

# America Transformed

Gary Hytrek and Kristine Zentgraf (2008)

In this excerpt from their book, *America Transformed: Globalization, Inequality and Power* (2007), sociologists Gary Hytrek and Kristine Zentgraf examine how globalization has transformed the U.S. economy and its labor markets. They argue that globalization has led to greater economic insecurity and has increased income and wealth inequality in the United States.

- An individual with a college education in 1979 started his or her work life making 25 percent more than a typical high school graduate; in 2000, the difference was almost 70 percent.
- Everyday in the United States, 85,444 people lose their jobs and are forced to compete for jobs that pay 21 percent less than the job they lost.
- In the past 3 years, 2.9 million well-paying U.S. manufacturing jobs have disappeared.
- Experts estimate that 14 million white-collar jobs in the United States will be shipped *permanently* overseas in the next few years.
- After losing a job, the average time a person spends out of work increased from 13 weeks in 2003 to 18 weeks in 2005 because of changes in technology and the fact that there are three job seekers for every one job.

Contemplating what to do after high school or college or whether or not to change jobs is a daunting task. As the above data from Mishel, Bernstein, and Allegretto (2005) and the AFL-CIO (n.d.c., 2004a) suggest, we are truly living and working in a new age. Analyzing such changes led the authors of the 2001 Economic Report to the President (2001, 19) to conclude that “over the last eight years the American economy has transformed itself

so radically that many believe we have witnessed the creation of a New Economy.” Gone is the predictability of the fixed Keynesian model; flexibility, innovation, and risk rule the day. In the twenty-first century, we must be well educated and we must be flexible enough to change where we live, where we work, and what work we do at the drop of a hat. What happened?

Economic globalization and the attendant political policies accelerated competition, which along the way restructured and transformed the U.S. economy and the occupational structures. At the dawn of the twentieth-first century, we are more individualized, more educated, more competitive, and more unequal than ever before. In this chapter, we examine the way in which globalization has altered the workplace and intensified class inequality (income, wealth, and poverty) in the period since the Second World War.

## The Context: Fordism to Flexibility

The three decades after World War II were hopeful times for many in the United States. When the war ended, soldiers came home anxious to return to their jobs and resume their daily lives. Factories that had been producing war-related products were retooled to produce

commodities for domestic consumption (e.g., cars, household appliances, etc.) and export. Jobs that paid living wages were relatively plentiful, and labor unions were active; poverty rates declined, and income distribution became more equal. For many—mainly the white working and middle classes—the “Ozzie and Harriet” image of the family was an attainable goal. Our present notion of the traditional family emerged in this period: living in the suburbs with a car in the driveway and a balance of work and personal life that included being home for dinner at five, taking yearly family vacations, and saving for the children’s college education.

As the competitive environment changed in the 1970s and U.S. firms went “global,” the restructuring of the U.S. economy created a more flexible and uncertain job market. New workers were no longer entering predictable work settings; rather, they, along with displaced workers from declining industries, were confronting more intense global and national competition for jobs that either paid too little or required specialized training and education. The globalization of the U.S. economy was altering the location of production as well as the mix of jobs *between* and *within* the U.S. manufacturing and services sectors. Over time, the U.S. occupational structure shifted from one resembling a diamond, with a large middle sector, to one in the shape of an hourglass, with cognitive-intensive jobs at one end and low-wage jobs at the other. The way in which globalization transformed the blue- and white-collar sectors is central to explaining the shifting patterns of inequality and stratification in the United States.

## U.S. Workers in the Globalized Economy

Flexibility, as we have noted, is a fundamental aspect of globalization. From the position of the corporation, firms must be flexible in order to react quickly to market changes and remain competitive. Technology is a central factor in the globalization process, functioning as the mechanism that coordinates the flexible global production process, replaces human labor, and creates new forms of technology–human collaboration. Research shows that computers can *substitute* for human labor or they can *complement* human labor (see Levy and Murnane 2004). Because computers excel at processing information through the application of rules, computers will complement humans working in jobs characterized by complex perceptual problems and requiring contextual knowledge.

For example, a cardiologist complements her experience and her patient’s medical history with an echocardiogram to arrive at an accurate diagnosis; without the aid of the echocardiogram, her task would be much more difficult.

New information technology can also complement human labor and enhance competitiveness by speeding up and adding flexibility to the production process. Boeing, for instance, launched its 727 passenger plane in 1962 after an 81-month development process. In 1994, Boeing used a computer aided design (CAD) system developed by Dassault, a French engineering company, to complete its new 777 passenger plane in only 52 months (Levy and Murnane 2004, 31–32). Even in labor-intensive industries, such as textiles, CAD systems can reduce the design time for a garment from weeks to minutes. Already by the late 1980s, Nike could specify a shoe design in Oregon and send these plans by satellite to a CAD firm in Taiwan, which in turn could fax the plans to engineers in South Korea. In other words, information technology and CAD systems allow firms to easily and quickly change designs to “tailor-make” products and meet rapidly changing individual consumer demand.

By contrast, computers will substitute for humans in jobs governed by rule-based logic. Jobs that can be fully and easily described by rules, such as many blue-collar and clerical jobs, are the most likely candidates for substitution by a robot or computer. Assembly line jobs and those involving tax preparation or financial bond trading are good examples of jobs where human beings have been replaced (substituted) by robots and computers (Levy and Murnane 2004, Chapter 3).

For positions in which technology cannot easily substitute for human labor, such as security guards or janitors, a large pool of available workers keeps wages low. For other non-rule-based jobs, such as textiles and electronics, technology facilitates a different type of substitution through outsourcing and subcontracting. Take the example of the textile industry. The sewing of garments remains labor-intensive, but information technology allows the repositioning of these jobs in the global production line through outsourcing and subcontracting (see Chapter 4 [of *America Transformed: Globalization, Inequality and Power*]). The creation of the global production process enhances flexibility by allowing the substitution of U.S. jobs for ones (outside of the United States) that are nonunionized, cheaper, and highly mobile.

Yet, not all corporations are moving offshore, and thus, there are alternative strategies that corporations use in an effort to cut costs and increase flexibility. Manufacturers, for example, routinely rely on **just-in-time production** strategies, whereby goods are ordered

via computer direct from the factory (which is often located in another country) and shipped immediately to retail establishments (located in yet another country). This eliminates the need to warehouse goods and the second-guessing associated with product supply and demand. Firms are also creating a **just-in-time labor force** based on nonstandard part-time, temporary, or **contingent labor** that allows firms to meet increased demand or to finish specialized projects—just in time—without the costs and long-term commitments that come with full-time or permanent workers.

The shift to **nonstandard work arrangements** throughout the 1980s and 1990s not only enhanced flexibility but also reduced labor costs (by decreasing health-care benefits, vacation, sick pay, and pensions). The average part-time worker, for example, gets paid 60 percent of the average wage rate of a full-time worker. And 25 percent of part-time workers earn minimum wage compared to 5 percent of full-time workers (Williams 2000). Over the 1980s and 1990s, temporary work doubled each decade (Mishel, Bernstein, and Boushey 2003), with low-wage workers hit the hardest by these changes (Belous 1997). Of the 2.4 million workers employed by temporary help agencies in 1996, six out of ten did work on the lowest end of the corporate job ladder (Belous 1997). By the late 1990s, however, nonstandard arrangements had spread throughout the occupational ladder to include white-collar professional occupations (e.g., lawyers, accountants, physicians, technicians, college and university professors, among others) and firms known for their long-term employment policies (e.g., IBM, AT&T).

Thinking about these kinds of changes in the context of our discussion in the previous chapters, what are the effects on working women and men in the United States? Recall that neoliberals argued that these changes would create a new economy with virtually endless growth potential and increasing wealth through the generation of high-skilled and high-wage jobs. Let's look more closely at labor market changes and, more specifically, at what Schumpeter calls the "creative destruction process."

## Changing Mixture of Employment Opportunities: The Manufacturing Sector

Manufacturing, we noted in the previous chapter, has been hardest hit by globalization. Between 1979 and 2001, employment in goods-producing industries

declined from 29.5 to 19.0 percent (Mishel, Bernstein, and Schmitt 2001); in manufacturing, the U.S. industry lost more than 3 million jobs from 1998 to 2003, reducing this sector to its pre-1958 size (Bivens 2004). During this period, 14 states lost more than 10 percent of their manufacturing workforce—with ten states losing at least 65,000 manufacturing jobs—which accounts for more than half of the total U.S. job losses. Five states—California, New York, Pennsylvania, Texas, and Ohio—accounted for 30 percent of the loss (AFL-CIO n.d.a).

Significantly, corporations did not fire employees "here and there"; rather, they instituted **mass layoffs** in the process of restructuring their operations by adding technology or moving offshore. The transportation equipment, primary metals (e.g., steel), apparel, computer and electronic products, and food manufacturing industries were the hardest hit by mass layoffs and plant closures. For example, 33 steel companies filed for bankruptcy and/or ceased operations between 2000 and 2002, affecting more than 73,000 steelworker jobs. Similarly, the textile industry saw 150 textile plants close since 2000—116 during 2001 alone—with North Carolina, South Carolina, and Georgia accounting for two-thirds of the losses (AFL-CIO n.d.a). These trends continued in 2002 and 2003 with 39,240 mass layoff events that prompted 4.1 million people to file for unemployment benefits (Brown 2004).

The way globalization is shaping the job mix in the manufacturing sector is illustrated by the U.S. automobile sector. Several trends are apparent. First, the sector has eliminated most entry-level, labor-intensive, assembly line jobs in the United States and increased job growth in the parts sector, jobs that assemble modules such as seats and climate control systems for final assembly elsewhere. Since the early 1980s, the parts sector has added over 220,900 jobs versus 25,300 assembly sector jobs. Hourly wages in the parts sector average \$17.91, or 75 percent of the \$24.25/hour pay in the assembly sector, declining from rough parity as late as 1978 (Sturgeon and Florida 2004, 55). Second, following the parts sector in job growth have been positions in research and design, engineering, and administration. Finally, while jobs in the parts sector are located throughout the world, the research and design, engineering, and administrative jobs typically remain in the United States.

The employment outlook for high-tech workers is no less problematic; in this industry, the number of jobs shrank by 18.8 percent to 1.7 million positions from mid-2001 to mid-2004 (Srivastava and Theodore 2004). Again, we find research and development jobs maintained in the United States while assembly jobs are relocated offshore.

In the hard disk drive sector, for instance, U.S. firms produced 80 percent of the world's hard drives in 1999 but assembled fewer than 1 percent in the United States, with 70 percent assembled in Southeast Asia (McKendrick 2004, 145). As late as 1985, 55 percent of hard drives were assembled in the United States; in 1995, over half of those working for U.S. firms in this sector were employed in Southeast Asia (McKendrick 2004, 145).

Jobs in software occupations within the manufacturing sector shrank even faster than overall manufacturing jobs. Between 2000 and 2002, total manufacturing jobs fell by 12 percent, while software jobs within manufacturing dropped by 19 percent. From mid-2001 to mid-2004, while the U.S. manufacturing sector shed 15 percent of its jobs, the software-producing industries lost 16 percent (Economic Policy Institute 2003).

Where did these manufacturing and high-tech jobs go? Figure 13.1 provides a partial picture. The software sector, one of the key sectors in the global economy, exemplifies the process by which U.S. jobs are outsourced to other places (in this case, India) in the global economy. . . . Other jobs have been casualties of technology. In 1980, U.S. Steel employed 120,000 workers; by 1990, the firm had cut 100,000 jobs yet maintained the same output of steel. On Ford assembly lines, robots do 98 percent of the spot welds on such cars as the Taurus. In addition, the advent of certain technologies, such as CAD, has changed the skill requirements for numerous jobs. As the motor vehicle industry suggests, the typical assembly line worker was more likely sitting at a computer than at the line by the new millennium. The point here is that technology not only accelerates the pace of job change; it also raises the value of verbal and quantitative literacy.

## Changing Mixture of Employment Opportunities: The Service Sector

Reflecting the general structural transition of the U.S. economy, the service sector accounted for over 80 percent of the jobs at the end of the twentieth century (increasing from 70 percent in 1979 to 81 percent in 2001). Between 1969 and 1999, the fastest-growing service sector occupations were the low-paying categories (those non-rule-based, difficult to outsource jobs, such as janitors, cafeteria workers, and security guards). In this same period, high-paying professional, managerial, and technical sectors and middle-range service jobs (e.g., administrative support workers) showed the greatest *decline* (Levy and Murnane 2004, 42, Figure 3.2). Other service sector jobs experiencing decline include the geographic information systems services for insurance companies, stock market research for financial firms, medical transcription services, legal online database research, customer-service call centers, and payroll and other back office-related activities, to name a few.

The forces at work in the service sector are the same ones shaping the manufacturing, high-tech, and software production jobs—specifically, advances in the information infrastructure, the emergence of a global “24/7” economy capable of operating in real time, as well as institutional convergence as many parts of the world adopt common accounting and legal systems. Still, outsourcing these service jobs would be difficult without the presence of another global process—cultural globalization. Increasingly, English is the accepted medium of communication and business throughout the world, and

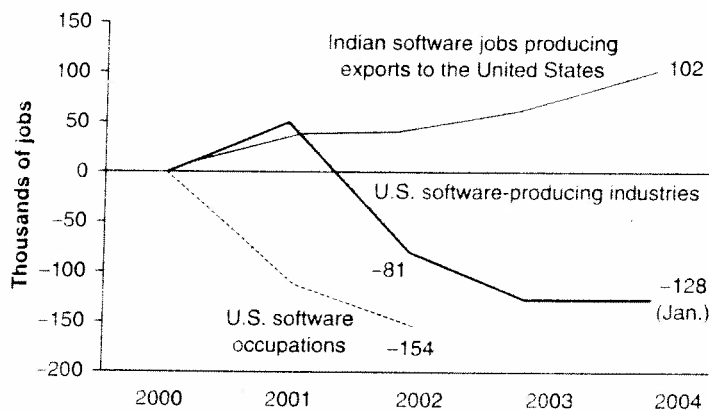


Figure 13.1 Changes in Software-Related Jobs Since 2000

Source: Mishel, Bernstein, and Allegreto (2005).

there is a steady and copious supply of technically savvy graduates, many of whom leave their native countries to study in the United States and later return home to work in globalized firms (see Bardhan and Kroll 2003).

These transformations are aptly illustrated by trends in the software sector. The transfer of service activities in this sector to offshore locations has created a critical mass of expertise and resources in concentrated locales (e.g., the city of Bangalore in India...). Firms involved with software services outsourcing and **business processing outsourcing** (BPO) are rapidly gaining ground in places such as the Philippines and Malaysia (call centers and other back-office BPO), China (embedded software, financial firms, back-office BPO, some application development), Russia and Israel (high-end customized software and expert systems), and Ireland (packaged software and product development). At the same time, the higher value-added, better-paying jobs in management, finance, marketing, and research and development have been retained in the United States, as we found within the manufacturing sector. Estimates suggest these outsourcing trends will continue. Forrester Research predicts that \$151.2 billion in wages will be shifted from the United States to lower-wage countries by 2015, while Dobbs (2004a) argues that this trend will affect some 3.4 million white-collar service jobs in 550 of the 700 service job categories in the United States in the coming decade.

The changes in the software industry are consistent with the arguments of neoliberals and Marxists alike: that the United States will shed low-wage jobs and retain the higher-end, more profitable ones. For the neoliberals, the transition is a temporary one that will eventually lead to better jobs and higher income; for the Marxists, the results are not so benign. We might even ask how much it matters if those bearing the majority of the costs today will be better off in the *long run*. When confronted with a similar situation many years ago, J. M. Keynes replied that in the long run no one benefits. With this in mind, what are the ramifications of all these changes for class inequality in the United States?

#### PATTERNS IN CLASS INEQUALITY

##### *Income*

As we mentioned in Chapter 5, differences in income, wealth, and poverty are central indicators of class stratification. How, then, have the structural shifts—from manufacturing to services and changes within the manufacturing and service sectors—affected class stratification in the United States? In general, the nature of these shifts has

contributed to a widening in the income gap in the United States, which many suggest is wider today than at any time since the Great Depression. Data from the Center on Budget and Policy Priorities and the Economic Policy Institute, for instance, indicate that the income gaps have widened in 45 states over the past 20 years (Bernstein et al. 2002). But not all have experienced declines in income. Professional, administrative, and technical workers have experienced the greatest returns for their labor as shown in Table 13.1.

While these data are consistent with the occupational shifts described above, they likely underestimate the earnings of professional workers, which often include bonuses and stock options. For instance, those in the top 5 percent of income earners saw their income increase the most after the 1970s. Part of this story is the often ignored issue of CEO compensation. During the 1990s, CEO compensation soared to unprecedented heights. Data from United for a Fair Economy (2001, 10) show that “if the minimum wage, which stood at \$3.80 an hour in 1990, had grown at the same rate as CEO pay over the decade, it would now be \$25.50 an hour [2001], rather than the current \$5.15 an hour.” According to *Business Week* (2004a), the pay gap between an average blue-collar salary and the CEO of a large company was 531-to-1 in 2000 and remained more than 300-to-1 in 2003 compared to 42-to-1 in 1982 (also Gill 2001). For the average blue-collar worker, wages did not keep up with inflation after the 1980s, which supports another finding: the severing of the historical link between rising productivity and rising median family income. Historically, the two tended to rise together, but from 1973 to 2003 median family income grew less than one-third as fast as productivity (Mishel, Bernstein, and Allegreto 2005).

Thus, it is not surprising that the median annual real income per worker *fell* from \$25,896 in 1979 to \$24,700 in 1995 (Table 13.1). By 2003, the average worker

**Table 13.1** Changes in Hourly Wages by Selected Occupation (Males), 1973–2001 (2001 Dollars)

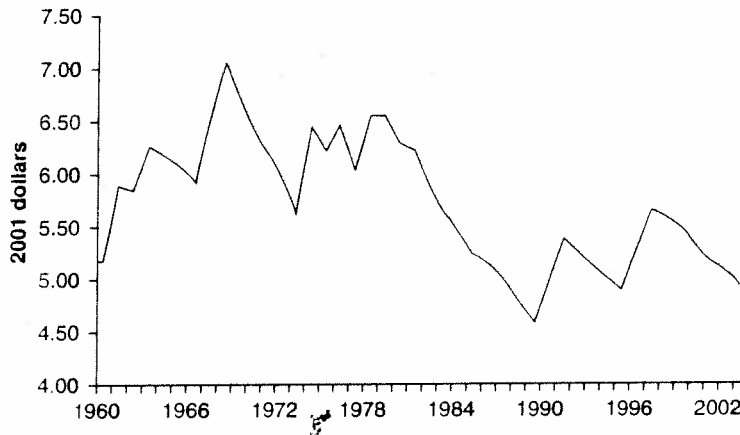
	1973	2001
<b>White-collar occupations</b>		
Managers	\$22.08	\$27.53
Professional	\$22.12	\$26.31
Technical	\$18.80	\$21.38
Other services	\$12.49	\$11.42
<b>Blue-collar occupations</b>		
Craft	\$17.18	\$16.21
Operatives	\$13.47	\$13.05
Laborers	\$12.34	\$10.75

Source: Mishel, Bernstein, and Schmitt (2001, 125).

was taking home \$517 in the weekly paycheck; the average CEO collected \$155,769 weekly. We might note that the average worker probably makes less than these figures suggest. According to the Economic Policy Institute, the hourly wage for (male) blue-collar workers as a group declined from \$15.02 per hour in 1973 to \$14.32 per hour (2001 dollars) in 2001 (Mishel, Bernstein, and Schmitt 2001, 125). Yet, for (male) laborers—a subcategory of blue-collar workers—the hourly wage declined from \$12.34 to \$10.75 (2001 dollars) during the same period. The hourly wage decline was even greater for those working at minimum wage (7 million adult workers in 2000), as Figure 13.2 shows.

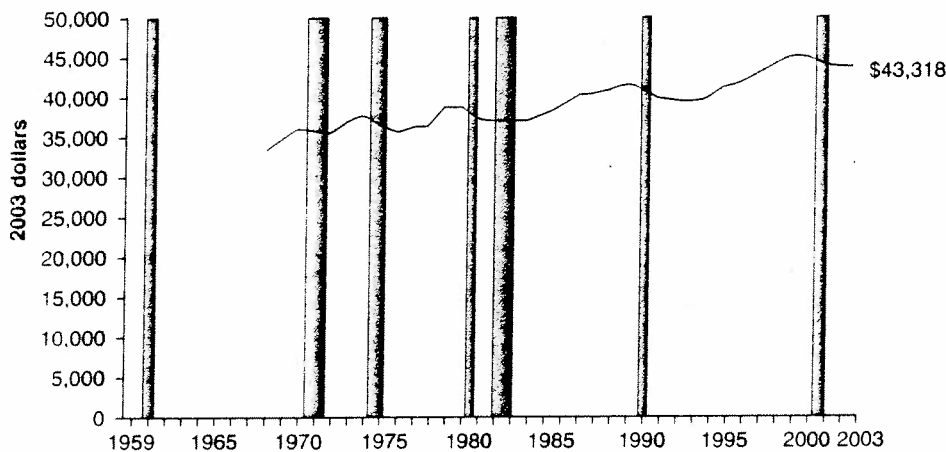
The changes are reflected in the fact that by the year 2000 the average income for the top 1 percent of the population was 88.5 times that of the lowest 20 percent, an increase from 33 times since 1979 (Mishel, Bernstein, and Allegretto 2005).

The sum of these changes is reflected in income trends since the 1950s. To begin, data in Figure 13.3 indicate that as a nation we are much richer in terms of household income since the late 1960s. Compared with 1967, the first year for which household income statistics are available, real median household income is up 30 percent. Median income peaked in 1999, was unchanged in 2000, and declined over the next 2 years (Mishel, Bernstein, and Allegretto 2005).



**Figure 13.2** Real Value of the Minimum Wage (2001 Dollars), 1960–2002

Source: Mishel, Bernstein, and Boushey (2003, 197).



**Figure 13.3** Changes in Real Median Household Income, 1967–2005

Source: DeNavas-Walt, Proctor, and Lee (2005, 3).

Note: The data points are placed at the midpoints of the respective years. Median household income data are not available before 1967.

If we look at changes within the aggregate data, a different picture emerges. Data in Tables 13.2 and 13.3 reveal a stark difference in the trends before 1970 and those after 1980—precisely the point at which the United States became more integrated into the global economy. Leading up to the 1970s, the data indicate a growing *equality* as the share of total income grew more rapidly for the lower and middle quintiles than for the top quintile. After 1979, however, the trend reversed itself as the share of total income going to the top quintile accelerated and growth dramatically slowed for the lower and middle quintiles. Overall, U.S. society has become *more unequal* since the late 1970s. In other words, the distribution of income reflects the polarization in the occupational structure—or the hour-glass phenomenon—with growth in the low- and high-income quintiles and a shrinking in the middle.

## Wealth

Wealth is a better indicator of inequality for the reasons we mentioned in Chapter 5 (e.g., links to power, opportunities to generate additional income, greater life chances, among others). Existing data on wealth reveal trends that are not unexpected. Recall that by *net worth* we are talking about total assets less any liabilities. Data in Table 13.4 and Figure 13.4 indicate the trend since the early 1980s. Note that in 1989 the bottom 20 percent of the U.S. population

actually had a *negative* net worth! Overall, however, we can see that by the late 1990s the top 1 percent of the U.S. population controlled almost 40 percent of the total assets of the United States, while 90 percent of the population shared 29 percent of the total assets. Has this changed since 1983? Yes: The top 1 percent has *increased* its control to 34 percent, while the bottom 90 percent of the population has *lost* 2.8 percent. Overall, the bottom 40 percent of the population suffered the greatest decline, which is precisely what we would expect given the changes in the U.S. economy since the end of the 1970s (see Domhoff 1998, 2002).

Finally, the data on income and wealth are suggestive of another, more hidden trend: the rapid growth of millionaires and billionaires in the United States. Between 1997 and 2005, the number of millionaires grew from 1,800,000 to 7,500,000, while in the 10 years after 1996, the number of billionaires increased from 179 to over 400 (Lynch Cappgemini Consulting 2000, Figure 3; 2001; Christie 2005; *Forbes* 2006).

## Poverty

As the number of millionaires and billionaires increased, so too did the number of children in poverty: up from 3.4 million in 1979 to 13 million in 2004 (Eitzen and Baca Zinn 2003, 182–183; Children's Defense Fund 2004). And 8.9 million of these children are in working families—an

**Table 13.2** Change in Family Income by Quintile and the Top 5 Percent, 1947–1979

	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%	Top 20%
1979 Income range	Up to \$9,861	\$9,861–\$16,215	\$16,215–\$22,972	\$22,972–\$31,632	\$31,632 and up	\$50,746 and up
1947–1979 Income change	+116%	+100%	+111%	+114%	+99%	+86%

**Table 13.3** Change in Family Income by Quintile and the Top 5 Percent, 1979–2001

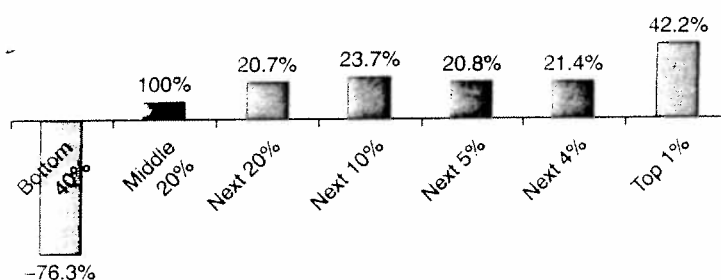
	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%	Top 5%
2001 Income range	Up to \$24,000	\$24,000–\$41,127	\$41,127–\$62,500	\$62,500–\$94,150	\$94,150 and up	\$164,104 and up
1979–2001 Income change	+3%	+11%	+17%	+26%	+53%	+81%

Sources: Data for Tables 13.2 and 13.3 are from United for a Fair Economy, n.d.

**Table 13.4** Distribution of Net Worth (by Population Segments—Quintiles)

Wealth Class	1983	1989	1992	1995	1998
Top 1%	33.8	37.4	37.2	38.5	38.1
Next 4%	22.3	21.6	22.8	21.8	21.3
Next 5%	12.1	11.6	11.8	11.5	11.5
Next 10%	13.1	13.0	12.0	12.1	12.5
Next 20%	12.6	12.3	11.5	11.4	11.9
Middle 20%	5.2	4.8	4.4	4.5	4.5
Bottom 40%	0.9	-0.7	0.4	0.2	0.2

Source: Wolff (2000).

**Figure 13.4** Change in Average Household Net Worth by Wealth Class, 1983–1998

Source: Wolff (2000: Table 3).

increase of 623,000 since 2001 (Children's Defense Fund 2004). Today, people under the age of 18 have the highest **poverty rate** of any age group, with one in six children in the United States living in poverty (DeNavas, Proctor, and Mills 2004). The point? When we discuss wealth and the rich, we imply that there are individuals who are not rich—the poor. The most common indicator of the *lack of wealth* is poverty.

What do we mean by poverty? We can think of poverty in two ways: relative and absolute. By **relative poverty**, we mean an individual's economic position relative to the prevailing living standards of the society. From this perspective, an individual may be able to buy her or his basic necessities (e.g., food, shelter, and clothing) but unable to maintain the *average standard of living* for members of that society. By **absolute poverty**, we mean that an individual lacks the minimal requirements to sustain a healthy existence (e.g., the basic necessities of food, clothing, and shelter). To reduce relative poverty, the gap between the wealthy and the poor must be reduced (the distributional question); to reduce absolute poverty, the income of the poorest needs to be raised above the poverty line—or the annual amount of income a family requires to meet its basic needs. Thus, it is

possible to have no absolute poverty with an extremely unequal distribution of income or high relative poverty.

In the United States, we use the absolute method, with the poverty line determined by the government and adjusted to reflect family size and annual inflations. We included data for the years 2000 and 2004 in Table 13.5 to give you an idea of what the poverty line looks like in the United States. By using the poverty line, we can identify the percentage of the population that is “officially” poor, or the poverty rate. Trend data for the poverty rate and the number of poor in the United States are provided in Figure 13.5. The data suggest two points. First, the trends in the poverty rate reflect changes in the distribution of income: poverty declined through the mid-1970s, began to increase until the mid-1990s, and once more began to increase after 2000. Second, the trend is consistent with the overall transformation of the U.S. economy within the context of globalization.

#### INEQUALITY AND POVERTY BY RACE AND ETHNICITY

How do race and ethnicity fit in here? In general, the data suggest patterns quite similar to the polarizing trends in the economy as a whole. Data on income in



**Table 13.5** U.S. Poverty Thresholds by Family Size and Year

2000		2004	
Family Size (Persons)	Poverty Threshold (\$)	Family Size (Persons)	Poverty Threshold (\$)
1	8,794	1	9,645
2	11,239	2	12,334
3	13,739	3	15,067
4	17,603	4	19,307
5	20,819	5	22,831
6	23,528	6	25,788
7	26,754	7	29,236
8	29,701	8	32,641
9 or more	35,060	9 or more	39,048

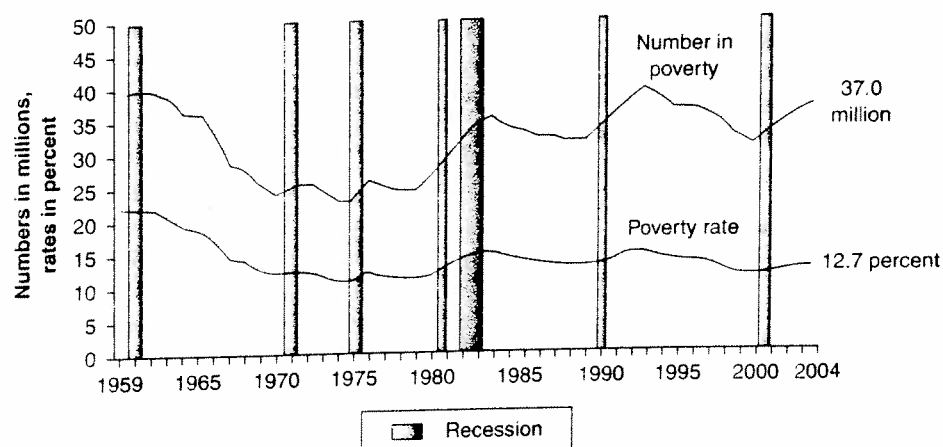
Note: Poverty thresholds are used to calculate the poverty rate, while the Department of Health and Human Service's poverty guidelines are used to determine financial eligibility for certain programs. To compare the two, see the data at <http://aspe.hhs.gov/poverty/04poverty.shtml>.

Source: U.S. Bureau of the Census (2000; 2004).

Table 13.6 show that the income gap has increased across all racial groups relative to whites since 1983. Moreover, the gap grows even wider when we adjust income for wealth. The data for African Americans show a wealth gap with whites that is larger than the income gap; since 1983, both the mean wealth-adjusted income and income gaps have grown wider. Looking at the data for Latinos, there was a steep drop in wealth-adjusted income and income relative to whites from 1983 to 2001 (e.g., median wealth-adjusted income dropped from 0.61 to 0.50 and median income declined from 0.67 to 0.59). This may reflect the characteristics of Latino immigration during the 1980s and 1990s that, as we discuss in the next chapter, was driven by an

insatiable need for low-wage labor. The outlier, at least initially, was the Asian population, which had a virtual parity with whites in wealth-adjusted income and money income in 1983. By 2001, however, the ratios slipped, with wealth-adjusted income declining to three-quarters and income dropping to 0.80 (median) and 0.85 (mean) compared to whites. Similar to the Latino population, one possible factor is the large Asian immigration and expansion of the Asian population in the intervening years.

Other evidence supports the data in Table 13.6. According to Mishel, Bernstein, and Allegreto (2005) and United for a Fair Economy (2006), the average income for white families has risen 34 percent since 1995 while

**Figure 13.5** Number in Poverty and Poverty Rate, 1959–2004

Source: DeNavas-Walt, Proctor, and Lee (2005:13).

Note: The data points are placed at the midpoints of the respective years.

still only age 42 or so—it is down to 19 percent (Fraser 2001, 139). “Older” workers in the software industry suffer longer bouts of unemployment when laid off, where each additional year of a “mid-career” programmer (mid-forties) seeking a new job translates to three additional weeks of unemployment (Fraser 2001, 137). The employment trend is toward new and recent college graduates who command less salary, cost less in terms of benefits, and are more likely to work large amounts of unpaid overtime. Changing technology raises skill requirements, which younger workers are more likely to have; and because training and retraining costs are high, employers tend to shun poorly educated workers, especially older workers. Although this argument is not new, a study by William Baumol and Edward Wolff (quoted in Koretz 1999) shows a positive correlation between the lengthening of jobless spells and research and development outlays and spending on computers per employee. The most significant factor for longer jobless spells for older workers is the increase in computer outlays (Koretz 1999).

#### A VIEW FROM THE BOTTOM: INSECURITY AND VULNERABILITY

The direct effects of globalization are clearly evident in increased income and wealth inequality, which alter the well-being of individuals and families in the United States and across the globe. We need to keep in mind that the consequences of our class position, as Beth Shulman (2003) argues, are “about more than money” and affect our life chances—where we live, what we eat, the type of health care and schools we can afford for our children, and our access to transportation. Within the context of tighter, more competitive global labor markets, U.S. workers find themselves in jobs that are increasingly competitive, demanding, and insecure.

The need for employer flexibility, as we noted, is closely connected to these outcomes. Yet, in what might be called the “workplace paradox,” most employees work in jobs characterized by *inflexibility*; employers want the flexibility to determine when, where, and how their employees will work, without the state or labor unions regulating employee-employer relations. Yet, among low-wage workers, only 13 percent are able to adjust their start and finish time at work when necessary (Galinsky and Bond, forthcoming). In these cases, any delay in getting to work—even 5 minutes—can result in disciplinary action, a cut in pay, or dismissal. Employers typically do not hesitate to rid themselves of workers in such cases, especially those in low-wage jobs in which

employers have invested little time or money in such things as worker training. In 1996, for instance, 53.5 million workers—40 percent of the total labor force—worked in jobs that required only short-term on-the-job training (Silvestri 1997). Similarly, if jobs require little skill and workers are quickly and easily available, employers will not think twice about replacing workers.

Moreover, the impact of declining union power on workers, their families, and communities cannot be overstated, especially for those at the lower end of the wage spectrum (Card 1998). Some estimate, for instance, that unions increase wages for workers at the lower-wage sectors of the economy as much as 30 percent and a unionized high school graduate earns 21 percent more than the equivalent nonunion worker. When other types of compensation ensured by unions are considered, however, the total compensation is much higher (Mishel, Bernstein, and Schmitt 2001). Health-care insurance coverage, for example, is 35 percent higher in union than nonunion establishments (Belman and Heywood 1991, Fosu 1993).

These data are particularly meaningful when analyzed within the changing context of work. Unionized employees are also more likely to have retirement plans and to gain access to worker protections such as wage and work-hour guarantees, promotional procedures, due process in firings and layoffs, and unemployment insurance (Freeman 1980, Belman and Heywood 1991, Fosu 1993, Budd and McCall 2004, U.S. GAO 2000). Such benefits provide short- and long-term security for workers and their families. Without such benefits, the prolonged illness (or injury) of a family member, a bout of unemployment (even a temporary one), or the reduction of work hours can be devastating.

Particularly vulnerable are those who have little savings or economic assets (wealth) to fall back on. Personal savings in the United States have declined drastically from 10 percent of personal disposable income in 1980 to 2 percent in 2003 (U.S. Bureau of Economic Analysis 2004). A Gallup survey conducted in 2003 reported that four in ten Americans say they could survive without a job for only about a month before “experiencing significant financial hardship” (Jacobe 2005). For families of color the savings rate is even more problematic, with more than twice as many African American households (30.9 percent) as white households (13.1 percent) having zero or negative net worth in 2001. In fact, while nearly three-quarters of whites owned their homes, less than half of African American or Latinos were homeowners in 2003—white, 72 percent; African American, 48 percent; Latino, 46.7 percent (Mishel, Bernstein, and Allegreto 2005).

Related to this, consumer debt has been steadily rising since 1970 (Board of Governors of the Federal Reserve System 2003). As one might expect, the debt burden is highest for those at the lower end of the income hierarchy. In 1998, for example, the debt burden was highest for those families earning less than \$10,000 a year and the next highest debt burden was typically carried by families with incomes between \$25,000 and \$49,999. This growing burden of debt means increasing financial insecurity for most households, particularly families of color (Mishel, Bernstein, and Allegreto 2005). Personal bankruptcies shot up from 330,000 in 1980 to 1.4 million in 1990 (Henwood 1999) and in 2002 hit a record of over 1.5 million (Redmond 2003).

As more and more working individuals and families struggle to balance their responsibilities on the job and at home, people are working longer hours and multiple jobs to offset what have been reductions in pay and benefits. The effects of these changes on the family are particularly ominous. Carnoy (2000) argues that these changes are a major reason that young adults are increasingly unwilling to enter serious relationships until late in their twenties. Marriage remains a goal of most young adults, but they are waiting to get married and, once married, delay having children (Carnoy 2000). One result is an increasing number of families that care for not only young children (and young adults) but older parents or relatives as well. Yet, these may be the fortunate families; families lacking "built-in child care" must often patch together child care in ways that leave parents anxious and may potentially put their children in jeopardy (Presser 2003, Han 2005).

Faced with such challenges, parents adopt a variety of strategies to ensure economic survival and to provide for the health and well-being of their families. As we noted above, there has been a steady increase not only in the average number of individual work hours but also in the number of hours worked by all family members since the 1970s (Bernstein and Kornbluh 2004, Gerson and Jacobs 2004). While such strategies increase family wages, the day-to-day lives of individuals and their families often suffer. More than one-quarter of working women, including mothers, for example, spend at least some of their nights and weekends at work, and nearly half of all women who are married or living with someone work different schedules from their spouses or partners (AFL-CIO n.d.b).

The stress effects of such work arrangements on marital relationships can undermine otherwise healthy relationships (Rubin 1995). As couples struggle to juggle

money, time, and child care, they have less quality time together, less leisure time, fewer meaningful conversations, and engage in fewer, if any, social or community activities. Combine this with the finding that 40 percent of U.S. workers describe their jobs as "very" or "extremely" stressful and we have a recipe for disaster. Living under these conditions takes a toll on workers' health and day-to-day family lives. The National Institute for Occupational Safety and Health, for instance, records that self-reported "stressed" employees incur health-care costs that are 46 percent higher—an average of \$600 more per person per year—than employees who are not stressed (Healy 2005). For children, rising stress levels are even more hazardous. According to research from the Children's Defense Fund (2005), children who live in families with annual incomes less than \$15,000 are 22 times more likely to be abused or neglected than children living in families with annual incomes of \$30,000 or more. The culprit, according to the research? Stress. There is a great deal more stress in lower-income families.

What does this mean for the family? Clearly, the family is changing, and trying to manage a complex matrix of work, personal, and family lives can have devastating effects on mental and physical health. As market forces unleashed by the policies that have been instituted since the crisis of the 1970s continue to individualize and atomize our society, workers and families increasingly confront these market forces alone. How we respond to the heightened vulnerability and insecurity will determine the future health of our families as well as that of our communities.

## Conclusion

In this chapter, we have examined how the economic changes in the United States have affected class stratification. As the global economic environment becomes more competitive and unions become less central to the lives of U.S. workers, the U.S. economy and occupational categories have been dramatically transformed. Contrary to the predictions of neoliberal globalists, however, globalization has *increased* the share of lower-wage employment in the United States, not decreased it. Globalization has created conditions of *greater* insecurity, not less. Globalization has *widened* the margin of inequality, not narrowed it. African American, Latino, and white families structurally located in the blue-collar sector have been particularly hard hit by the transformations, which involved the outsourcing of good-paying

manufacturing jobs and a corresponding decline in wages. Still, few workers have been immune to these changes. Middle-class and professional workers also saw many of their jobs disappear or take on qualities that left less money and time for themselves and their families. For the poor and working poor, globalization has transformed them into our society's major philanthropists, greasing the wheels of economic growth by cleaning the rooms of the globe-trotting capitalists, delivering the food to the Wall Streeters burning the midnight oil, and neglecting their own children to care for the children of others (see Ehrenreich 2001).

Globalization has not created the conditions for widespread upward social mobility (or even those needed to get out of debt!). Not only have U.S. workers been increasingly *substituted* with low-paid labor in developing countries (outsourcing) and/or by technological advancements but the jobs that remain in the United States require workers to

be flexible, competitive, and educated. The irony is that the demand for a *flexible* labor force has resulted in a tremendous *inflexibility and insecurity* for workers at all levels of the occupational hierarchy.

In the end, all workers are confronting heavier demands on their time, their money, and their other resources (medical care, unemployment benefits, etc.). What does this mean for the future of our communities and our society when we have less time for our families and communities and fewer opportunities to acquire the requisite skills to improve our positions in the global labor market? What does it mean for our society when the middle and upper classes ignore or are too economically insecure to care about the poor and working poor? How might we reverse these trends? These questions have taken on a renewed sense of urgency as the globalization of the U.S. economy continues under a political and ideological framework that deifies individualism and markets.