

America's Tomorrow: Equity Is the Superior Growth Model



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Features

Putting Full Employment on the Equity Agenda

If we want to reduce inequality and see prosperity broadly shared, we need full employment, argue economists Dean Baker and Jared Bernstein. Their new book, [*Getting Back to Full Employment: A Better Bargain for Working People*](#) (available for free download), explains how to put America back to work — and why people of color and low-wage workers stand to gain most.

America's Tomorrow spoke with Baker about the policies that can get us to full employment and why equity advocates should demand them.

Define full employment — does it mean zero unemployment?

It's the lowest level of unemployment we can get without seeing the inflation rate start to take off. At that point, when people are unemployed, it's not because we don't have enough demand in the economy. They are either in the process of seeking a job, or they are what we call "structurally unemployed" — they lack the skills required for available jobs, or they may be staying in the wrong location when they could get a job elsewhere. It's not to say you abandon those people but you'll need specific policies designed to find them jobs.

What overall unemployment rate are we talking about?

Jared and I think that 4 percent is a reasonable number to



In Brief

TODAY AT 2 p.m. ET/11 a.m. PT: Reinventing Prosperity Video Roundtable

Join the Reinventors Network's [online discussion](#) about the strategies to create an all-in economy with Angela Glover Blackwell, Manuel Pastor, Nick Hanauer, Ben Mangan, Mark Gomez, Robert Atkinson, and host Peter Leyden.

2.5 Million Low-Wage Workers Get a Raise

Thanks to minimum wage increases that went into effect in 13 states on January 1, 2.5 million workers will be getting larger paychecks in 2014. This will add [\\$619 million](#) to the country's GDP, according to an analysis by Economic Policy Institute.

Not a War, An Equitable Economy

Read Angela Glover Blackwell's [response](#) to the question "Does America need another war on poverty?" on the *New York Times's* Room for Debate blog.

shoot for. That's a lot lower than most economists would say. Our basis is that in the late 1990s we got down to that level and there was very little evidence of rising inflation. In our view there is no reason we can't keep unemployment at that level.

What does full employment look like for workers of color, who have historically had higher unemployment rates than the national average?

That's exactly why we think it's so important to make every effort to get the unemployment rate down. The main beneficiaries are those at the bottom of the labor market, particularly people who have been discriminated against — Hispanics, African Americans, and other people of color. You might still be looking at high unemployment rates but it makes a world of a difference. If you go back to 2000, when the unemployment rate was 4 percent as an overall average, the unemployment rate for African Americans was hovering around 6 percent. It's still way too high, but it's better than 12 or 13 percent, which we have now.

How does full employment reduce income inequality?

In three ways: One is hiring — you'll see people get hired who otherwise wouldn't have opportunities at all. That, of course, is associated with a large rise in income.

Secondly, there's also a rise in hours. What's often the case for low-wage jobs, it's not just that they pay a low hourly wage — often they're part-time jobs. People working at restaurants and hotels are working only 20 to 25 hours a week. These people really want full-time jobs. When you get to a low rate of unemployment, these workers have the opportunity to work a lot more hours. You see an increase in hours across the board but it's more pronounced for those at the bottom end of the wage scale.

Third is higher wages at the bottom of the labor market. If there is a labor shortage, firms are prepared to pay more money to get workers. And when you look at the data, you see higher wage growth for workers at the 10th, 20th, and 30th percentiles when you have low rates of unemployment.

How does full employment affect economic growth?

It's not essential, in the sense that we are having growth today and we are very far from full employment. But we're having weaker growth and the benefits are not evenly shared. They have gone to the top 10 percent, primarily to those in the top 1 percent. If we want to see growth that most of the country is

Inequality: An Essential Reader

Need a recap of the best data and ideas on inequality, why it matters, and how to fix it? Check out *Moyers & Company's* terrific [compilation](#).

sharing in, it's important to get back to full employment.

Would a federal stimulus move us toward that goal?

Government spending can create jobs. You can argue whether they're good jobs or whether money could be better spent. But when the government is paying people to do something, it creates jobs.

You also recommend reducing the trade deficit.

We have a large deficit, around 3 percent of GDP — \$500 billion a year. We have to get the trade deficit closer to balance. That would generate 5 to 6 million new jobs.

What other policies would you like to see?

Work sharing has been effectively employed elsewhere, particularly in Germany, where the unemployment rate today is just 5.2 percent. The basic story of work sharing is that it encourages firms to reduce work hours rather than lay people off.

Is that feasible in this country?

Around half the states have work-sharing programs that allow employers to reduce work hours rather than lay people off, and then people can recover a portion of their lost wages, in the same way they recover a portion of lost wages when they are laid off, through unemployment insurance. Through 2014, the federal government is picking up the cost of work-sharing programs. But there's not a lot of knowledge about it by state government officials or private employers.

What about job quality — how do we make sure that workers have good jobs with opportunities for advancement?

Unions are an important part of the picture. Historically, they have played a tremendously important role both for their members and in securing better conditions and better jobs for workers generally. Health and safety regulations, minimum wage laws, and other legislation to protect workers were brought about in large part by political pressure from unions.

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Making New Windows, and a New Economy, on Chicago's Southwest Side



Arizona Stingly, worker-owner of New Era Windows Cooperative.

Just over five years ago, at the depths of the financial collapse, a group of fired workers in Chicago galvanized America by occupying their factory to demand the wages and benefits guaranteed in contracts. Now, as worker-owners of their factory, they offer an inspiring lesson in how to create jobs and revive manufacturing in struggling communities.

New Era Windows Cooperative recently completed its first season of making and selling energy-efficient residential windows. Sixteen people own and operate the plant, and they are proving that workers can participate fully in building and running an equitable economy that provides good jobs, family-supporting wages, and benefits. "All of us here are doing pretty much everything that needs to be done," said Ricky Maclin, a New Era worker-owner.

Maclin worked for Republic Windows and Doors for seven years when the company shut down in 2008, terminating jobs without notice or severance. It was not a new story in Chicago. From a peak of 668,000 right after World War II, [manufacturing employment has fallen to 65,000](#) as factories have closed, moved to distant shores in search of cheaper labor, or relocated to Chicago's suburbs.

But this time, the workers did not go away quietly. A group of union workers — members of the United Electrical, Radio, and Machine Workers of America — [occupied the plant](#). Their protest captured the imagination of a nation in the grip of financial scandal, more than \$400 billion in federal bank bailouts, and the loss of nearly [8 million jobs](#). After six days, the workers won the money they were owed.

A few months later, a new owner bought the factory and rehired some of the workers. But the business never took off, and in February 2012, that owner abruptly announced it was shutting down the plant. Workers occupied again. It took them only 11 hours to win what they wanted: an option to buy the equipment and time to put together a deal.

With technical assistance and a \$600,000 loan from The Working World, a nonprofit that supports worker buyouts of factories internationally, and with help from UE Local 100, Maclin and colleagues founded a worker-owned cooperative. They purchased the factory equipment and opened on Chicago's Southwest Side, under the aptly named New Era.

Most are veterans of the factory floor and they have learned on the job about pricing, sales, and management. "We're still in the process of learning to become owners," Maclin said. "It's not something that you just cross over into overnight."

He and the others are well aware that they represent only a fraction of the 300 workers who lost jobs when Republic closed. They hope to see ventures like New Era brought to scale. The biggest challenge is securing capital: traditional investors and lenders generally stay away from worker-owned cooperatives.

"I would really like some type of help from the federal government or the state level," Maclin said. "The problem of financing is what keeps so many people from even trying this."

But this group shows what can be achieved with courage, creativity, and persistent action.

"For us it was a do-or-die situation," Maclin said. "You can't just roll up in a ball and die so you have to try and do something. And when there aren't any good jobs out there, people have to make their own jobs."

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America's Tomorrow highlights campaigns, leaders, policies, reports, and local models that are advancing equity as an economic imperative. It is produced by Chris Schildt, Sarah Treuhaft, Fran Smith, and Ana Louie. To learn more, visit the [America's Tomorrow webpage](#).

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