America's Dream of Upward Mobility

By Don Macke with Ann Chaffin

Millions of Americans feel marginalized by their government, society, and an economy this is not working well for them. Many of these marginalized residents are traditional minorities, including people of color, certain ethnicities, and women. In rural America there are other marginalized residents due to failing economies and societies driven by crashes of industries (e.g., mining, manufacturing, timber, fisheries, etc.) and the loss of living wage jobs. Too many Americans are working poor, or worse, disengaged from our economy and society, dropping out of the labor force, and often disabled due to high-risk behavior (e.g., substance abuse, incarceration, etc.).

Introduction - Marginalization in Rural America

e2 is curating a series of papers addressing rising marginalization of rural Americans that is resulting in disengagement from the labor force, rising at-risk behavior and expanding radicalization. Failing economies, government policies, and the social compacts between employers and workers and societies is driving this marginalization. For rural communities, marginalized residents represent both a profound threat and an entrepreneurial development opportunity.

As part of this new series, we encourage readers to check out our paper, ***Marginalized Rural Americans – Entrepreneurial Development Opportunities,*** which offers insights into the challenges and the opportunities associated with marginalized rural residents. Increasing numbers of Americans, including rural Americans, are marginalized from mainstream society, economy, and politics. There are huge implications for these trends. A central driver in marginalization is rising poverty and working low-income household realities.

In *Sharing the Wealth of America - American's Dream of Upward Mobility,* we dive into the following sections:

- Introduction - Marginalization in Rural America
- America's Social Compact
- Increasing Income and Wealth Inequality
- The Erosion of American Unions, Income and Wealth
    - Undermining of America's Unions
    - Causes of Shrinking Union Membership
    - Chronology of America's Labor Movement
    - Major Impacts Resulting from Unionized Labor
    - Wages and Productivity Disconnection
- Implications for Entrepreneur-Led Development

Central to the American dream is the idea that if one works hard, plays by rules and is smart with finances they can do better than their parents. For decades, this American dream was rooted in rising worker productivity, which translated into higher real wages and quality jobs. This America dream is now being eroded by the reality that more and more Americans are trapped in lives where they cannot get ahead because of factors beyond their control.

America's Social Compact

Within a strong economy and society, there is an implied compact that if you follow the rules and work hard, you can get ahead. Growing up as a kid in the 1970s, I was counseled in high school by multiple teachers and advisors that if I worked hard and smart, got good grades and went on for post-secondary education, I could realize a great life. As a rule-follower, I took this counsel and went on to obtain a B.S. in Environmental Studies from the University of Nebraska. I graduated in 1978 during the second oil embargo and associated economic recession. There were few jobs to be had, but I persevered and ultimately found a career track in public and nonprofit entrepreneurship. For me and my family, the implied social compact was realized. For my two young-adult sons, the road to success within America's economic and political system has been more challenging. Both sons received excellent educations, are smart and maintain strong work ethics, yet the economic road is harder, as is the case with millions of Millennials and GenXers.

> *"The pay gap between top executives and workers continues to be wide. Since 1978, CEO compensation rose 1,007.5% for CEOs, compared with 11.9% for average workers, according to the Economic Policy Institute. In comparative terms, CEOs now make 278 times the average worker."*
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> www.cnbc.com, *Aug 16, 2019*

A March 15, 2021, story on National Public Radio focused on housing affordability, made the case that homeownership is increasingly a luxury good only available to America's most affluent households and falling out of reach for working families.

These are just two examples of the strained, if not broken, social compact between working Americans and "elites," the most wealthy and well-positioned in our society, economy, and democracy. The erosion of the American dream has profound implications for all of us. Renewing the American promise of hard work is central to growing a more just, equitable, diverse, and inclusive society and country. When Americans feel the system is fair, and they can get ahead, behaviors change for the better. The converse is true when they feel the inverse. Our paper, ***Is Your Community a JEDI Hometown?*** explores this topic of Justice, Equity, Diversity and Inclusivity.

Next in our journey is some relevant background on **Increasing Income and Wealth Inequality**.

For 50 years income and wealth equality has been rising with the top 10 percent of American households, with the top 1 percent and even 0.1 percent, of households controlling more and more of American income and wealth. The prosperous middle class is being hallowed out, and the bottom 50 percent of American households are struggling week to week living in poverty, working low income and with little resiliency to weather a crisis (e.g., loss of work, accident, health problem, etc.).

Increasing Income and Wealth Inequality

During and following World War II, America's income and wealth disparity closed and became increasingly equitable. Our country's middle class, including retirees, became more prosperous with greater economic opportunity and security. By the 1970s the trend lines began to change with growing income and wealth inequality. Stagnate real-income growth for middle-class working Americans coupled with persistent poverty and rising income and wealth among America's most affluent resulted in the trend lines illustrated in Figure 1.

Figure 1. Share of U.S. Income

These trend lines show a declining income share for the bottom 50 percent of American households and increasing income and wealth concentration in the top 1 percent of affluent American households. The implications for average America households is stagnate real income (e.g., adjusted for inflation) and the loss of economic choices (e.g., taking time off, taking vacations; and funding childcare, rainy day fund, higher education and saving for retirement). There are many reasons for rising income inequality, including changes in tax policy, rising living costs and erosion of labor power in America's marketplace.

The share of U.S. income realized by the bottom 50 percent of households (i.e., 64.23 million in 2020) began to erode in the 1950s and continues today. A majority of America's children and elders fall into this the bottom half of income earners, with many living in poverty and/or working low income. At the same time, the share of income received by the top 1 percent of households (i.e., 1.28 million in 2020) continues to rise, surpassing 20 percent of all income in America. These trends are a function of changes in national policy and system failures, where economic growth is benefitting a narrow group of Americans and eroding economic hope and opportunity for a majority of American households.

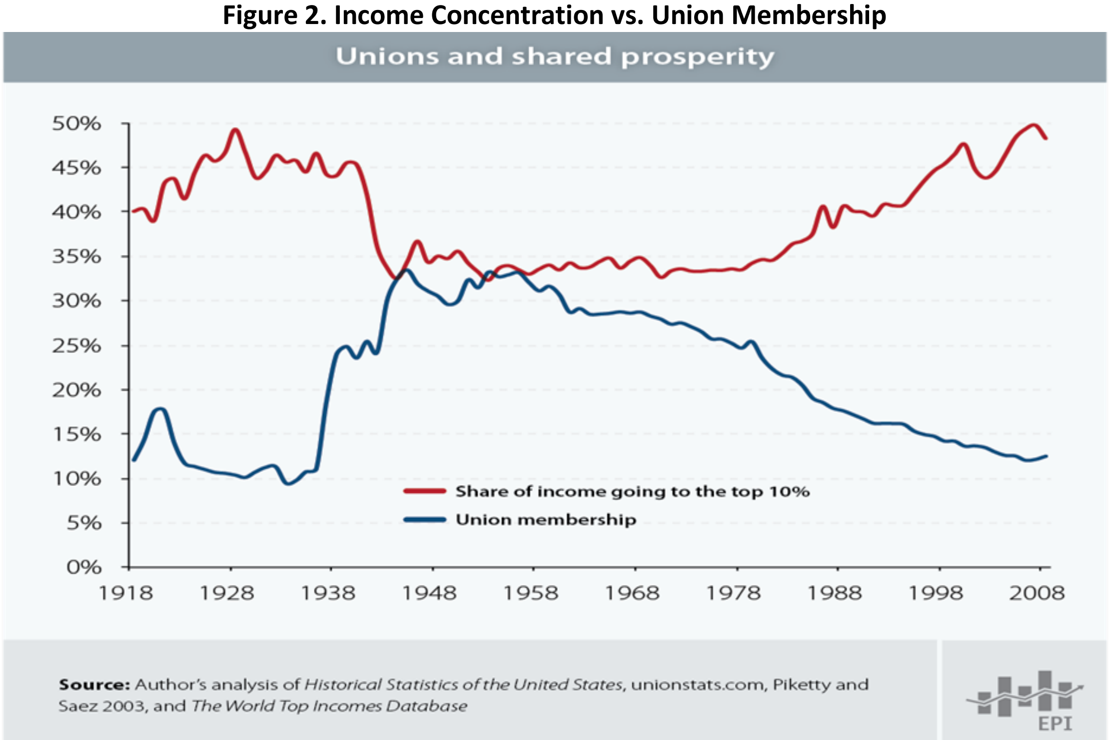
Now we explore the **Erosion of American Unions and Eroding Income and Wealth** in our next section.

Empirical research, rooted in statistical correlation analysis, finds that declining unionization is a cause of rising American wealth and income inequality, but a minor factor. We do not dispute this research, but we believe the influence of the **Union Movement** is far greater than the empirical research can measure. Union agreements changing employment standards (e.g., wages, benefits, job security, work hours, breaks, safe workplaces, etc.) set expectations and guidelines for many, if not most American workplaces during the peak of Union influence in America.

The Erosion of American Unions, Income and Wealth

Figure 2 provides the respective trend lines of income concentration and union membership trends from 1918 into the 2000s. The images of these two respective trend lines demonstrate a strong coincidence between rising and falling union membership compared with the share of American income going to the top 10 percent of households. These are powerful images and support not only the empirical research but the larger influence of union membership for all American working families.

Figure 2. Income Concentration vs. Union Membership



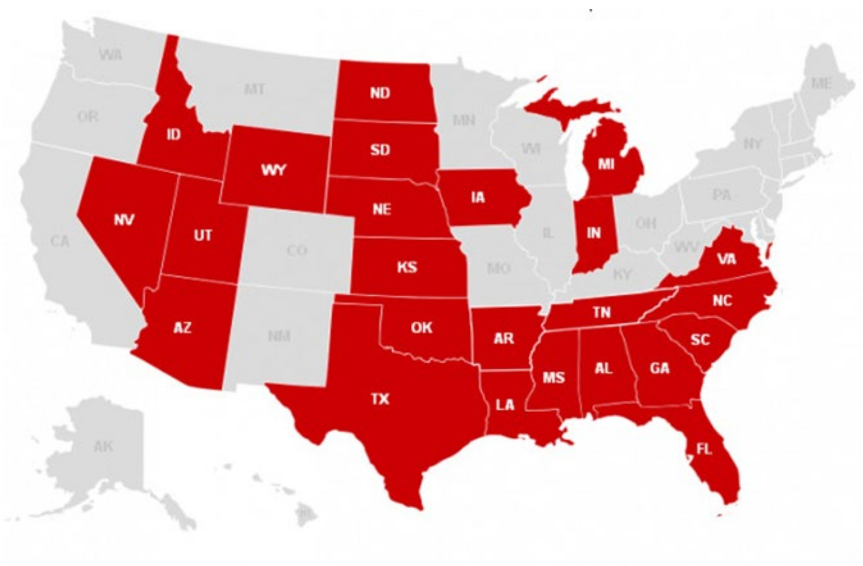
The concept of an **influencer** can be powerful, as was the case with young people and the recycling movement in America. For decades, Unions have been a huge influencer with respect to worker conditions, ranging from days off to the 8-hour workday to compensation and benefit rates. With the decline of unions, and particularly private sector unions, its influencing power has diminished.

There are many reasons by American union membership is in decline. Much of this union membership decline is rooted with private sector employers, while public sector union membership has remained stronger. There has always been tension and even war between workers and employers. Often the power of government – federal, state, and local – was used to control and breakup unions. Our history is filled with this continuing crisis.

Undermining of America's Unions

Union membership has been declining since the mid-1950s, but many would argue the profound erosion of unionization is anchored with Ronald Reagan, our 40th President (January 1981 through 1989) and the breakup of the Air Controllers' strike and union. Conservatives, often rooted in the Republican Party, have pushed federal and state policies that have made it significantly hard to organize and sustain unions. Possibly no other policies than state enacted **Right to Work Laws** have removed powerful attributes of belonging to unions and become a wedge issue in America. Figure 3 highlights in red the current states with right to work laws.

Figure 3 – Right to Work States in Red



Source: www.vox.com

Right to Work States

"Unions in some states can require workers to pay dues to a union despite not being a member of that union. The rationale is that non-union employees at a union workplace are free riders, getting the benefits of that union without paying into it. In "right-to-work" states, forcing employees to pay dues is illegal. Today, there are 24 states with right-to-work laws on the books,

the majority of which were passed in the 1940s and 1950s, according to the National Conference of State Legislatures. That was right after Congress passed the Taft-Hartley Act in 1947, which allowed states to enact right-to-work laws."

Source: The Blaze

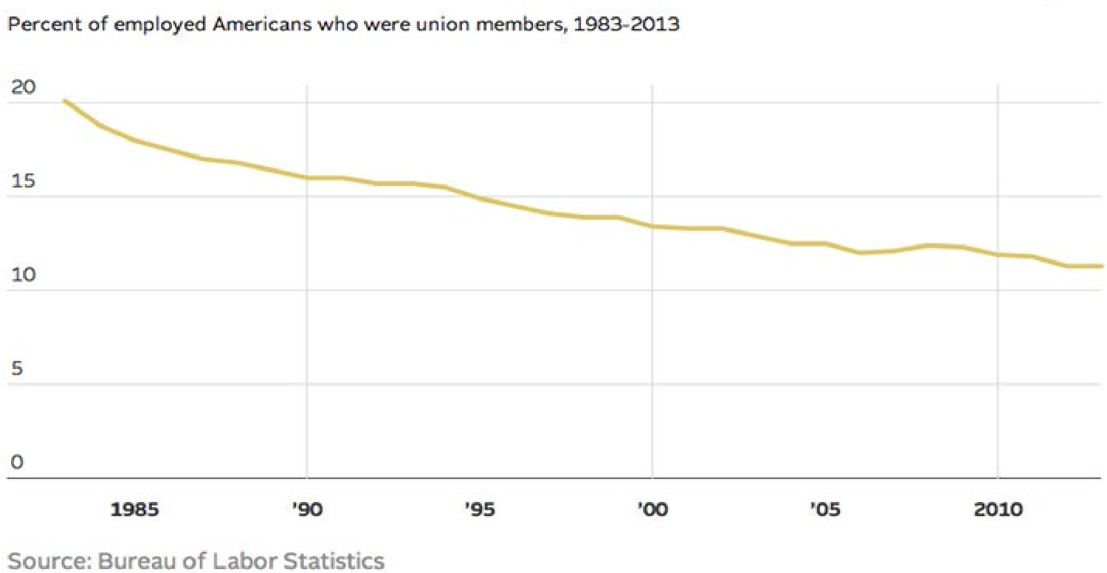
Collective bargaining empowered by unionization allows many small voices to collectively speak with one voice and negotiate on a more level playing field with powerful businesses and institutions.
The term "right to work" is one of those labels that argues, "who can disagree with the right to work?" But what it actually means are unions with greatly reduced powers and potential to influence the deal between workers, employers, and the American economy.

In his 2000 book, *The Tipping Point–How Little Things Can Make a Big Difference,* Malcolm Gladwell generated massive interest around the globe. The language of "tipping points" became commonly used and today is still in play over 20 years since this book's release. The decline of private sector union membership in the U.S. generated a set of likely tipping points where the influence of organized labor on behalf of all worked waned. When upwards of a third of all American workers were part of unions in non-Right to Work States, Unions and their negotiations with employers set standards, elected presidents, and senators, and influenced American and state policies.

Causes of Shrinking Union Membership

There are many reasons for shrinking union membership in the United States. Possibly the three greatest drivers are anti-Union organizing, realities and perceptions of union corruption and the curse of prosperity. The previous section in this paper provided one powerful example of an anti-union policy eroding the power of organized labor. Unions have experienced devastating corruption events, ranging from collaborating with organized crime to union leaders living like kings, creating distrust among rank-and-file union members, and undermining public support.

Figure 4. The US's shrinking union membership



The **prosperity curse** is a less known and understood factor. When times are good, the motivation and necessity to organize become less. The argument is simple, I have good working conditions, a terrific wage, and good benefits. Why spend the time and money on belonging to a union? Union organizing and membership tend to be stronger when there are tough times. This is reflected in the unionization of teachers and recent strikes, as well as increasing unionization in hospitality centers like Las Vegas.

> "Just 30 years ago, around 1 in 5 workers was a union member. Today, it's just over 1 in 10, around 11.3 percent as of 2013. The cause of the decline is subject to heated debate. One reason may be new right-to-work laws — five states have added right-to-work laws since 1980. Some have argued that unions simply don't appeal to young workers like they once did."
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> Source: U.S. Bureau of Labor Statistics

Next, we review a simplified chronology of America's labor movement.

Chronology of America's Labor Movement

The following chronology of America's labor movement puts into context this ever-evolving journey in the relationship of workers with employers within America's economy, society, and government.

<table>
<tr><th>Date</th><th>Key Event</th></tr>
<tr><td>1600 & 1700s</td><td>During this period, most European American settlers lived and worked in the country connected to small villages. But there were instances of early collective organizing by workers during the colonial and early years of the American republic.</td></tr>
<tr><td colspan="2">English Common Law and the Idea of Organized Labor Practices as Illegal

Interpretations of English Common Law carried over to the emergent United States was used to argue that organized labor created illegal behavior in its efforts to collectively raise wages and improve working conditions.</td></tr>
<tr><td>1820 to 1840</td><td>The First Industrial Revolution impacted the United States with increasing industrialization and rising shares of workers employed in these various industrial activities from mining to timber harvesting, and manufacturing to railroads</td></tr>
<tr><td colspan="2">American Civil War – 1861 to 1865 – Increasing Industrialized Workforce
Second Industrial Revolution – 1870 to 1914 – America's Urbanization

Beyond the horrific loss of life and carnage, the Civil War brought about two major workforce related changes. First, the Northern States, loyal to the Union, experienced rapid industrialization in support of the Northern war effort, bringing more and workers into industrial workplaces. Second, it destroyed, for a time, the Southern planter economy rooted first in Black slave labor and then Jim Crow share cropping. Industrialization with the Civil War accelerated America's entry into the Second Industrial. The 1920 U.S. Census documented for the first time that more Americans lived in urban versus rural places.</td></tr>
<tr><td>Late 1800s into the Early 1900s</td><td>Multiple efforts to organize workers developed in the 1800s and particularly the later 1800s into the early 1900s. Often these efforts were challenged on legal grounds and created conflicts including bloodshed. Before unions were recognized by federal and state laws, organize labor were challenged by powerful interests rooted in big business and its influence in local, state, and national government.</td></tr>
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Challenges of Collective Action

Sustained and collective action, whether with a cartel or among working people, is challenging. The labor movement is full of multiple competing and often in conflict labor groups. Sustaining a unified voice is inherently challenging with these kinds of membership groups.

World War I – 1914 to 1918 – Anarchists, Socialists and Communists

Major wars require ramped up production from mines, industries, and agriculture. These wars also deplete the civilian labor force of younger men, with the rising demand for soldiers and sailors. Unionization tends to increase both in numbers and power during these periods. During the World War I period, headwinds also developed. The fall of the Czar in Russia led to communism during World War I. Anarchists were a material movement during this period, when a 28-year-old anarchist by the name of Leon Czolgosz assassinated President William McKinley, bringing reformer Theodore Roosevelt to the White House in 1901.

1881	The Federation of Organized Trades and Labor Unions was formed under the leadership of the historic labor leader Samuel Gompers.
1893	The Western Federation of Miners was formed. In 1916 this Federation became the International Union of Mine, Mill and Smelter Workers.
1890s	The American Railway Union was formed by Eugene Debs and led railroad workers on strike in what was known as the Pullman Strike.
1901-1909	Theodore Roosevelt, the 26th President of the United States, became an advocate for a number of betterment initiatives from good government, the national parks and organized labor.
1914-1918	World War I and the collapse of monarchies in Europe inspired both nationalist (fascist), socialist and communist (e.g., Bolsheviks Revolution or the “workers’ revolution in Russia from 1917-1922) movements.
1920s	Collective organizing, whether movements to give women the right to vote or labor unionization, were often viewed as potential gateways to increased socialism then communism and the overthrow of America’s private sector market economy. These “red” fears fueled anti-labor policies and crack downs on labor movements.
1930s and First half	**1930s Great Depression and World War II in the 1940s** Union membership grew rapidly in the build up to, during and following World War II (post-war consumer goods boom). This surge in union membership continued into the mid-1950s when it peaked for private sector workers and then began a steady and deepening decline.

of the 1940s	America's unions overwhelming supported the war effort, the Roosevelt Administration, and in turn President Roosevelt supported unions and worker rights. During World War II, the U.S., unaffected by war on its soil, experienced massive industrialization, becoming the pre-eminent economic power in the non-communist world.
Last Half the 1940s	Unions, industry, and government all collaborated in support of national mobilization to win World War II. But following the war, labor conflicts and strikes accelerated, contributing to industry, conservative government, and public support for unions. Anti-union push back and organizing evolved, resulting in peak unionization in the 1950s until present.
The Prosperity Curse Following World War II, the American economy boomed, and the middle class grew stronger and wealthier. Many of the union hard won worker benefits increasingly were taken for granted. When times are good, workers are less willing to invest time and money in collective actions like belonging to a union and/or engaging in government activities to ensure the viability of unions. We call this the **prosperity curse,** and it contributed to declining union membership among younger workers.	
1953	**Rise and Peak Unionization in the United States** Between 1935 and 1953 union membership in the United States increased from about 13% to 33% of nonagricultural employment (NBER Working Paper No. 23516, June 2017).
2020	**Current Union Membership in the U.S.** Union membership in the United States in 2020 is estimated at 10.8% of the U.S. nonagricultural workforce, according to the U.S. Bureau of Labor Statistics. Of this overall worker unionization, nearly 35% of all public-sector workers belong to unions, while just 6.3% of the private sector workforce belong to unions. U.S. Bureau of Labor Statistics for 2020.

Next in our journey in ***Sharing the Wealth of America***, we highlight some labor relations realities we have today because of the labor movement.

Major Impacts Resulting from Unionized Labor

There was a time in America when our southern economy depended upon slavery. Northern manufacturing required child labor. Workdays were long and days off infrequent. Working conditions were often unhealthy, resulting in wrenching events in the 1911 Triangle Shirtwaist Factor fire (www.wikipedia.org – Triangle Fire). Over time the labor movement negotiated standards in America's workplaces we enjoy today, including:

- 8-hour workday
- 5-Day work week
- Health care and other benefits
- Living wage compensation
- Safer working conditions
- Federal, state, and local labor oversight agencies
- Worker's compensation insurance
- Unemployment benefits
- Designated leave including sick time, vacations, leave and designated holidays
- And the list goes on…

With the erosion of unions and the rise of right to work laws, collective bargaining has eroded greatly, resulting in rising challenges including:

- Non-living wage jobs
- Insecure jobs
- Jobs with uncertain commitments of schedules and hours
- Loss of benefits like health insurance and leave
- Rising unsafe working conditions

The erosion of the compact between employers and employees has pushed more Americans into poverty, working low income and struggling middle class realities. With that said, there are still great employers who view their employees as assets and work hard to **do right** with their employees.

Our next stop is to explore the disconnection between worker compensation and productivity.

I graduated from high school in the spring of 1974 and attended the University of Nebraska, graduating in 1978. Fifty years ago, when I was transitioning from an older youth to young adulthood and full-time entry into the labor market, there was this strong linkage between productivity and average real earnings. Unions employed productivity in their negotiations, arguing for better wages, benefits and working conditions on the basis with rising productivity the capacity of employers to cover more of these costs was possible. Now this connection has largely been broken as illustrated in Figure 5.

Wages and Productivity Disconnection

As Figure 5 clearly illustrates, between the end of World War II in 1945 until the mid-1970s, there was a strong connection between productivity and average real earnings. Beginning in the mid-part of this decade over five-decades ago, American productivity (e.g., rate of economic output relative to inputs and particularly labor) began to diverge as productivity continued to increase while real earnings per job flat lined in inflation-adjusted or real dollars. American's compensated by working harder with both spouses working outside the home, multiple job holdings and longer hours.

Figure 5

Some estimates indicate that if the **minimum wage** was pegged to productivity changes, it would be $20 to $25 per hour today, versus minimum wages in many states still in the $7 per hour range. There is a strong national movement to increase the minimum wage to $15 across the states and throughout America's metro areas. Some states like California require a $14 minimum wage. This is real progress after decades of working-class American income stagnation. Despite these rays of hope, even at $15 per hour, this minimum remains 60 percent of what it could be if it were pegged to productivity growth.

> **If the compact between workers and employers was informed by productivity rates (e.g., as has been the case the previous four decades until the mid-1970s) the minimum wage rate in America would be in the mid-$20 range.**

Time to wrap up and move to the conclusion of our paper.

Reducing the number of marginalized citizens and renewing the reality of America as a land of equal opportunity requires a complex set of solutions. Simply raising wage rates and improving working conditions are foundational, but just part of the larger solution. America is paying a deep price where upwards of 50, 60 and even 70 percent of working Americans are feeling like they are on a treadmill unable to get ahead. When determination and hard work are not rewarded, we create perverse incentives that directly lead to labor force participation decline, increased at-risk behavior and radicalization on both the right and the left of our politics.

Implications for Entrepreneur-Led Development

America by and large hates the idea of class. We really want to embrace the idea that if we work hard and smart, we can get ahead. While there is truth in this idea, the fact is the United States now ranks 27th among countries internationally in **social mobility** among a ranking of 82 counties, according to www.visualcapitalist.com. Most European counties now have greater social mobility than the USA. A growing number of Pacific Rim counties have higher (i.e., Singapore at 20th) or increasing social mobility. This single indicator is powerful in helping to explain the economic well-being of so many American households and increasing marginalization of a diverse collection of Americans. America's labor movement helped to build our nation's thriving middle class during America's golden years from World War II into the 1970s.

Social (Upward) Mobility Defined

Social mobility is the ability of a person or household to improve their socioeconomic well-being including income, education, and the ability to make choices as to where to work, live and play.

Higher education, a union job, or business ownership were the tickets to a middle-class lifestyle with job security, meaningful work, and great pay and benefits from the 1940s well into the early 1990s. As union power was broken up resulting in eroded bargaining power and membership, this ticket to a great middle-class life is no longer the force it once was. While there continues to be a strong correlation between higher education degrees and earning power, even this ticket to career choice and affluence has diminished over time. Advanced higher education in critically important fields like medicine or information technology are now required. A bachelor's degree in political science or sociology no longer ensures financial and career success. Entrepreneurship continues to be one of the primary pathways to career and financial success whether it is in a unique boutique or app venture. In today's environment, entrepreneurship is the primary pathway in creating opportunity and wealth for not only owners, but the investors and employees engaged with these entrepreneurial ventures.

Questions and Additional Information

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