

# A STRENGTHENED MIDDLE CLASS

*Andrea Batista Schlesinger and Amy Traub*

America did not ask to be divided into warring camps of red and blue. Across the country, people have far more in common than anyone would guess from the polarized politics of recent decades. Most Americans hope to achieve and hold onto a middle-class standard of living. That means, among other things, a job that pays enough to support a family; a safe and stable home; good schools for our children and the chance to help them go to college; health care that doesn't bury us in debt; a dignified retirement; and time off work for vacations and major life events.

We want these things not only for ourselves but for one another, because a large and stable middle class turns out to be the foundation of our wellbeing as families, as communities, and as a nation. Middle-class societies, as political thinkers from Aristotle to Thomas Jefferson have pointed out, are more socially cohesive than those divided by extremes of wealth and poverty. Concentrations of wealth threaten to turn economic power into political power and subvert democratic institutions. Poverty and economic insecurity leave people too caught up in their day-to-day struggles to engage with public and community affairs.

The American middle class did not arise by accident. After World War II, businesses, workers, and government forged a social contract that helped bring about an era of unprecedented growth and the rise of a middle class that was the envy of the world. Since the 1970s, our social contract has eroded. Fewer jobs provide health insurance, and the coverage is often riddled with gaps. Reliable pension plans have become rare. In the absence of a strong labor movement, employers play fast and loose with hard-won worker rights.

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The overwhelming majority of Americans still see themselves as middle class. But most also feel the effects of our frayed social contract. It has become more difficult to maintain a middle-class standard of living, Americans say. It is easier to fall behind.

The middle-class squeeze, as it has come to be known, is partly a matter of paychecks and prices. Gasoline and food have been the big sources of sticker shock lately. Over the longer term, costs for health care, housing, and higher education – the very goods that define a middle-class standard of living – have skyrocketed. Rising costs wouldn't be such a problem, of course, if middle-class incomes had kept pace. By and large, they haven't. Since the recession of 2001, corporate profits have soared, while median household income has not even returned to where it was in 1999.

The weak union movement is one major reason why incomes have stagnated. Today, employees simply don't have enough power in the labor market to demand that their incomes keep pace with the rising cost of living.

So Americans have tried other strategies to make ends meet. People have worked longer hours and sent more family members into the workforce. Americans are saving less and borrowing more. Thanks to the combination of a home-equity loan binge and a deregulated mortgage market, America faces an epidemic of foreclosures, and

nearly 10 percent of homeowners are in the scary position of owing more on their mortgages than their houses are worth. As debt grows, stress grows: In today's economy, one serious illness or the loss of a job can be enough to send a middle-class family tumbling into poverty or bankruptcy.

Diminished job security plays a large part in the increasingly precarious equation of middle-class life. Under intensified competition, businesses have resorted to mass layoffs to cut costs. The most recent economic

recovery produced relatively few jobs, making it harder for the displaced to find new work. When middle-class employees lose jobs, often through no fault of their own, they encounter an outdated and porous safety net. It's easy to become unemployed but far harder to qualify for unemployment insurance. Nationally, just 36 percent of unemployed workers are covered. In many states, benefits replace only a small proportion of middle-class salaries.

Layoffs are far from the only source of added economic volatility. The Family and Medical Leave Act, passed in 1993, was intended to provide some security for families facing another kind of instability – a sudden illness or a new child. The law guarantees 12 weeks of unpaid leave to Americans at companies with 50 or more employees. The FMLA is one of the nation's few policies to recognize that middle-class households increasingly depend on the paycheck of every adult; many of these workers also have family responsibilities. Two-thirds of families with children have all their adults in the workforce. One in five American adults is a caregiver for another adult.

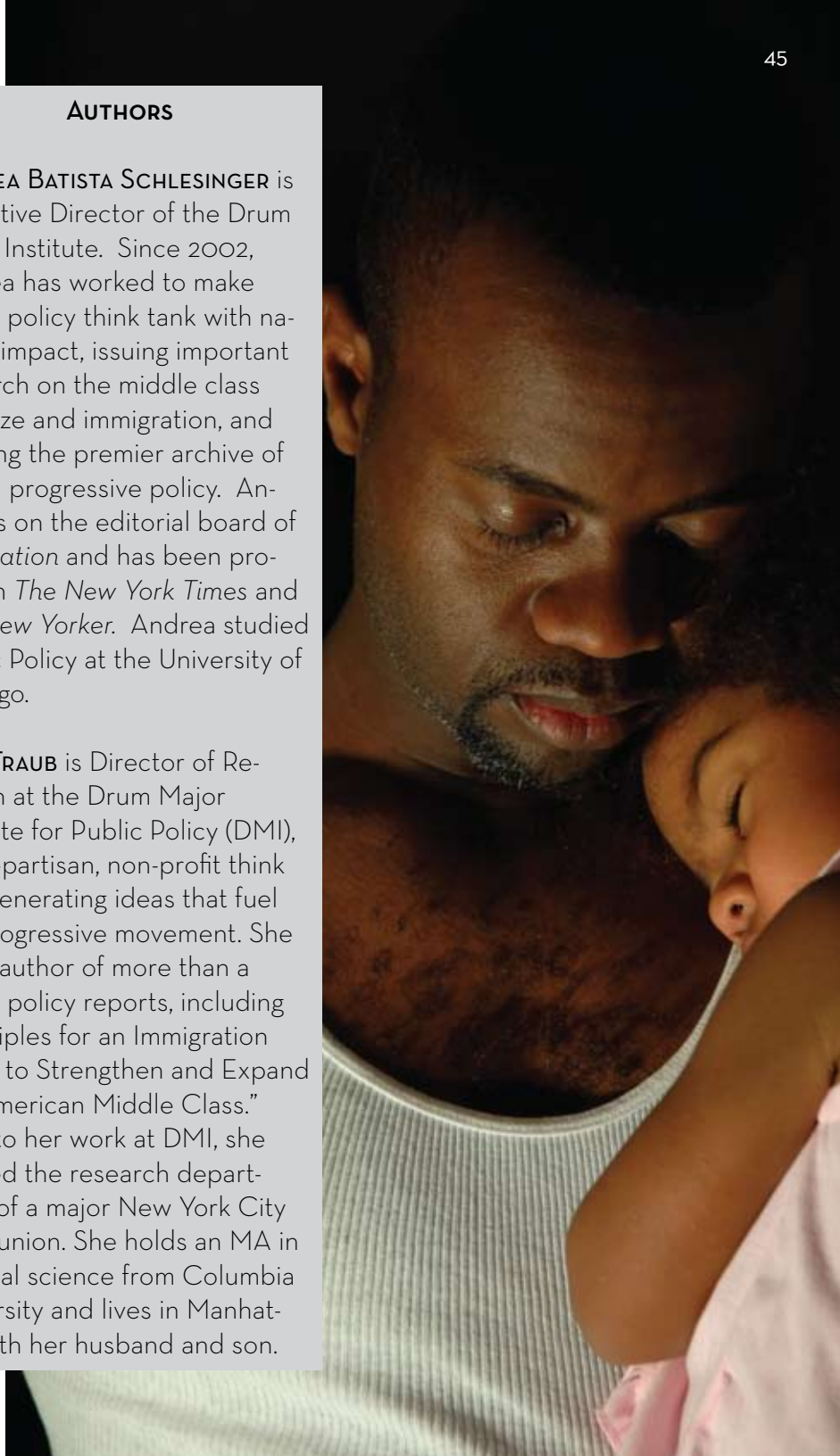
But the FMLA is severely limited. Because of restrictions on coverage, nearly half of working Americans receive no protection from the FMLA. Many who are covered still cannot afford to take unpaid time off and miss a paycheck. Despite this landmark legislation, millions of middle-class families have to make the awful choice between family health needs and job security.

Too often, politicians offer tax cuts as the answer to middle-class economic woes. But tax cuts fail to address the fundamental problems: economic insecurity, jobs that don't support a middle class standard of living, work arrangements based on the outdated assumption of a stay-at-home spouse acting as caregiver. Middle-class families aren't looking for a handout. What we need are fair rules and public policies that provide the means to maintain a middle-class standard of living. When the middle-class fundamentals are within reach of most of us, we are all better off economically, culturally, and democratically.

## AUTHORS

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# WORKING IDEAS

## THE EMPLOYEE FREE CHOICE ACT

In the 1950s, more than a third of American workers held a union card. By negotiating for higher wages and better working conditions, unions transformed “bad” jobs on manufacturing assembly lines into the “good” middle-class jobs we worry about losing to globalization today. Unions helped make health insurance and pension benefits part of the employment package for tens of millions of Americans in the postwar era.

Union members still earn significantly more money and have better health, retirement and other benefits than comparable non-unionized workers. Yet today, after decades of decline, only about 12 percent of U.S. employees – and a truly minuscule 7.5 percent of private-sector workers – belong to unions.

The anti-labor stance of the National Labor Relations Board has played a significant part in this decline, undermining the ability of workers to organize and bargain collectively. Companies feel free to ignore many of the rules that theoretically remain in place. Today’s employers regularly hire “union avoidance” consultants, force employees to attend one-on-

one anti-union meetings with their supervisors, and engage in surveillance, intimidation and harassment. Faced with a union organizing drive, more than half of all employers threaten to close down a facility if the union wins. One in four companies fire workers involved in union activity. These practices are plainly illegal, but because of sluggish enforcement and slap-on-the-wrist penalties, increasingly routine.

The Employee Free Choice Act (EFCA), which passed the U.S. House of Representatives in 2007 before being killed by a Senate filibuster, streamlines procedures for employees to decide on union representation and bargain a first contract. Under its “majority sign up” process, a union is automatically recognized in a workplace when more than half of employees sign cards requesting representation. The bill establishes a process of mediation and binding arbitration if the employer and new union are unable to reach agreement on an initial contract. It sets meaningful penalties for violating labor laws. In the succinct words of American Rights at Work,



the bill “will allow workers to once again choose to form unions without the fear of being fired.”

EFCA is about more than growing the union ranks. By making it easier for Americans to join unions and bargain, the law would strengthen the ability of all working people to negotiate a better deal. Professionals, temporary and contingent workers, service-sector employees, and other groups that

have not traditionally been unionized could be among the biggest beneficiaries. According to one conservative estimate, EFCA could help bring employer-based

health insurance to an estimated 3.5 million more Americans, and pension benefits to 2.8 million more. Similar gains can be expected in vacation time, wages, and other union benefits. Strong union contracts would raise standards for entire industries, improving the lot of non-union workers as well. By restoring workers’ power to band together and improve their own lives, EFCA will catalyze changes in living standards and job quality, providing untold power to strengthen and expand the American middle class.

## PAID LEAVE

What do Liberia, Papua New Guinea, Swaziland, and the United States have in common? They and we belong to the small community of nations without a law guaranteeing some form of paid leave for new parents. It’s time for the U.S. to join the longer list of (at last count) 169 countries that believe it is wrong to leave workers alone to cope with this momentous event.

Most families today need every adult in the paid workforce. To deal with that reality, America needs a paid leave program not just for new parents but also for employees dealing with a long personal or family illness.

Several states have already taken steps: California, New Jersey, and Washington have passed laws guaranteeing paid leave for personal or family illness and welcoming a new child. New York and Rhode Island have state disability insurance systems that help employees take time off to address their own health problems. A federal program providing paid family and medical leave would help middle-class families face a range of major life events with less risk of losing a job or taking on debilitating levels of debt.

The Family Leave Insurance Act, introduced in the U.S. House

of Representatives by Rep. Pete Stark, would help provide this security. The bill establishes an insurance fund financed by employer and employee contributions equal to 0.2 percent of annual earnings; businesses with fewer than 20 workers could opt out of the program or choose to make a smaller contribution. The fund would cover up to twelve weeks of paid leave per year for employees to care for a new child or a seriously ill family member, or to recuperate from a serious health condition of their own. Leave could also be used for emergencies that arise from a military deployment. Lower-income workers would receive their full paycheck while on leave; others would get a reduced portion of their usual earnings. The bill bans discrimination or retaliation against employees that make use of its provisions. All full-time employees who have paid into the fund for at least six months would be eligible for approved leave. States with a more comprehensive paid leave program could opt out, as could employers that choose to offer more generous leave. The bill could be improved by providing leave to part-time workers as well.

By ensuring that individuals and families can afford to take the time to recuperate from illness or wel-

come a new family member, paid family and medical leave recognizes that a middle-class standard of living requires both a steady income and time for working people to care for themselves and each other. Providing this guarantee is essential to strengthening the nation's middle class.

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## REFORMING

### UNEMPLOYMENT INSURANCE

Families are thrown into turmoil when an income-earner suddenly loses a job; savings dwindle, household budgets constrict, and economic security evaporates. When unemployment becomes widespread, this wrenching dislocation can threaten entire communities. For millions of middle-class families, the joint federal-state unemployment insurance system offers the only protection. Yet the system is crucially flawed.


The Unemployment Insurance Modernization Act, introduced in both the U.S. House and Senate in 2007, would address many of the gaps. The bill uses \$7 billion from the federal unemployment trust funds to encourage states to reform their unemployment systems by making it easier for workers seeking part-time work to qualify, providing additional resources for job training, and raising the

caps on maximum benefits so that long-term unemployed workers get at least the full 26 weeks of benefits in addition to other reforms. According to an analysis by the National Employment Law Project, the bill would provide improved retraining and job-networking services for more than 500,000 workers a year. Congress should also go beyond this bill by encouraging states to raise their maximum benefit levels to a rate that will enable unemployed middle-class workers to stay out of poverty while they look for work.

The Extended Benefits program, designed to provide additional weeks of unemployment benefits during recessions, should adopt a new trigger formula based on

a state's total number of unemployed workers so that benefits are automatically extended without the need for temporary emergency programs. Providing extended benefits not only helps those laid off from their jobs but also prevents further job loss: families hit by unemployment tend to spend their benefits quickly, getting money into circulation in their local economies immediately.

A steady job is the cornerstone of a middle-class standard of living. When working people become unemployed, they risk falling out of the middle class entirely. Strengthening the unemployment insurance safety net would help those who lose this critical support to regain their footing.



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