

1. Introduction & Agenda Review
2. Our Religious Values and the Economy
3. Economic Trends - What's Not Working?
4. Next Steps & Closure



Activity 2. Our Religious Values and the Economy (10 minutes)

- a. In pairs, participants share one or two of their core religious principles, beliefs, or passages from scripture that they feel guide them in understanding the role of work, and the treatment of workers in our society. The trainer asks the group for a sample of responses from the pairs activity and these are shared with the whole group [in a small group of 15 or less, all the participants can share].


Talking Point: Keep your these values and teachings of your faith in mind as we look at recent economic trends and their impact on workers.

- b. The trainer summarizes the current economic state of affairs for workers. (See *Chart 1: Workers in the US are Losing Ground.*)

In order to gain a better understanding of the economic picture for workers, we will examine these trends in greater detail.

Workers in the US: Losing Ground

- ★ Income: Stagnant
- ★ Job Security: Layoffs, part-time, temporary
- ★ Health Benefits: Paying more for less
- ★ Pensions: Fewer people covered
- ★ Costo of Living: Rising for housing, utilities, education, child care
- ★ Working Conditions: Deteriorating; exploitation of immigrant labor



Still waiting for trickle-down ...

1

We decry the growing wage of anti-unionism mounting in the nation today which asks people to forget the struggles that led to this form of negotiation as a just way to settle the differences.

— Urban Bisops Coalition of the Episcopal Church

Activity 3. Income Quintiles (25 minutes)

This activity compares income distribution in two recent periods of economic growth in the U.S. To demonstrate the growth and decline of incomes in these two periods, five volunteer participants are asked to come up and stand in the front of the room. [For this activity to work well, the volunteers will need plenty of space to move forward and some space to move back.] It is important that the group focus on the top one to five percent of the population — the greatest beneficiaries of the economy in the last 20 years. It is also important that everyone gets a chance to see where they fit, in terms of income distribution. Most folks think they are “middle income” and it is often a revelation to learn otherwise. We demonstrate the 1979-2001 time period before the 1947-1979 period because our experience has shown the activity to be more memorable that way. It also gets folks thinking about government programs that generally supported greater economic equality in the 1950s and 1960s (e.g., the GI Bill, appropriations for higher education, housing, and infrastructure projects, more favorable law enforcement, etc.).

- a. This activity looks at what happened to incomes during two periods of economic growth: 1947-1979 and 1979-2001. The trainer asks participants to name examples of occupations or economic situations (wages, salary, savings account interest, social security check, rent from owning real estate, capital gains from selling investments, dividends from stocks, gifts, etc.)

Talking Point: Economists often talk about the U.S. population in “quintiles” or “fifths” of the population. They imagine the entire population of the U.S. lined up in order, from the lowest income to the highest. They then divide that line into five equal parts.

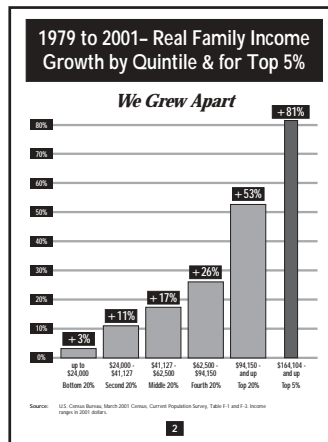
- b. Then the trainer asks five volunteers to come to the front of the room and stand shoulder to shoulder. Each volunteer represents a quintile — 20% of the population. The trainer hands each volunteer a placard showing the income range — in pre-tax, year 2001 dollars — of the quintile they represent. The income range represents *family* income (a family is two or more related individuals living together.)
- c. The following demonstration may seem like the childhood game “Mother May I” (also known as “Giant Steps”). Each volunteer steps forward or back according to the percent their income gained or declined over the course of the time period. *Each step equals a ten percent change*, so, for example, two steps forward would indicate an income gain of 20%.

d. Between 1979 and 2001 here's what happened:

Quintile	Steps	Percent Change	Yearly Income Range (2001) (family income before tax)
Lowest	1/2 step forward	+3%	\$0 - 24,000
Second	1 step forward	+11%	\$24,000 - 41,127
Middle	1 1/2 steps forward	+17%	\$41,127 - 62,500
Fourth	2 1/2 steps forward	+26%	\$62,500 - 94,150
Highest	5 1/2 steps forward	+53%	\$94,150 & higher

e. When we break the top quintile down even further and look at only the richest five percent of the population we see that from 1979 to 2001, the income of this group grew 81%. [From the spot where the top quintile is standing, a sixth volunteer takes three additional steps forward – eight steps in total from the starting line].

Quintile	Steps	Percent Change	Yearly Income Range (2001) (family income before tax)
Top 5%	3 additional steps forward	+81%	\$164,104 and up



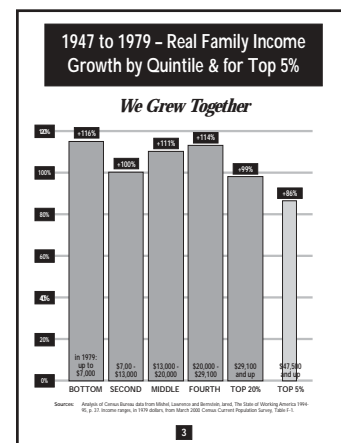
f. Next, the trainer and volunteers demonstrate what happened to family income during the post war years: 1947-1979.

Quintile	Steps	Percent change
Lowest	12 Steps forward	+116%
Second	10 Steps forward	+100%
Middle	11 Steps forward	+111%
Fourth	11.5 Steps forward	+114%
Highest	10 Steps forward	+99%
Top 5%	8.5 Steps forward	+86%

g. The trainer asks an open-ended question such as, “what conclusions do you draw about these trends in family incomes?”

Talking Points: From 1979-2001, there was much growth in income, but the distribution of that growth was very uneven. Although the top 20% as a whole did well, the ones who really made out were the top 5%. Why?

- At the top, the biggest income growth source was income from assets (rental income, earnings from stocks, bonds and other investments, capital gains from sales of property and investments). Since asset ownership is heavily concentrated in the wealthiest 5%, it is not surprising that that’s where the largest gains went.
- There was explosive growth in CEO salaries.
- At the bottom, the real value of the minimum wage was allowed to fall during the 1980s.
- A weakened labor movement was less able to prop up the wages of workers at the bottom of the scale.



The purpose of Chart #3 is not to glorify the 1950s but to point out that we achieved greater income equity across the quintiles. Also, the chart reflects the positive impact of social programs from the 1950s through the 1970s.

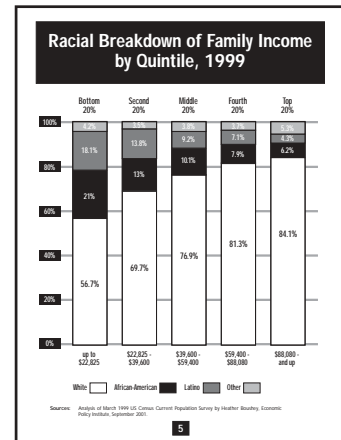
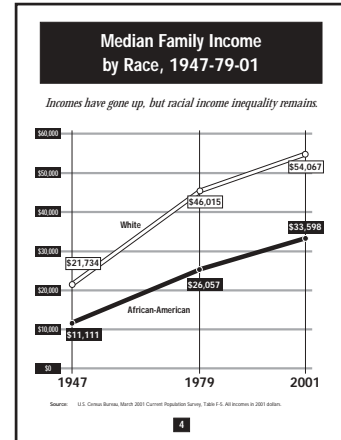
There are more **Talking Points** on the next page.

Talking Points: The period from 1947 to 1979 demonstrates that the great disparity in the distribution of income growth, as happened from 1979 to 2001, is not inevitable. Rather, it is, in large part, the result of deliberate government policies.

However, while the rate of income growth during this period was generally the same for everyone within each quintile — the significant gap between the incomes of African Americans and white Americans remained wide (see *Chart 4: Median Family Income by Race*).

Chart 4 just looks at data for African American and white families for several reasons. First, US Census Bureau figures on African-Americans go back much further than any other group; coverage of Asian Americans and Native Americans is spotty. Second, it's risky to generalize about the Latino (Hispanic) population. The Census Bureau uses "Hispanic." But many people so labelled don't like it, and the population it's applied to is diverse in origin, residence, and status. "Hispanic," as statisticians always point out, is unrelated to race.

Chart 5: Racial Breakdown of Family Income by Quintile looks at data by several racial groups at one point in time rather than over several years.



Race and Statistics

Racial and ethnic classifications are increasingly mediated by the Census Bureau. While originally conceived simply to provide consistent categories for use by federal agencies, the census' definitions of race and ethnicity have had the unintended consequence of shaping the very discourse of race and the distribution of vast resources in the U.S. These categories have become the de facto standard for state and local agencies, the private and nonprofit sectors, and the research community. In addition, these categories inordinately influence group identities and forms of political mobilization.

Yet racial categories are inherently unstable and shifting. We can never have categories that will be conceptually valid, measurable, and reliable over time. Yet we cannot simply abandon the use of racial and ethnic categories. Without them, we cannot monitor and track racial inequity and discrimination — for example, racial profiling. However "unscientific" and imprecise these categories may be, some form of racial classification is needed to discern trends and discriminatory patterns.

— Michale Omi, "Counting in the Dark" in *ColorLines* (Spring 2001).

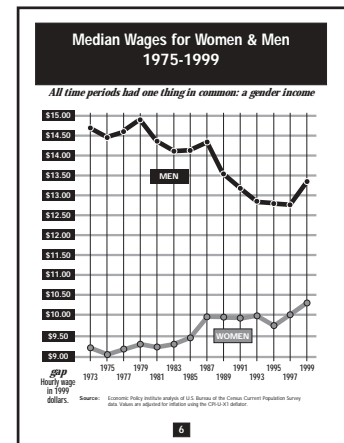
Talking Points: The goal of the government during the early post-war period was to build a middle class. Programs such as the GI Bill — which allowed hundreds of thousands of returned veterans to go to college and purchase homes — were funded by relatively high taxes on the wealthy (the top tax rate was 91%). It is important to acknowledge that these programs disproportionately favored white men. For example, the VA and FHA loan programs for housing, both of which utilized racially-restrictive underwriting criteria, assured that hardly any of the \$120 billion in housing equity loaned from the late 1940s to the early 1960s would go to families of color. While these loans helped finance over half of all suburban housing construction in the country during this period, less than two percent ended up being lived in by people of color.

The goal of the government during the 1980s and 1990s, however, was to let the rich accumulate great capital in the belief that it would trickle down.

h. If there is time, the trainer can select a few more charts to highlight (Charts 6-13) depending on the interests and circumstances of the workshop participants.

Talking Points: About 60% of the narrowing of the gender gap over the past 20 years has been due to the decline in men's wages. About 40% is due to an increase in women's wages. (See *Chart 6: Median Wages for Women & Men*)

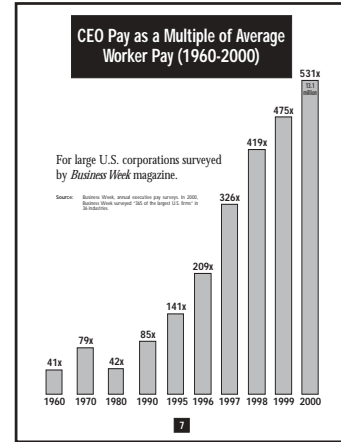
While there are more well-paid women in the professions than twenty years ago, there are many more women who have been forced to enter the low-paid service sector.



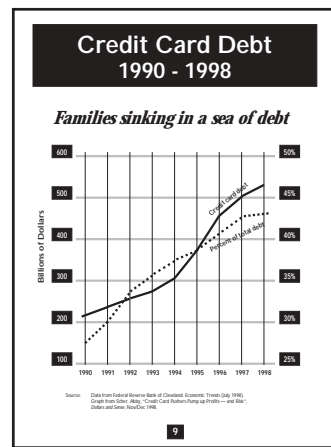
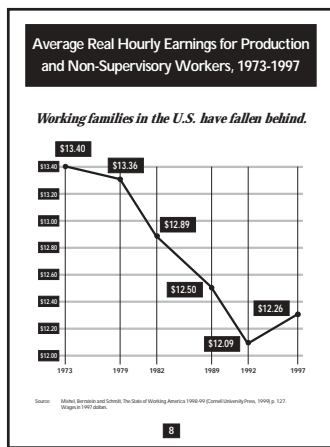
Most of these low-paid service jobs are low-paid precisely because they have traditionally been classified as “women’s work” (cleaning, food preparation, child care, secretarial, etc.).

There are more **Talking Points** on the next page.

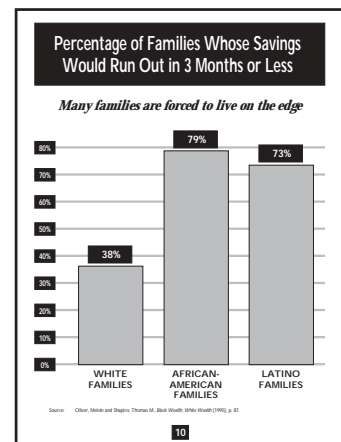
Talking Point: According to the 2000 Annual Executive Pay Survey of *Business Week*, 531 to one is the average wage ratio at 365 of the largest corporations (see *Chart 7: CEO Pay as a Multiple of Average Worker Pay*). Many large firms in the U.S. have even larger ratios. For example, the Disney Company's CEO, Michael Eisner, makes over 10,000 times his lowest paid worker (Minnie Mouse?)

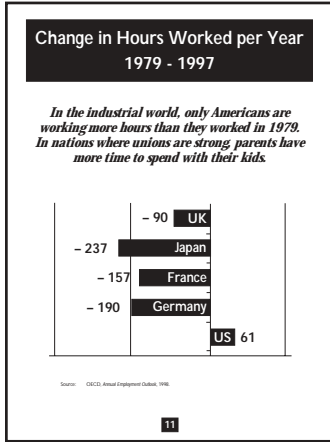


CEO over-compensation hurts average Americans. It transfers wealth upward from employees and shareholders to already affluent top executives.



Talking Point: Forty-five percent of all families in the U.S. have about three months financial reserves. That's forty-five million families! (See *Chart 10: Percentage of Families Whose Savings Would Run Out in 3 Months or Less*.)





National Family Leave Policies 1998

United States: 12 weeks unpaid leave, only if company has at least 50 employees

Germany: 14 - 18 weeks paid leave at 100% salary

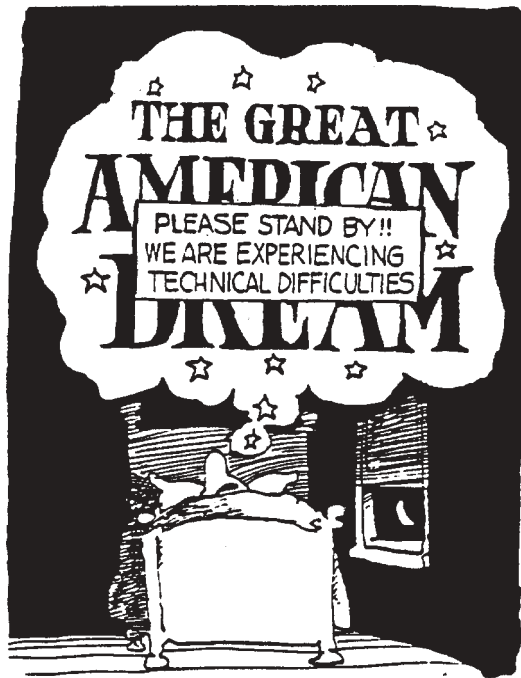
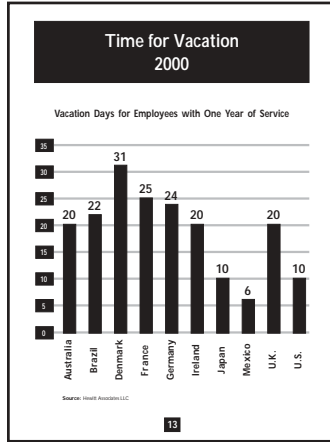
France: 16 weeks paid leave at 60% salary

Italy: 24 weeks paid leave at 80% salary

Sweden: 52 weeks paid leave, first 39 paid at 90% salary

Source: Boston Globe September 6, 1998.

12



4. Next Steps & Closure (15 minutes)

- a. The trainer asks participants to recall the principles and teachings of their faith traditions that they named in the beginning of the workshop. The trainer asks participants to suggest strategies and policies that the nation can take to improve the economic circumstances of workers.
- b. The trainer asks participants to name the steps that they, as individuals or as members of a congregation, can take to help these policies become a reality.
- c. The trainer asks participants to share with the whole group a highlight of this session and suggestions for changes they feel would improve the workshop.
- d. The trainer asks for a volunteer to lead the group in a closing prayer.

**We Need New Rules to Reduce
Wealth & Income Inequality**

Lift the Floor for Lower Income People

- ★ Higher minimum wage
- ★ Adequate incomes so families can save
- ★ Greater access to homeownership
- ★ Individual Development Accounts

Level the Playing Field for Everyone

- ★ Equal access to education and training
- ★ Publicly-funded asset accounts at birth
- ★ Fair trade policies that benefit wage-earners, consumers, communities, and the environment as well as investors
- ★ Fair taxes that treat income from investments and work the same
- ★ Expansion of business and corporate ownership

Address Concentrated Wealth & Power

- ★ Reduced subsidies for excessive pay & inequality
- ★ Progressive taxation of wealth & income
- ★ Campaign finance reform to get big money out of politics

14

As each one has received a special gift,
employ it in serving one another, as good
stewards of the manifold grace of God.

— 1 Peter 4:10