

# Rebuilding a Good Jobs Economy

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The American Recovery and Reinvestment Act has finally been signed into law, and a full menu of implementation work is on the table. Even this milestone achievement, however, won't be enough to support the full agenda for working families. Jump-starting our economy is critical, but this alone will not solve the deep crisis of inequality that has been building in this country for decades.

Long before this recession set in, working families were already struggling to survive in a brave new world of stagnant wages, disappearing benefits and little job security. Government has retreated from intervention in all things economic, and it's our workers who bear the costs. Americans are more productive than ever, but a shrinking share of corporate profits is going to their wages. They are working harder and for longer hours, but their upward mobility is stunted.

And every day, millions of workers clean our hotel rooms, serve our food, ring up our sales, care for our grandparents and in general keep our economy running--but for low wages, anemic benefits and a dead-end career. In fact, according to the Bureau of Labor Statistics, eight of the top ten occupations projected to generate the most jobs by 2016 are low-wage jobs in the service sector.

This is the biggest unspoken challenge for our recovery: low-wage jobs have become a key growth engine of our economy. Policies focused only on job growth will simply put us back on the path toward greater inequality. If we truly want to rebuild a good jobs economy--to "create jobs that sustain families and sustain dreams," as President Obama recently put it--we have to act now to lay down the institutional and regulatory framework.

So what are the opportunities to forge a new social contract surrounding work? How can we craft a recovery strategy that seizes opportunities for fundamental reform, even as we struggle to bring the country out of recession?

One way to answer the question is to think about the tools and points of leverage the government has available to increase the number of good jobs in our economy. Here are four concrete strategies that are both low-cost and put more money into the pockets of low-income families.

First, we need to fully enforce minimum-wage and overtime laws, because growing numbers of employers are ignoring even the most basic of these laws and retaliate against workers for reporting violations. In October, for example, a federal judge ordered the Saigon Grill in New York City to pay its delivery workers a full \$4.6 million in owed wages. And in December Wal-Mart announced it would settle sixty-three cases in forty-two states charging

unpaid wages, totaling at least \$352 million and involving hundreds of thousands of current and former workers.

Rebuilding our economy on the back of illegal working conditions is not only morally untenable, it's not smart policy: these practices hurt workers and responsible employers alike and cost billions of dollars in tax revenues.

Simply put, the Department of Labor must return to its core mission of safeguarding workplace standards. That means increasing the number of inspectors (there are fewer inspectors now than thirty years ago, while the number of workplaces has doubled). It also means smart enforcement, targeting industries with high rates of violations, protecting workers who file complaints and cracking down on employers who misclassify their employees as independent contractors.

A second area ripe for action is to harness government spending to create living-wage jobs. Every year, our government spends \$400 billion on contracts with a wide range of companies for goods and services, financing more than 2 million jobs. But significant numbers of these jobs are low wage and provide no benefits, in industries such as utilities and housekeeping, property maintenance and repair, clothing and apparel, and food preparation.

Federal contracts should favor employers that pay living wages, provide health benefits, offer quality training and obey labor laws. The same principle should be applied to government-funded programs that directly or indirectly support low-wage industries, like home healthcare workers paid under Medicaid (who currently earn about \$20,000 a year). Adopting these reforms requires no new legislation and can be done under existing contracting guidelines.

Third on the list is raising the federal minimum wage, one of the best tools we have to lift millions of families out of poverty--and to stimulate growth. A recent study by the Federal Reserve Bank of Chicago found that an increase in the minimum wage boosts consumer spending more than tax cuts, as families spend their paychecks in local businesses. But Washington has neglected the minimum wage for decades. The increase in 2007 was long overdue but was only a down payment on making up for forty years of sporadic action.

What's needed is an increase in the federal minimum wage, starting next year and phasing in over multiple years to make up the lost ground. Thereafter, we must ensure that the minimum wage increases annually; otherwise, low-wage workers will always be taking one step forward and two steps back. At the same time, we must close unfair loopholes that exclude some occupations from full minimum-wage protection and disproportionately impact women, immigrants and people of color.

Finally, the president and Congress should enact the Employee Free Choice Act to guarantee that workers have access to a union selection process that is fair and free of intimidation and abuse. It was the right to organize that transformed manufacturing into a middle-class industry after World War II; today it is doing the same for low-wage workers such as janitors, childcare workers, homecare workers and hotel room cleaners.

Continuing on the path of rising inequality is not inevitable. On the heels of the Great Depression, our country put into place the core policy anchors--the Fair Labor Standards Act,

the Social Security Act and the National Labor Relations Act--that formed the basis for several decades of strong economic growth and shared prosperity. We now face another deep economic crisis, and another opportunity to set the bar higher. Let's not just stimulate the economy; let's rebuild it with good jobs.