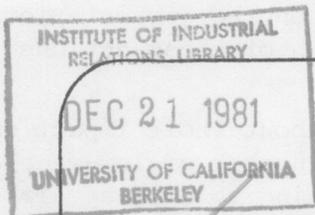


LABOR CENTER REPORTER

BERKELEY, CA 94720
(415) 642-0323



Number 51
December 1981

DEVELOPING A RESPONSE TO REAGAN'S ECONOMIC PROGRAM *by Clair Brown*

(Ed. Note: This article is excerpted from comments made by the author on September 26, 1981, during a conference held at U.C. Berkeley on the impact of the Reagan administration's policies.)

Reagan's economic policies will not fall equally hard on all groups. The labor movement must first understand who is being hurt and who is not being hurt before we can build a vigorous opposition to the budget and tax cuts. As we will see below, workers in unions who keep their jobs will generally be hurt much less under Regan than non-union workers and those without jobs.

The Growing Divisions Among Workers

Differences in the economic well being of various groups have been growing, as specific groups have borne the brunt of the losses. Young people under 30 face high unemployment and diminished prospects of home ownership; people of color face increasing levels of poverty (33% in 1980) and unemployment (currently over 16%); the average worker in retail trade and services earns only 40 to 65% as much as the average worker in manufacturing or construction.

Although all workers have been hurt by the 1980 recession followed by the current recession, not all workers' real wages have fallen equally, as the following table shows for four industries (weekly wages are given in 1967 dollars to represent purchasing power in 1967; the 1981 wages would be multiplied by 2.71 to get wages in current dollars):

	<u>Average Weekly Earnings</u>		
	<u>1970</u>	<u>1979</u>	<u>June 1981</u>
Manufacturing	\$115	\$124	\$118
Construction	168	157	146
Retail Trade	71	64	58
Services	83	81	76

Workers in manufacturing who managed to keep their jobs are doing slightly better now than a decade ago. But real earnings have declined 18% in retail trade, 13% in construction, and 8% in services over the period.

Targets of Budget Cuts

While the Social Security program is so far intact, programs for other needy people, especially children, have been drastically cut. Cuts in the child nutrition program, in public education and childcare, and in aid to families with children (AFDC and food stamps) will result in an inadequate standard of nutrition and living conditions for many children in our prosperous society. One in five children already lives in poverty, and this figure will grow with the budget cuts. From an economic viewpoint, without bringing in moral aspects, these cuts make no sense.

UNIVERSITY OF CALIFORNIA, BERKELEY
CENTER FOR LABOR RESEARCH AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS



Even those workers who are not directly affected by the budget cutbacks will be adversely affected by Reagan's general economic program. Over time, employed workers will suffer as the unemployment lines grow, as health conditions on the job deteriorate, and as the safety net of social welfare programs is reduced. Each of these actions reduces employed workers' bargaining power.

The strategy behind these cuts becomes clearer when we ask about their impact on employment. The Reagan administration is trying to increase the number of low-wage workers, which means increasing the number of people who are willing to work at almost any wage out financial desperation. This is being accomplished by the cuts in income support programs for the work-age population, by recommending work requirements for all mothers in the AFDC program regardless of the age of their children, and by legislating a reduction in the duration of unemployment insurance so that the maximum number of weeks an unemployed worker can collect U.I. is decreased. Since people cannot create legitimate jobs for themselves even in times of desperation, these cuts will serve primarily to increase unemployment (and probably crime).

Sources of Discontent

If we are not all being equally hurt financially, what are the real sources of the pervasive discontent that helped elect Reagan in 1980? Inflation causes great uncertainty about the future even for those who keep up with price increases. In addition, people expected real wages to continue rising as during the 1950's and 1960's, and their expectations have not been met in the 1970's. Most workers have experienced a stop-go situation, gaining in some years and losing in others. Besides stagnant or declining wages, the erosion in the quality of education, growing neighborhood and city crime rates, and a deteriorating environment create discontent and further uncertainty about our quality of life in the future.

Instead of alleviating these problems, the budget cuts will aggravate them. But labor will not be able to respond to worker discontent and present an alternative to Reagan's economic policies until we acknowledge how different groups are being affected. To work only for gains in collective bargaining will be to divide further those with unionized jobs from the rest of the workforce. While maintaining contracts, organized labor must put forth a legislative program that promotes a decent life for all members of society, whether currently organized or not.

The Basic Requirement of Full Employment

In the short run, the labor movement can join with other groups serving workers, minorities, women and children to fight the budget cuts. At the same time, a long-range plan for the economy needs to be developed.

Our economic record shows that the most basic requirement for promoting economic well-being for all groups is to have full employment. The right to a job must continue to be labor's first demand. To this end, the traditional tools of monetary and fiscal policy must be supplemented by a system of controls, especially in the key sectors of housing, energy, food and medical care. Since these essential goods and services are not adequately provided by the existing economy, we cannot use free market mechanisms to stimulate supply without causing further inflation. We need to regulate these markets for the public good in order to ensure that everyone receives at least a minimal amount of these necessities.

The trade union movement has been the most effective progressive force for social legislation in our country's history, largely because the fate of the union movement is tied to the well being of all workers. In the long run, the bargaining strength of unions will remain strong only in an economy that provides decent jobs for all workers.

- Clair Brown

This article does not necessarily represent the opinion of the Center for Labor Research and Education, the Institute of Industrial Relations, or the University of California. The author is solely responsible for its contents. Labor organizations and their press associates are encouraged to reproduce any LCR articles for further distribution.