

THE PROBLEM OF THE DECLINING REAL WAGE:

HISTORY, ANALYSIS, AND RECOMMENDATIONS

In the “Long Strike of 1875,” coalminers rose up against their mine operators to demand, among other things, a better wage.¹ After months of struggle, the miners were defeated and returned to work with little to show for their troubles. After the strike was broken, the workers’ wages were cut repeatedly. Union records show that in 1876, 1877, 1878, and 1879 the miners “received 48, 58, 50 and 51 cents respectively less than in 1869 for doing the same dollar’s worth of work.”² The workers sang their sorrows, reciting lyrics such as:

Our wages, they grow beautifully less,
And if they keep growing thus, I guess,
We’ll have to put on magnifying specs,
To see the little figures on our checks,
It’s nothing strange to find on seeing the docket,
We’ve worked a month and are still out of pocket,
It makes a man feel dirty cheap, you bet,
To work a month and then come out in debt.³

For many Americans in the early 21st century the song remains the same. Between 1973 and 2000 the real wage (average hourly wages and salaries of production and nonsupervisory workers in the total private sector, adjusted for inflation) decreased by 8 percent.⁴ The decreasing value of the average real wage is a significant social policy problem in the United States. This paper will review federal wage policy, outline relevant demographic and employment trends, analyze the problem as it stands today, and provide a set of recommendations for addressing the problem.

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FEDERAL WAGE AND RELATED POLICIES

The federal government has long recognized the importance of wage policy as a subset of general social policy. Indeed, the American social policy landscape includes various mechanisms aimed at “making work pay,” that is, ensuring that people who work do not live in poverty. The Fair Labor Standards Act, the Earned Income Tax Credit, and the recent policy efforts to assist workers in improving their skills through education and training-based programs, such as the Workforce Investment Act, represent the major government forays into wage and wage-support policy. This section of the paper reviews the development, delivery, and results of these policies.

FAIR LABOR STANDARDS ACT OF 1938

Until 1937 the Supreme Court positioned itself as one of the major obstacles to legislation pertaining to minimum labor standards in the United States.⁵ However, in March 1937, Justice Owen Roberts switched positions and voted with the four-man liberal minority in *West Coast Hotel Company v. Parrish*, upholding Washington state minimum wage laws. President Franklin D. Roosevelt soon introduced a bill to Congress that, after several rounds of debate and revision, was to become the Fair Labor Standards Act (FLSA). The FLSA established, for the first time, minimum federal standards for both wage and overtime entitlement and banned interstate trade of goods produced with child labor. The major wage provision of FLSA was the creation of a minimum wage of \$0.25 per hour that was to be increased to \$0.40 per hour within seven years.

The U.S. Department of Labor (DOL) established a Wage and Hour Division, which oversaw employers' implementation of the federally mandated labor standards. The newly established bureaucracy, staffed with investigators, supervisors, and technical assistance experts, first helped employers interpret the FLSA and implement programs in accordance with the new law. It then became responsible for investigating employee complaints, conducting random reviews of worksites, and enforcing the FLSA.

The Act faced fierce opposition both prior to passage and during its implementation. Opponents warned that the law would result in a return to higher rates of unemployment. President Roosevelt strongly disagreed; during a fireside chat he stated, “Do not let any calamity-howling executive with an income of \$1,000 a day . . . tell you . . . that a wage of \$11 a week is going to have a disastrous effect on all American industry.”⁶

SUBSEQUENT MINIMUM WAGE POLICY

The minimum wage established in FLSA has seen numerous nominal increases. The minimum wage was adjusted over 20 times between 1938 and 1997.⁷ Additionally, many of the raises were accompanied by an expansion of eligible workers. Amendments to FLSA in 1961 and 1966 expanded coverage to the previously ineligible retail trade, public school, nursing home, laundry, and construction sectors, but allowed for a tiered system of minimum wages with different industries having different levels of minimum pay.⁸ A 1977 amendment set a uniform minimum wage for all covered employees.⁹

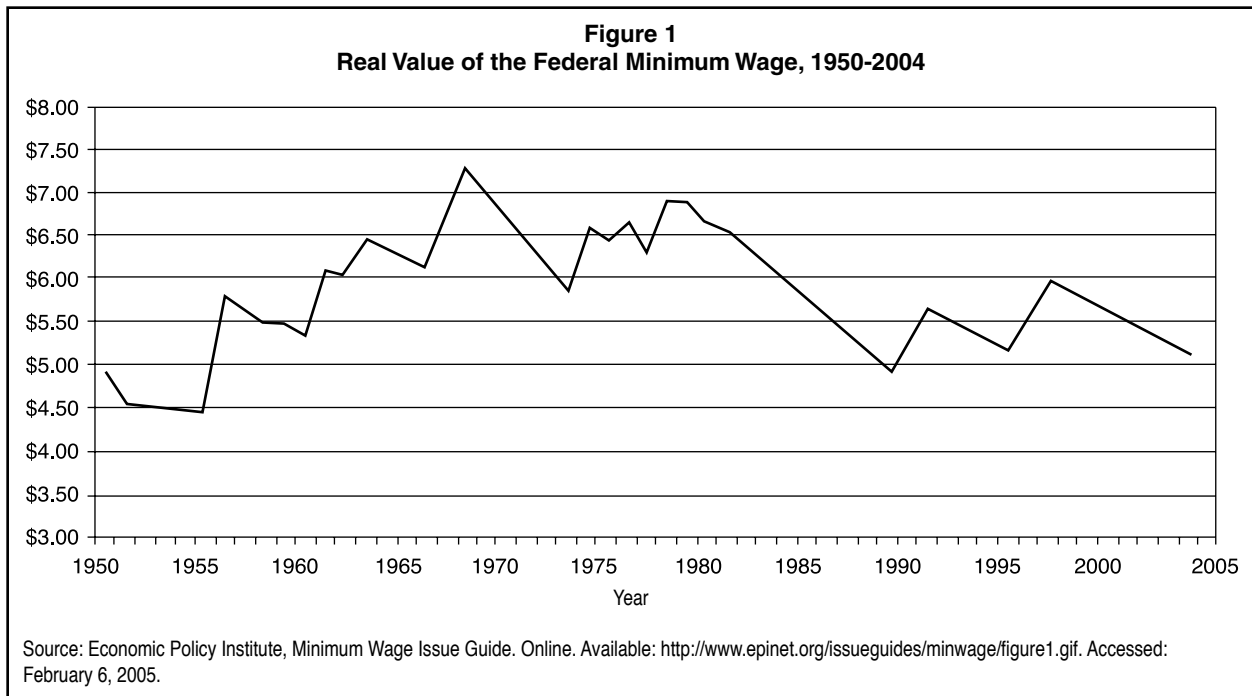
Has existing minimum wage policy succeeded in “making work pay”? No. Unfortunately, the many increases to the minimum wage have not maintained the wage floor at its peak level, much less kept the minimum wage above the poverty level. Today, even after the most recent increase to \$5.15 per hour, the real minimum wage is worth \$2.03 less what it was in 1968 (see Figure 1).¹⁰

EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) was borne out of the central tax policy mechanism, the Negative Income Tax, embedded in President Nixon's Family Assistance Plan (FAP).¹¹ Although the FAP was not adopted, the idea of providing fiscal allotments to low-income workers through the tax system remained popular among some policymakers. President Ford signed the Tax Reduction Act of 1975, which included the EITC, which transferred monies, on a schedule, to low-income workers. The primary objective of the transfer payment was not to support wages, but rather to stimulate the economy during the recession of 1975 by providing low-income workers with additional disposable income. Still, the dual objectives of tax reduction and income support were popular with both Republicans and Democrats, and in 1978 President Carter made the EITC a permanent part of the federal tax code. Expansions of the EITC in 1986, 1990, and 1993 effectively transformed the program from “a small tax credit to a large anti-poverty program.”¹²

Today, EITC functions as a significant tax credit mechanism for low-income workers. The IRS administers the program as a relatively simple tax rebate. Eligible employees submit a brief form to the IRS. The IRS then provides the appropriate lump-sum credit to the employee. At just 1 percent of overall program costs, administration of the program is remarkably cheap.

Has the EITC been successful in supporting workers' wages? As a federal transfer supplement



to income, yes. As a tool for changing the overall wage structure, no. There is no doubt that the EITC provides workers a tangible reward for work that helps fill the poverty gap. However, in 2003 a single parent with two children, working a full-time, minimum wage job would have a combined earnings and EITC tax credit of \$14,097, or only 95 percent of the 2003 poverty threshold of \$14,824 for a family of three (see Figure 2).¹³ EITC helps supplement workers' incomes, but it does not always push them over the poverty threshold.

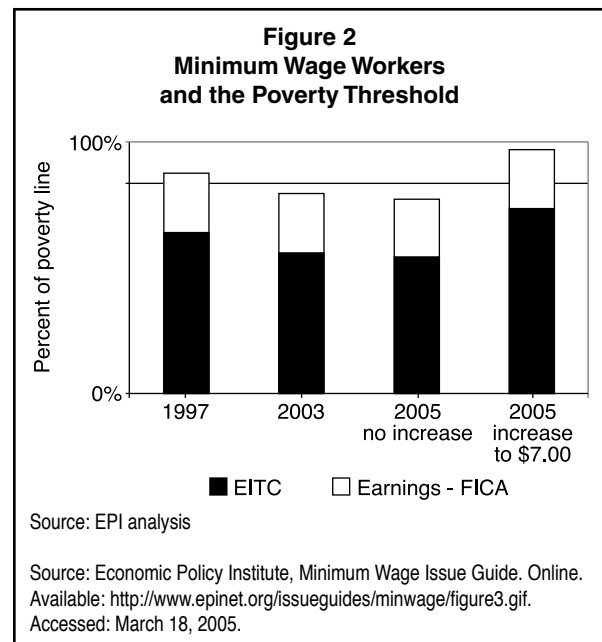
Regarding overall wage structures, EITC may have the effect of actually lowering wages for low-income workers. EITC is as much a wage subsidy for employers as it is a wage supplement to employees. Every dollar the government provides in the form of a tax credit (or, additional income) is a dollar that the employer need not provide. Recent research by the Urban Institute supports this logic.¹⁴ While workers still receive a net benefit from EITC, their actual wages decrease by between 7.5 and 13.1 percent of the amount of the government subsidy.¹⁵

EITC reaches millions of low-income workers and is the largest federal antipoverty, income transfer program in existence.¹⁶ However, the program may actually degrade the overall wage structure. Additionally, as EITC is legislated, it could also be unlegislated or eliminated, putting beneficiaries at the mercy of national legislators. Thus, there is no guarantee of a permanent benefit.

TRAINING, EDUCATION, AND SKILL DEVELOPMENT

According to the Government Accountability Office (GAO), in 1999 there were 40 federal job-placement or job-training programs. These programs, targeted at youth, welfare recipients, poor adults, and dislocated workers, spent approximately \$12 billion in 1999.¹⁷ Figure 3 describes some of the major federal job-training acts.

Describing the administration and delivery mechanisms of each program is not the goal of this



paper; yet, some useful generalizations can serve to inform this discussion. First, the Comprehensive Employment and Training Act (CETA) of 1973 was the first attempt to consolidate the many existing job-training programs. In addition to better coordinating the programs, CETA replaced a number of population-specific job programs with block grants, marking the beginning of the devolution of federal job-training programs. Second, the Job Training Partnership Act (JTPA) of 1982 replaced CETA, consolidated more programs into block grants and further devolved workforce and job-training programs to the states. Finally, the Workforce Investment Act (WIA) of 1998 consolidated various job-training programs with other related workforce programs and mandated that states create One-Stop Centers to provide citizens with a single point of contact for the myriad of workforce and training services.

Much of the current wage policy discussion in the United States emphasizes the need for a better educated labor force. Many believe that education, training, and skill-development programs will foster a more productive workforce, leading to higher wages for workers. So the question must be asked: Do additional levels of education, training, and skill development raise wages?

Abundant evidence indicates that higher levels of education and training result in higher wages for individual workers.¹⁸ There is general consensus that enhancing one's skills is almost a prerequisite for taking the next step up the career ladder. But, does education and training improve the lot of all low-income workers? The data suggest otherwise. Edward Wolff notes, "even as educational attainment has increased in recent decades, real wages

have still fallen."¹⁹ Furthermore, Wolff reports, "as educational opportunities have improved for a broader swath of the U.S. population, economic inequality has not fallen, but rather has increased."²⁰ So despite significant government spending on education, training, and skill development, workers at the bottom of the wage structure continue to fall behind. How could this be? James Galbraith thinks this pattern continues because "the distinction between (wage) structure and (job) placement is often muddled."²¹ When an individual receives training and moves up the career ladder, his own wages will increase, but the character of the job left behind does not improve; in most cases, it remains a low-wage position. Simply put, training is good for individual employees, but does little to better the overall wage structure.

REVIEW OF GOVERNMENT WAGE POLICIES

Federal government programs have long focused on helping workers make a living. FLSA created the first legislated wage floor and initially improved the lot of many low-income workers. The minimum wage was once used to raise or at least maintain the wage floor, but it is now worth much less in real terms than it was in the late 1960s. For all its benefits to workers and companies, EITC may actually lower the equilibrium wage floor, and as experience with the minimum wage shows, a danger exists that the legislation could be slowed, stopped, or repealed. Finally, training and education do little to improve the wage structure. More recent legislation and policy recommendations, such as childcare credits, seem to indicate that legislators are resigned to believing that some kinds of work will never truly

Figure 3
Major Federal Job-Training Acts

Date	Act	Description/Highlight
1962	Manpower Development and Training Act (MDTA)	First modern job training legislation, focused on workers dislocated due to automation and technological change
1962	Trade Expansion Act (TEA – TAA)	Training for workers dislocated due to foreign imports
1964	Economic Opportunity Act (EOA)	Part of War on Poverty legislation, job training and adult education services
1967	Work Incentive Program (WIN)	Training for welfare recipients
1973	Comprehensive Employment and Training Act (CETA)	Attempted consolidation of existing programs, use of block grants
1982	Job Training Partnership Act (JTPA)	Replaced CETA, expansion of block grants
1984	Carl Perkins Vocational Education Act	Coordination of vocational education programs
1985	Food Security Act	Training for food stamp recipients
1988	Family Support Act	Replaced WIN, created new training program for welfare recipients
1998	Workforce Investment Act (WIA)	Consolidated many Department of Labor programs, mandated One-Stop Career Centers in every state

“pay” and that the true solution is providing support to workers in those jobs.

CURRENT DEMOGRAPHIC TRENDS

Wage policy and wage levels are not set in a vacuum. Demographic change affects the demand for goods and services as well as the composition of the labor force. Trade, technology, and globalization also affect the overall employment profile and, thus, the wage structure. This section will review current trends and explain their effect on future wage prospects.

The U.S. population is expected to grow by approximately 24 million people by 2012.²² The U.S. labor force is predicted to grow by 12 percent through 2012.²³ The labor force will become increasingly diverse: the proportion of whites in the workforce will decrease as the number of minority workers increases.²⁴ The number of women entering the labor force will continue to grow at a rate faster than that of men.²⁵ Today, on average, minorities earn lower wages than whites, and women earn lower wages than men.²⁶ If current trends continue, the demographic changes in the labor force signal a continued decline in overall wage levels for low-income workers. Thus, demographic changes could exert further downward pressure on the average real wage.

Trade, technology, and globalization are helping to shift the United States from a goods-producing to a service-providing economy. Estimates project that more than 20 million of the 21.6 million new jobs created through 2012 will be in the service sector.²⁷ The occupations with the largest numerical increase in employment will include retail sales persons, customer service representatives, wait staff, and security guards.²⁸ On average, service sector jobs pay less than manufacturing jobs.²⁹ Many of the fastest growing occupations listed above have average wages below the average service sector wage.³⁰ So, in addition to an increasing proportion of lower wage earners entering the workforce, the economy will see an increase in historically lower paying jobs.

Another demographic trend, the increase in single-parent households, also presents a problem for wage earners. The number of single mothers increased from 3 million to 10 million between 1970 and 2000; over the same time frame, the number of single fathers also increased, from 393,000 to 2 million.³¹ These trends show no signs of retreating. At a time when two wages are increasingly required to support a family, more families have just one household wage earner.

Demographic and employment trends reveal that in the future a higher proportion of traditionally low-wage earners will enter the labor force, the number of low-wage jobs will increase, and more families will depend upon a single wage earner. Unless a sudden and significant shift occurs and closes the race and gender wage gaps, the future provides no relief for a continuing decline in the average real wage.

EITC is as much a wage subsidy for employers as it is a wage supplement to employees. Every dollar the government provides in the form of a tax credit (or, additional income) is a dollar that the employer need not provide.

ANALYSIS OF THE PROBLEM

This section will examine factors influencing the need to address the issue of declining real wages: failure of existing policies, undercutting of traditional American values, workers requiring public assistance, and increasing income inequality.

History reveals that existing public policies have failed to remedy the problem. Government has made numerous attempts to make work pay. While some policies initially had positive wage effects for all low-income workers, the set of policies as a whole has fallen short of maintaining a wage floor that keeps workers out of poverty. Simply, social policy to date has not sufficiently addressed the problem of the falling real wage.

The declining value of the real wage goes against the bedrock of American values. The United States is often referred to as the land of opportunity, a place where hard work and sacrifice lead to economic success.³² In fact, a recent survey found that 94 percent of Americans believe “people who work . . . should be able to earn enough to keep their families out of poverty.”³³ However, people who work are not always able to keep their families out of poverty. Of the 7.5 million American families living in poverty, 63 percent have at least one family member partici-

pating in the workforce.³⁴ Millions more working families hover above the official poverty threshold, but continue to struggle economically.³⁵

While the average worker's wages have fallen, the median family income has risen.³⁶ However, the rise in median family income is not the result of better jobs; instead it results from higher levels of mothers participating in the labor force. In 1970, 41 percent of mothers held jobs; today over 70 percent do.³⁷ Families can no longer maintain living standards with a single wage earner. Over 60 percent of families with children have both parents working, a marked increase since 1970.³⁸ Therefore, in addition to assaulting the American value of the virtue of work, the declining real wage also jeopardizes another American ideal: the primacy of family. Families with two wage earners have less time to spend together, which forces them to decide between more time with each other or more food on the table. In short, economic requirements can trump personal, familial desires.

When workers do not earn enough to support themselves and their families, they turn to public assistance programs funded by taxpayers. Today, approximately one of every four American workers earns subpoverty wages.³⁹ A surprising number of working people qualify for public assistance. In an increasingly service-oriented economy, it is alarming to discover that service workers are more likely to utilize public assistance programs than workers in other industries. A recent report found that workers at Wal-Mart, America's largest employer and employment trendsetter, utilize public assistance programs almost 40 percent more than other workers.⁴⁰ The study, conducted in California, found that if all retailers were to adopt pay practices similar to Wal-Mart's, it would cost the taxpayers of the state \$410 million per year.⁴¹ A similar report on working and living conditions of retail workers in New York City found that 35 percent qualified for Medicaid and 12 percent received public housing or rent subsidies.⁴² Additionally, many service and other low-wage workers qualify for EITC. In summary, low-wage jobs cost taxpayers an enormous amount of money.

Finally, it should be briefly noted that the declining real wage has been accompanied by increasing wage and income inequality.⁴³ Growing inequality "undermine[s] our sense of ourselves as a nation of equals."⁴⁴ This, in turn, leads to bitter and destructive battles over transfer payments, welfare, and the deserving poor. Economic inequality is a serious problem, one that threatens "the social solidarity and stability of our country."⁴⁵

RECOMMENDATIONS FOR CHANGE

With the average real wage declining and economic trends exacerbating the problem, it is time for a revised policy approach. My recommendations are not necessarily new, but rather are a return to former policies. They are rooted in the virtue of work, primacy of family, rule of law, autonomy of the individual, and strength of collective action. They seek to "make work pay" truly and more immediately by fostering an environment in which every job is a good job, one that provides wages above the poverty level. The recommendations are popular among citizens, relatively inexpensive (especially in a cost-benefit context), and aligned with core American values.

RAISE THE MINIMUM WAGE AND INDEX IT TO PRODUCTIVITY

Raising the minimum wage will undoubtedly increase the wages of many low-wage earners. The Economic Policy Institute estimates that raising the minimum wage would positively affect over 12 percent of the workforce.⁴⁶ Such an increase would also boost the spending power of those who spend the highest percentage of their wages, thus providing a stimulus to the economy.⁴⁷

Detractors of the minimum wage argue that an increase in the wage floor will result in a net decrease in jobs and will unduly hurt small business owners. However, several recent studies find no discernable job loss due to increases in the minimum wage.⁴⁸ Additionally, a recent survey of small business owners conducted by the Levy Institute found that just 13.4 percent of those surveyed thought that an increase in the minimum wage would "affect their hiring and employment decisions."⁴⁹

Raising the minimum wage has popular support. Three recent surveys have shown overwhelming public support for raising the wage floor.⁵⁰ In each survey, over 75 percent of those surveyed supported increasing the minimum wage.⁵¹ Additionally, 13 states have already increased their minimum wages to a level above the federal level.⁵²

Indexing the minimum wage to productivity would provide for regular increases in the wage floor. A minimum wage that only increased when productivity rose would ensure that the increases were indirectly earned by the workers in the form of their contribution to improved productivity, thus quieting the argument that minimum wage increases unnecessarily reward undeserving workers. Most important, such an indexed minimum wage could quell the political debate currently surround-

ing minimum wage discussions. A legislature could deny a raise to productivity-improving workers, but they would do so at their own peril.

ENFORCE EXISTING FLSA LAWS

Compliance with FLSA laws is poor, especially in the growing service sector. Two recent studies conducted by the Department of Labor reported that just 5 percent of restaurants, 35 percent of hotels, and 40 percent of nursing homes comply with federal minimum wage and hour regulations.⁵³ The Employer Policy Foundation, a business-friendly think tank, estimated that workers would receive an additional \$19 billion per year if FLSA laws were strictly enforced.⁵⁴

In the 1950s, one wage and hour inspector existed per 46,000 employees. The ratio today is one inspector to every 150,000 employees.⁵⁵ Furthermore, over 50 percent of DOL wage and hour inspections are conducted solely by fax and/or telephone.⁵⁶ Enforcing the laws would require the DOL to hire additional staff, but the cost of the additional staff would be far outweighed by the increases in employee pay and the federal tax revenue associated with recovered wages. Almost 70 percent of workers say they need "much more" or "somewhat more" protection for their rights.⁵⁷ Americans broadly support the enforcement of existing laws designed to protect them in the workplace.

REFORM AND ENFORCE IMMIGRATION LAWS

The standard model of economic theory informs us that as the supply of workers increases, the wages paid to those workers will decrease. Existing immigration policy has dramatically increased the supply of unskilled workers. Although legal immigrants comprise about 12 percent of America's workforce, they account for 31 percent of high school dropouts in the workforce.⁵⁸ Undocumented immigrants have even more unfortunate educational backgrounds, with an estimated 75 percent lacking a basic high school education.⁵⁹ This means that any effects of immigration on the wages or job opportunities of Americans will disproportionately affect less skilled workers.

Research by the National Academy of Sciences, the Department of Labor, the Center for Immigration Studies, and others examining the impact of immigration at the national level has concluded that immigration adversely impacts the wages of Americans who are in job competition with immigrants.⁶⁰ More specifically, a recent study by Harvard economist George Borjas found that the influx of immigrants from 1980 to 2000 "lowered

the wages of white native workers by 3.5 percent, it lowered the wages of native-born blacks by 4.5 percent, and of native-born Hispanics by 5 percent."⁶¹ The study also found that immigration reduced the average annual earnings of native-born men by approximately \$1,700.⁶²

A common argument against stricter immigration laws and a central tenet of President Bush's guest worker legislation is that immigrants take jobs that Americans do not want. In reality, it is difficult to find jobs that Americans do not want. As Jeffrey Passel of the Urban Institute explains, "under standard economic theory, there's no such thing as a labor shortage, merely a shortage at the wage being offered."⁶³ Without a massive supply of immigrant labor, businesses would be required to compensate workers with a higher wage. In summary, immigrants take jobs that Americans do not want at the prevailing wage, a wage that has been lowered by the influx of immigrant labor.

How should immigration law be reformed? First, all workers in this country should be granted legal status and informed of their rights. This will help to eliminate the shadow market of undocumented immigrants and uninformed workers whose presence brings down wages for all low-income workers. Second, immigration law should be amended to increase penalties for employers who knowingly hire undocumented immigrants. Third, border security and patrols should be improved. Finally, the composition of immigration should be altered. Today, just 12 percent of legal immigrants are admitted based on their skills and education.⁶⁴ We should revise immigration law to give higher priority to skilled and educated immigrants, thus relieving the oversupply of low-skill workers. Such a policy is not uncommon; many advanced industrial nations, including Canada, use such a system.

Is immigration law reform feasible? If legislators vote in accordance with the desires of their constituents, then yes it is. Sixty-five percent of Americans believe that immigrants hurt the economy by driving wages down.⁶⁵ Seventy-seven percent think that the government should better restrict and control immigration.⁶⁶ In fact, large numbers of Americans support the outright reduction of immigrants allowed into the United States.⁶⁷ A policy aimed at better controlling the flow of immigrants would garner widespread public support.

REFORM LABOR LAW

Labor unions play an important role in increasing wages. It is no surprise that as the percentage of unionized workers in the labor force has declined,

so has the average real wage. In 1972, 25 percent of the private sector labor force was unionized, and real wages equaled about \$3.45 (1970 dollars).⁶⁸ In 2004, just 8 percent of the private sector labor force was unionized, and the average real wage had fallen to approximately \$3.30 (1970 dollars).⁶⁹

How would unions help to remedy the problem of the falling average real wage? First, unions raise the wages of their members. The more members they have, the higher average wages will become.⁷⁰ Second, research has shown that “in industries and occupations where a strong core of workplaces are unionized, non-union employers will frequently meet union standards or, at least, improve their compensation practices beyond what they would have provided if there was no union presence.”⁷¹ Princeton University economist Henry Farber found that the average nonunion worker in an industry with 25 percent union density has had wages 7.5 percent higher because of the union’s industry presence.⁷² The positive impact of industry union density was greater for workers with lower levels of education.⁷³ Additionally, unions are important actors in the monitoring and enforcement of existing workplace laws. Unions inform workers of their rights, encourage workers to exercise their rights, and help to monitor workplace conditions. This monitoring capacity alleviates some demand for government monitoring services and frees up resources to focus on workplaces truly requiring investigation. In summary, unions raise workers’ wages and rights awareness, and if union density is significant within an industry, they also raise the wages of nonunion workers.

Why has union density in the workforce declined so much since 1970? The shift from a more goods-producing economy (where 14 percent of manufacturing workers belong to a union) to a service-providing economy (where just 3 percent of service workers belong to a union) is an important factor. Additionally, several scholars have noted how difficult it is to form a union under the existing application of labor law. Human Rights Watch recently released a report highlighting the difficulty of American workers in exercising their rights to organize, bargain collectively, and strike.⁷⁴ Other research has found that approximately 70 percent of employers disregard labor laws when fighting

a union organizing campaign in their workplace.⁷⁵ Most disturbing, 25 percent of employers facing a union organizing campaign illegally fire at least one pro-union worker.⁷⁶ The legal remedy for the worker and the legal penalty for the employer are notoriously weak and ineffective. Bluntly, American workers’ workplace rights are not effectively observed or enforced.

The federal government can and should reform labor law. The government should enact harsher penalties for employers who break the law and it should make union organizing easier by simplifying the certification process for union election re-

sults. By allowing a “card check” process, where a union is recognized once a majority of workers have signed union authorization cards, to replace the existing cumbersome National Labor Relations Board election process, which promotes an adversarial environment, the

government would make union organizing easier, faster, and, some say, less contentious.

Detractors will say that union workplaces are not as productive as nonunion workplaces, but numerous studies have shown otherwise.⁷⁷ Others will charge that unions will cause employers to raise prices, thus hurting consumers. Ironically, since 1970 productivity and profits have been increasing as wages have decreased.⁷⁸ Productivity gains are not passed on to consumers or workers; they are captured by capitalists in the form of profits. Finally, critics will warn that higher wages in America will result in more jobs being shipped overseas, but the fastest growing jobs are service-sector jobs, which cannot be moved to other countries; that is, your burger cannot be cooked, your car cannot be washed, and your bedpan cannot be changed in China. The jobs being created in America are service jobs and must, by their very nature, be performed locally.

It is significant to note that unions enjoy much popular support today. Over 40 million workers say they would like to join a union.⁷⁹ Over 44 percent of workers say they would be union members today if union elections were fairer.⁸⁰ Reforming labor law to coincide with the desires of a significant percentage of citizens would be politically popular. Most important, it would enforce individual autonomy by helping workers to help themselves. If workers freely chose not to form or join a union, then their wage problems would be their own.

Unions inform workers of their rights, encourage workers to exercise their rights, and help to monitor workplace conditions.

CONCLUSION

As Craig Becker notes, "Manufacturing jobs were not inherently good jobs" that paid living wages.⁸¹ Rather it was a set of public policies, such as the National Labor Relations Act of 1935 and the FLSA of 1938, as well as the ability of working people to form unions to better their wages and working conditions, that historically made blue-collar jobs a ladder to the middle class.⁸² Jobs in the growing service sector can become "good jobs," too. However, changes will not magically happen; legislators must develop a set of public policies that seek to truly make work pay by removing barriers to wage growth. Making work pay does not mean providing support to those people in jobs with poor wages or redistributing wealth; it means facilitating an environment where real wages rise so that every job can become a good job. The recommendations in this paper are a start.

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NOTES

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15. *Ibid.*, p. 23.
16. Maria Cancian and Arik Levinson, "Labor Supply and Participation Effects of Earned Income Tax Credit: Evidence from National Survey of America's Families and Wisconsin's Supplemental Benefit for Families with Three Children," University of Georgetown, Department of Economics, Washington, D.C., 2003 (working paper), p. 1.
17. *Ibid.*, p. 2.
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