

excerpt from

# **THE BIG SQUEEZE**

**TOUGH TIMES FOR THE AMERICAN WORKER**

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*Chapter One*

**WORKED OVER AND OVERWORKED**

In his job at a Wal-Mart in Texas, Mike Michell was responsible for catching shoplifters, and he was good at it, too, catching 180 in one two-year period. But one afternoon things went wildly awry when he chased a thief—a woman using stolen checks—into the parking lot. She jumped into her car, and her accomplice gunned the accelerator, slamming the car into Michell and sending him to the hospital with a broken kneecap, a badly torn shoulder, and two herniated disks. Michell was so devoted to Wal-Mart that he somehow returned to work the next day, but a few weeks later he told his boss that he needed surgery on his knee. He was fired soon afterward, apparently as part of a strategy to dismiss workers whose injuries run up Wal-Mart's workers' comp bills.<sup>1</sup>

■

Immediately after serving in the army, Dawn Eubanks took a seven-dollar-an-hour job at a call center in Florida. Some days she was told to clock in just two or three hours, and some days she was not allowed to clock in during her whole eight-hour shift. The call center's managers warned the workers that if they went home, even though they weren't allowed to clock in, they would be viewed as having quit.

■

Twenty-eight-year-old John Arnold works in the same Caterpillar factory in Illinois as his father, but under the plant's two-tier contract, the maximum he can ever earn is \$14.90 an hour, far less than the \$25 earned by his father. Caterpillar, long a symbol of America's industrial might, insists that it needs a lower wage tier to remain competitive. "A few people I work with are living at home with their parents," Arnold said. "Some are even on food stamps."

■

At a Koch Foods poultry plant in Tennessee, the managers were so intent on keeping the line running all out that Antonia Lopez Paz and the other workers

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who carved off chicken tenders were ordered not to go to the bathroom except during their lunch and coffee breaks. When one desperate woman asked permission to go, her supervisor took off his hard hat and said, “You can go to the bathroom in this.” Some women ended up soiling themselves.

■

Don Jensen anticipated a relaxing life of golf after retiring from his human resources post with Lucent Technologies in New Jersey, where he was in charge of recruiting graduates from Stanford, Cornell, MIT, and other top universities. But when Lucent increased its retirees’ health insurance premiums to \$8,280 a year, up from \$180, Jensen was forced to abandon his retirement. He took a job as a ten-dollar-an-hour bank teller.

■

As part of her software company’s last-lap sprint to get new products out the door, Myra Bronstein sometimes had to work twenty-four hours straight testing for bugs. She felt great loyalty to the Seattle-area company because its executives had repeatedly promised, “As long as we’re in business, you have a job.” But one Friday morning the company suddenly fired Bronstein and seventeen other quality assurance engineers. The engineers were told that if they wanted to receive severance pay, they had to agree to spend the next month training the workers from India who would be replacing them.

ONE OF THE LEAST EXAMINED but most important trends taking place in the United States today is the broad decline in the status and treatment of American workers—white-collar and blue-collar workers, middle-class and low-end workers—that began nearly three decades ago, gradually gathered momentum, and hit with full force soon after the turn of this century. A profound shift has left a broad swath of the American workforce on a lower plane than in decades past, with health coverage, pension benefits, job security, workloads, stress levels, and often wages growing worse for millions of workers.

That the American worker faces this squeeze in the early years of this century is particularly troubling because the squeeze has occurred while the economy, corporate profits, and worker productivity have all been growing robustly. In recent years, a disconcerting disconnect has emerged, with corporate profits soaring while workers’ wages stagnated.

The statistical evidence for this squeeze is as compelling as it is disturbing.

In 2005, median income for nonelderly households failed to increase for the fifth year in a row, after factoring in inflation. That is unprecedented in a time of economic growth.<sup>2</sup> In 2006, median income for those households did finally rise, but it still remained lower—\$2,375 lower—than six years earlier.<sup>3</sup> That, too, is unprecedented. Even though corporate profits have doubled since recession gave way to economic expansion in November 2001, and even though employee productivity has risen more than 15 percent since then, the average wage for the typical American worker has inched up just 1 percent (after inflation). With the subprime mortgage crisis threatening to pull the economy into recession, some economists say this may be the first time in American history that the typical working household goes through an economic expansion without any increase in income whatsoever.

This, unfortunately, is the continuation of a long-term squeeze. Since 1979, hourly earnings for 80 percent of American workers (those in private-sector, nonsupervisory jobs) have risen by just 1 percent, after inflation.<sup>4</sup> The average hourly wage was \$17.71 at the end of 2007. For male workers, the average wage has actually slid by 5 percent since 1979. Worker productivity, meanwhile, has climbed 60 percent.<sup>5</sup> If wages had kept pace with productivity, the average full-time worker would be earning \$58,000 a year; \$36,000 was the average in 2007.<sup>6</sup> The nation's economic pie is growing, but corporations by and large have not given their workers a bigger piece.<sup>7</sup>

The squeeze on the American worker has meant more poverty, more income inequality, more family tensions, more hours at work, more time away from the kids, more families without health insurance, more retirees with inadequate pensions, and more demands on government and taxpayers to provide housing assistance and health coverage. Twenty percent of families with children under six live below the poverty line, and 22 million full-time workers do not have health insurance.<sup>8</sup> Largely as a result of the squeeze, the number of housing foreclosures and personal bankruptcies more than tripled in the quarter century after 1979.<sup>9</sup> Economic studies show that income inequality in the United States is so great that it more closely resembles the inequality of a third world country than that of an advanced industrial nation.<sup>10</sup>

Many families *are* enjoying higher incomes, enabling them to buy a plasma-screen TV or take a vacation in Orlando, but this is frequently because fathers have taken on second jobs or more overtime hours or because mothers, even with toddlers, have opted for full-time paid employment. Millions of households have not slipped further behind only because Americans are

working far harder than before. A husband and wife in the average middle-class household are, taken together, working 540 hours or three months more per year than such couples would have a quarter century ago, mainly because married women are working considerably longer hours than before.<sup>11</sup>

Viewed another way, the American worker's financial squeeze has translated into a time squeeze. In a survey by the Families and Work Institute, two-thirds of employed parents responded that they didn't have enough time with their kids, and just under two-thirds said they didn't have enough time with their spouses.<sup>12</sup> The typical American worker toils 1,804 hours a year, 135 hours more per year than the typical British worker, 240 hours more than the average French worker, and 370 hours (or nine full-time weeks) more than the average German worker.<sup>13</sup> No one in the world's advanced economies works more. Aggravating the time squeeze is a phenomenon known as job creep in which our jobs have spilled increasingly into our leisure time. Americans are finishing work memos on their home computers at eleven p.m., they are reading office e-mails on Saturdays and Sundays, and they are using their cell phones and BlackBerries to answer their bosses' queries while on vacation. The Conference Board, the business research group, found that Americans are less satisfied with their jobs—just 47 percent are satisfied—than at any time since it started tracking the numbers two decades ago. "The breadth of dissatisfaction is unsettling," the Conference Board wrote, its director of research adding, "The demands in the workplace have increased tremendously."<sup>14</sup>

Americans are going deeper into debt than ever before. Millions of households have supersized their credit card balances, and many have taken cash out of their homes by obtaining second mortgages, arguably unhealthy ways to try to maintain a comfortable lifestyle on a less-than-comfortable income.<sup>15</sup> In 2005, for the first time since the Great Depression, the nation's personal savings rate sank below zero, meaning that Americans were actually spending more than they were earning.<sup>16</sup> As a result, among the bottom two-fifths of households, nearly one in four spends at least 40 percent of its monthly income paying down its debts.<sup>17</sup> And foreclosure filings, spurred by the subprime mortgage crisis, are expected to soar to as many as two million by the end of 2008. Two million would represent one in sixty-two households.<sup>18</sup>

Even as wages stagnated in recent years, many government officials triumphantly boasted that consumer spending had continued to rise. But this increase was largely due to soaring incomes at the top. From 1979 to 2005, a period when national output more than doubled, after-tax income inched up just 6 percent for the bottom fifth of American households after accounting

for inflation, while it rose 21 percent for the middle fifth. For the top fifth, income jumped 80 percent and for the top 1 percent it more than tripled, soaring by 228 percent.<sup>19</sup> A 2007 report by the Congressional Budget Office found that the top 1 percent of households had pre-tax income in 2005 that was more than two-fifths larger than that of the bottom 40 percent. (After taxes, the top 1 percent's income in 2005 was still nearly 10 percent greater than the bottom 40 percent's.)<sup>20</sup> As Paul Krugman wrote, "It's a great economy if you're a high-level corporate executive or someone who owns a lot of stock. For most other Americans, economic growth is a spectator sport."<sup>21</sup>

The nation appears to be on the threshold of recession, and as a result, America's workers are likely to be squeezed not just by stagnant wages but also by rising unemployment. One of the most worrisome—and puzzling—aspects of the economic expansion that began in November 2001 is that wages have remained stubbornly flat, after factoring in inflation, even though the jobless rate has been low by historical standards. That wages have gone nowhere in a tight labor market underlines the American worker's declining ability to command higher wages, and now with unemployment increasing, workers' leverage to push for higher wages is bound to grow even weaker.

The squeeze is of course worst for those on the lowest rungs, including millions of workers who are part of our everyday lives: fast food workers, cashiers, child care workers, hotel maids, and nurse's aides. Nearly 33 million workers—almost one-fourth of the American workforce—earn less than ten dollars an hour, meaning their wages come to less than the poverty line for a family of four (\$20,614 in 2006).<sup>22</sup> Despite strong economic growth, the number of Americans living in poverty jumped by 15 percent from 2000 to 2006—an increase of 5.4 million to 36.5 million.<sup>23</sup> For millions of low-income workers, the promise of America has been broken: the promise that if you work hard, you will be rewarded with a decent living, the promise that if you do an honest day's work, you will earn enough to feed, clothe, and shelter your family.

Not only do workers on the bottom rungs lack money, but they often lack basic benefits. Three out of four low-wage workers in the private sector do not have employer-provided health insurance, while eight out of nine do not participate in a pension plan.<sup>24</sup> Three-fourths of low-wage workers do not receive paid sick days, so if they need to miss two days' work because they are sick or their child is sick, they receive no pay for those days—and often risk getting fired.<sup>25</sup>

A study sponsored by the Ford, Rockefeller, and Annie E. Casey foundations, "Working Hard, Falling Short," concluded, "More than one out of four

American working families now earn wages so low”—defined as income of less than twice the poverty line for a family of four (\$41,200 in 2006)—“that they have difficulty surviving financially.” The study continued, “While our economy relies on the service jobs these low-paid workers fill . . . our society has not taken adequate steps to ensure that these workers can make ends meet and build a future for their families, no matter how determined they are to be self-sufficient.”<sup>26</sup> In her book *Nickel and Dimed*, Barbara Ehrenreich described these workers as “the major philanthropists of our society.” Ehrenreich wrote, “They neglect their own children so the children of others will be cared for; they live in substandard housing so that other homes will be shiny and perfect.”<sup>27</sup> Across America more than 50 million people live in near poor households, those with incomes between \$20,000 and \$40,000 a year. Katherine Newman, a Princeton sociologist, has described this large but often overlooked group as “the missing class.” The mass of workers who are barely getting by is likely to grow only larger, because the Bureau of Labor Statistics forecasts that low-wage jobs will account for six of the top ten categories in overall job growth between now and 2014: janitors, nursing home aides, waiters, home-health aides, retail sales workers including cashiers, and food-prep and fast food workers.<sup>28</sup>

America’s ailing health care system is a big part of the worsening squeeze. From 2000 to 2006, the number of Americans without health insurance climbed by 8.6 million, to 47 million.<sup>29</sup> One study found that more than two-fifths of moderate-income, working-age Americans went without health insurance for at least part of 2005.<sup>30</sup> Not only that, for employees who want coverage, companies are requiring them to pay more for it, and as a result, the cost of family coverage has soared 83 percent in just six years.<sup>31</sup> As health costs consume more and more of the nation’s economic output—they account for 16 percent of gross domestic product, or GDP, up from 5 percent in 1960—that necessarily leaves less money for wage increases.

Pensions, the other pillar of employee benefits, are under assault as never before. In May 2005, a bankruptcy judge allowed United Airlines to default on its pension plans and dump them on the federal agency that protects retirement benefits. Because that agency guarantees pensions only up to a certain amount, many United pilots will receive only half what they expected when they retire. United’s move was the biggest pension default in American history, releasing it from paying \$3.2 billion in obligations over the following five years. One of United’s lawyers predicted that more and more companies would use this “strategic tool” to increase their competitiveness.<sup>32</sup> Since then,

US Airways and Delta have followed suit. When Delphi, the auto parts giant, filed for bankruptcy in October 2005, its chief executive, Robert S. Miller, threatened to slash the company's pensions unless the workers agreed to massive wage concessions.

As part of this assault on pensions, Hewlett-Packard, IBM, Verizon, Sears, Motorola, and many other companies have embraced a riskier, far less generous type of retirement plan, 401(k)s, while turning away from the traditional plans that promised workers a specific monthly benefit for life after they retired.<sup>33</sup> When Hewlett-Packard took that step, a company spokesman said, "Pension plans are kind of a thing of the past."<sup>34</sup>

With pensions growing ever scarcer, more and more workers are convinced that they won't have enough money to retire. Ominously, some economists have begun to warn that millions of Americans might have to continue working into their seventies.

Even though this is an era of increased economic volatility, the federal government has decided to let Americans fend increasingly for themselves. Just one-third of laid-off workers receive unemployment benefits, down from 50 percent a generation ago. And even though workers' skills are becoming obsolete faster than ever because of new technologies and globalization, funding for the main federal program for retraining has been reduced by more than \$10 billion in the last quarter century.<sup>35</sup> "Americans increasingly find themselves on an economic tightrope, without an adequate safety net if—as is ever more likely—they lose their footing," wrote Jacob S. Hacker, author of *The Great Risk Shift*.<sup>36</sup>

Business executives say they have been forced to tighten their belts on wages and everything else because they face ever-fiercer competition. That is true, but corporate profits have nonetheless soared, climbing 13 percent a year in the six years after the 2001 recession ended, while wages have remained flat. (Employee productivity has also far outpaced wages, rising 15 percent from 2001 through 2007.) Corporate profits have climbed to their highest share of national income in sixty-four years, while the share going to wages has sunk to its lowest level since 1929.<sup>37</sup>

"This is the most pronounced several years of labor's share declining," said Lawrence Katz, an economics professor at Harvard. "For as long as we've had a modern economy, this is the worst we've seen it."<sup>38</sup>

Very simply, corporations, along with their CEOs, are seizing a bigger piece of the nation's economic pie for themselves, leaving the nation's workers and their families diminished.



MANY AMERICANS ARE FEELING the squeeze as part of a growing wave of worker exploitation. Faster line speeds at the nation's meat and poultry plants are causing workers' bodies to break down and leading to more amputations. Workers have died at construction sites when scaffolding or trenches collapsed because supervisors ignored the most elementary precautions.<sup>39</sup> Inside some of the nation's best-known retail stores, immigrant janitors have been forced to work 365 days a year.

Exploitation is of course nothing new, as Upton Sinclair's writings, Lewis Hines's photographs, and the Triangle Shirtwaist fire all made clear. In the decades after the Great Depression, exploitation declined as the United States created the world's most prosperous middle class and as business, labor, and government often worked hand in hand to improve workplace conditions. In recent years, however, worker mistreatment has been on the rise, spurred by a stepped-up corporate focus on minimizing costs and by an influx of easy-to-exploit immigrants. Corporate executives, intent on maximizing profits, often assign rock-bottom labor budgets to the managers who run their stores and restaurants, and those managers in turn often squeeze their workers relentlessly.

A steady decline in workplace regulation has opened the door to greater exploitation. Even though the workforce has grown from 90 million to 145 million over the past three decades, the number of federal wage and hour investigators has fallen. Seven hundred eighty-eight federal wage and hour inspectors are responsible for ensuring compliance at the nation's 8.4 million business establishments.<sup>40</sup> George W. Bush's labor secretary, Elaine Chao, signaled her ambivalent views about enforcement when she said, "Sometimes it's not what you do, but what you refrain from doing that is important."<sup>41</sup> The infamous Sago Mine in West Virginia had been cited 273 times for safety violations in the two years before an explosion there killed twelve miners in 2006. But none of those fines exceeded \$460, and many were just \$60—a minuscule amount considering that the company that owned Sago had \$110 million in annual profits. In the five years before, the Mine Safety and Health Administration, then run by former industry executives appointed by President Bush, failed to collect fines in almost half the cases in which it had levied them.<sup>42</sup>

The rising tide of exploitation has taken countless forms. Target, Safeway, Albertsons, and Wal-Mart have all hired cleaning contractors who required janitors to work the midnight shift thirty days a month. These contractors sys-

tematically broke the law by virtually never paying Social Security or unemployment insurance taxes, and they almost never paid janitors time and a half for overtime even though the janitors often worked fifty-five hours or more each week.<sup>43</sup> These contractors sometimes dumped badly injured workers in front of a hospital or at a bus station with a ticket back to Mexico.

At Taco Bell, Wal-Mart, and Family Dollar, many employees complained that managers forced them to work five or more unpaid hours off the clock each week. The workers who were cheated often earned just \$12,000 to \$18,000 a year. At an A&P in Westchester County, New York, Wilfredo Brewster, a customer service manager, said he worked from six a.m. to six p.m. Monday through Friday, sixty hours, but was paid for only forty. Managers pressured him to donate his Saturdays to the store as well, telling him it would help him earn a promotion. Under federal and state law, he, as an hourly employee, was supposed to be paid overtime for those Saturdays.

Stylists at SmartStyle, the nation's largest hair salon company, said that pressure to minimize payroll costs was so intense that on days when there were few customers, managers often ordered stylists to clock out, then clean up the salon. Several hairdressers said they were occasionally paid for only half the hours they worked, their earnings sometimes slipping to \$2.50 an hour, less than half the \$5.15 federal minimum wage at the time.<sup>44</sup>

According to many workers and supervisors at Pep Boys, Toys "R" Us, Family Dollar, Wal-Mart, and other companies, some managers illegally tampered with time clock records to erase hours that employees had worked.<sup>45</sup> Dorothy English, a payroll assistant at a Wal-Mart in Louisiana, said that if an employee had clocked forty-three hours in a week, her boss often ordered her to delete three hours from the worker's time records to avoid paying time and a half. "I told them this wasn't right," she said. "But they said, 'This is how we keep people to forty hours.'"<sup>46</sup>

At dozens of upscale supermarkets in Manhattan, including Food Emporium and Gristede's, deliverymen often worked seventy-five hours a week but were paid just two hundred dollars, or less than three dollars an hour. They were told they were independent contractors, a group that is not covered by minimum wage and overtime laws.<sup>47</sup>

Some call centers deduct pay for every minute a worker spends in the bathroom. Workers at Wal-Mart and the Cheesecake Factory complained that managers often refused to give them the lunch breaks and fifteen-minute rest breaks that state law required.<sup>48</sup> Bella Blaubergs, a diabetic who worked at a Wal-Mart in Washington State, said she nearly fainted several times from low

blood sugar because managers often would not let her take breaks.<sup>49</sup> At numerous Abercrombie & Fitch stores, African American, Asian, and Hispanic workers complained that they were relegated to back-of-the-store jobs, doing stockroom work and inventory, while white employees were given jobs up front—all to promote Abercrombie's preppy, fraternity, all-American look.<sup>50</sup>

Some cleaning workers at several of the hottest software companies in Silicon Valley earn so little that they live in rented garages in someone else's home. Rosalba Ceballos, a divorced immigrant from Mexico, was one of them; she lived with her three daughters—ages one, three, and seven—in an absurdly cluttered, windowless garage just outside Palo Alto.

Middle-class workers have not been immune. On a day in 2003 that Circuit City workers remember as “Bloody Wednesday,” the retailer fired 3,900 senior commissioned salespeople—some earned \$50,000 a year—having concluded that their commissions and wages were too high. Circuit City simultaneously hired 2,100 replacement salespeople who were to receive lower wages and far lower commissions.<sup>51</sup> Then in 2007, Circuit City laid off another 3,400 employees because they, in the company's words, earned “well above the market-based salary range for their role.” Many of those laid off were earning around \$29,000 a year. Circuit City announced that these workers could reapply for their jobs ten weeks later, but if rehired, they would come back at the lower “market rate.”

In her ten years at the Circuit City in Hoover, Alabama, Julie Godette was considered a model employee, assigned to train new hires and receiving repeated raises that brought her up to \$16.40 an hour. She, too, was suddenly laid off. “To work that long for a company and to be let go because you did a good job really hurts,” Godette said.<sup>52</sup>

At JP Morgan Chase, Barbara Parkinson, a customer service representative in the global investment services department in New York City, said managers had repeatedly complained when workers submitted time sheets listing several hours' overtime. To avoid management's continued wrath, she and other workers decided to forgo the overtime pay due them.<sup>53</sup>

At RadioShack's headquarters in Fort Worth, four hundred workers were fired by e-mail. “The workforce reduction notification is currently in progress,” the e-mail dryly informed recipients. “Unfortunately your position is one that has been eliminated.”<sup>54</sup>

Northwest Airlines gave laid-off workers a booklet entitled “101 Ways to Save Money.” But the booklet added insult to financial injury. “Borrow a dress for a big night out” and “Shop at auctions or pawn shops for jewelry” were among

the tips it offered. And then it suggested, “Don’t be shy about pulling something you like out of the trash.”<sup>55</sup>

RARELY HAVE SO MANY economic and social forces been arrayed against the American worker. Downsizing, rightsizing, and reengineering have increasingly made job security an obsolete notion. Many workers fear pink slips so much that they are frightened to ask for raises or protest oppressive workloads. Globalization, including the recent rush to offshore hundreds of thousands of white-collar jobs, has increased such fears. Layoffs have become a fact of life. Nowadays, on nearly a daily basis, some company announces that it is laying off several thousand employees, and except for the workers and their families, virtually everyone who hears about it ignores it.

America has lost one-fifth of its factory jobs since 2000, jobs that have long been a stepping-stone to the middle class. There has been a concomitant decline in the labor movement to its lowest point in decades, undermining the one force that, for all its faults, created some semblance of balance between workers and management during the second half of the twentieth century. The massive influx of immigrants has created a huge pool of easy-to-bully workers that has given managers greater leverage—most visibly in construction and meatpacking—to squeeze wages and worsen conditions for *all* workers. Many companies have embraced the just-in-time workforce—a mass of temps, freelancers, and on-call occasionals whose lower pay and unstable status often undercut the wages, benefits, and job security of the traditional year-round workforce.

The position of the American worker has been further undermined by the economy’s evolution from industrial capitalism to financial capitalism. Industrialists were once firmly in control, intent on maximizing production and market share, but now investment bankers, mutual fund managers, hedge fund managers, and, increasingly, managers of private-equity funds wield great power and are forever pressuring the companies that they’ve invested in to maximize profits and take whatever steps are necessary to keep stock prices at their highest. Companies, in response, often skimp on wages, lay off workers, and close operations.

Wal-Mart, founded in a small Arkansas town in 1962, has spearheaded the rise of a less caring, less generous, and often less law-abiding management style. Wal-Mart employs nearly 1.4 million workers in the United States, far more than any other company. With its phenomenal growth, it has become

the world's largest retailer, and its low wages and benefits—it provides health insurance to just half of its workers—have created a downward pull on the way that many companies treat their workers. (For that reason, we will examine Wal-Mart in great detail.) The Wal-Mart effect could be seen most starkly when the three largest supermarket chains in California—Safeway, Albertsons, and Ralphs—grew alarmed about Wal-Mart's plans to open dozens of supercenters in California that would sell groceries in addition to general merchandise. The supermarket chains demanded lower wages and far less generous health benefits for all future hires, and after a bitter four-and-a-half-month strike and lockout in 2003–4, the chains got their way. The California supermarkets said they couldn't compete when their cashiers earned \$17.90 an hour on average and Wal-Mart's earned \$8.50 an hour.

The squeeze on the American worker has been further exacerbated by corporate America's growing sway over politics and policy, making it harder for beleaguered workers to turn to government for help. When investigators unearthed serious child labor violations at a dozen Wal-Marts, officials in the Bush Labor Department signed a highly unusual secret agreement promising to give Wal-Mart fifteen days' advance notice whenever inspectors planned to visit a Wal-Mart store to look for more such violations. Wal-Mart officials had been major donors to the Republican Party.

As a result of business's strong influence over President George W. Bush and Republicans in Congress, the federal minimum wage remained stuck at \$5.15 for nearly a decade. A full-time worker who earns \$5.15 an hour grosses \$10,712 a year, far below the \$16,079 poverty line for a family of three. In 2007, the \$5.15 minimum wage, after adjusting for inflation, was 33 percent below its 1979 level.<sup>56</sup> In 2007, the Democratic Congress raised the minimum wage to \$7.25 an hour over two years.

Nor have the tax policies emanating from Washington been very friendly to workers. President Bush and Republicans in Congress pushed vigorously to minimize taxes on investors, that is, taxes on dividends and capital gains, while urging elimination of the estate tax. Bush's tax cuts saved the average middle-class taxpayer \$744 a year, while saving \$44,212 a year for the top 1 percent of taxpayers and \$230,136 for the top one-tenth of 1 percent of households.<sup>57</sup>

Even though the government has done little of late to ease the squeeze on American workers, there are plenty of things government can do to alleviate the difficulties that workers face. I will return to this subject later. Now, however, I want to examine in depth a telling instance of the big squeeze.