HOW TO RAISE WAGES: POLICIES THAT WORK AND POLICIES THAT DON'T

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I. *INTRODUCTION AND EXECUTIVE SUMMARY*

There is now widespread agreement across the political spectrum that wage stagnation is the country's key economic challenge. The Economic Policy Institute (EPI) has documented for nearly three decades that wages for the vast majority of American workers have stagnated or declined since 1979.[1] This is despite real gross domestic product (GDP) growth of 149% and net productivity growth of 64% over this period.[2] In short, the potential has existed for adequate, widespread wage growth over the last thirty-five years, but these economic gains have not trickled down to the vast majority.[3]

As this Article explains, wage stagnation is not inevitable. It is the direct result of public policy choices on behalf of those with the most power and wealth that have suppressed wage growth for the vast majority in recent decades. Thus, because wage stagnation was caused by policy, it can be alleviated by policy. In particular, policymakers must address two distinct sets of policies.

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1. Josh Bivens, Elise Gould, Lawrence Mishel & Heidi Shierholz, *Raising America's Pay: Why It's Our Central Economic Policy Challenge*, ECON. POL'Y INST. 5 (June 4, 2014), *available at* http://s3.epi.org/files/pdf/65287.pdf.
2. *Id.*
3. *Id.*

One set of policies that has stifled wage growth includes aggregate factors, which have led to excessive unemployment over much of the last four decades, as well as others that have driven the financialization of the economy and excessive executive pay growth.[4] Policymakers can help to deliver broadly shared wage growth through monetary and budgetary policies that prioritize full employment—thereby tightening the labor market so that employers must offer pay increases to get, and keep, the workers they need—as well as tax and other policies that help ensure economic gains do not accrue mainly to the top 1%. Policies that will help create jobs and reach full employment include keeping interest rates unchanged until wage growth reaches 3.5% to 4%; enacting employment programs targeted toward hard-hit communities; increasing public investment in transportation, broadband, research and development (R&D), and education; and reducing the U.S. trade deficit.[5] Policies that will *not* help create jobs or reach full employment include corporate tax reform, lowering tax rates on individuals or corporations, raising interest rates,[6] and pursuing trade deals harmful to U.S. workers.[7]

Another set of policies concerns the business practices, eroded labor standards, and weakened labor market institutions that have reduced workers' individual and collective power to bargain for higher wages. Policymakers can help grow wages by raising the minimum wage; updating overtime rules; strengthening rights to collective bargaining; regularizing undocumented workers; ending forced arbitration; securing workers' access to sick leave and paid family leave; closing race and gender inequities; awarding government contracts only to firms that adhere to wage, health, and safety laws; and tackling workplace abuses such as misclassification and wage theft. Policies that will *not* help raise wages include individual or corporate tax cuts, austerity, increasing

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4. *See id.* at 50 (describing how the upward redistribution resulting from aggregate factors "has clearly damaged income growth at the bottom and middle").

5. *See generally* Josh Bivens, *The Short- and Long-Term Impact of Infrastructure Investments on Employment and Economic Activity in the U.S. Economy*, ECON. POL'Y INST. (July 1, 2014), *available at* http://www.epi.org/files/2014/impact-of-infrastructure-investments.pdf (estimating the positive impact that debt-financed infrastructure investments would have on employment and economic activity, including an increase in GDP, an economy-wide increase in productivity, and a net increase in the number and types of jobs available).

6. *See* Janet L. Yellen, *Semiannual Monetary Policy Report to Congress*, BD. OF GOVERNORS FED. RESERVE SYS. (July 15, 2015), http://www.federalreserve.gov/newsevents/testimony/yellen20150715a.htm (referencing a possible increase in the federal funds rate).

7. *See* The Economist, *The Trans-Pacific Partnership: Into the Home Stretch*, ECONOMIST.COM (July 25, 2015), http://www.economist.com/news/finance-and-economics/21659716-all-its-flaws-biggest-trade-deal-years-good-news-world (discussing some of the benefits and problems of the Trans-Pacific Partnership as negotiations continue).

college or community college completion,[8] deregulation, and policies aimed at increasing long-term growth.

II. CREATING JOBS AND REACHING FULL EMPLOYMENT

The good news is that an average of 246,000 jobs were created each month in 2014, representing faster job growth than any year in the last recovery and since 2007.[9] This job growth lowered the unemployment rate to 5.6% in December 2014.[10] Unfortunately, we still have far to go before we recover from the financial crisis of 2008 and the recession that started after December 2007 (the Great Recession).[11] Specifically, "the Great Recession and its aftermath has left us with a jobs shortfall of 5.6 million."[12] "[That is] the number of jobs needed to keep up with growth in the potential labor force since 2007."[13] Current job creation rates will get us to pre-Great Recession labor market health by August 2017.[14] However, even attaining this pre-Great Recession labor market health is an insufficiently ambitious goal. Instead, we should strive to reach genuine full employment, with roughly 4% unemployment.[15] Much is at stake.[16] If we do not attain robust full employment, many communities, particularly those of color, will be left out of the recovery.[17] Moreover, under current policy conditions, significant wage growth for the vast majority may only occur when we achieve much lower unemployment than we now have.[18] The reason for this is simple: employers do not need to offer significant wage increases to attract and retain employees because

8. President Barack Obama has called for the federal and state governments to fund community college for all. *E.g.*, Kyla Calvert Mason, *Obama: Community College Should Be 'As Free and Universal in America as High School,'* PBSNEWSHOUR.ORG (Jan. 20, 2015, 9:36 PM EDT), http://www.pbs.org/newshour/rundown/community-college-tuition-top-theme-state-union-speech/.

9. Elise Gould, *At an Average of 246,000 Jobs a Month in 2014, It Will Be the Summer of 2017 Before We Return to Pre-Recession Labor Market Health*, ECON. POL'Y INST. BLOG (Jan. 9, 2015, 10:41 AM), *available at* http://www.epi.org/blog/at-an-average-of-246000-jobs-a-month-in-2014-it-will-be-the-summer-of-2017-before-we-return-to-pre-recession-labor-market-health/.

10. *The Employment Situation—December 2014*, BUREAU OF LABOR STATS. 1 (Dec. 2014), *available at* http://www.bls.gov/news.release/archives/empsit_01092015.pdf.

11. Gould, *supra* note 9.

12. *Id.*

13. *Id.*

14. *Id.*

15. Tejvan Pettinger, *The Natural Rate of Unemployment*, ECON. HELP, http://www.economicshelp.org/macroeconomics/unemployment/natural_rate/ (last visited Dec. 14, 2015).

16. Lawrence Katz, *What's at Stake if the Fed Prematurely Raises Rates*, ECON. POL'Y INST. BLOG (Aug. 18, 2014, 10:00 AM), *available at* http://www.epi.org/blog/fed-shouldnt-tighten-anytime/.

17. *Id.*

18. *Id.* (indicating that current levels of employment are insufficient to create real wage growth).

the number of willing workers is far greater than the number of available jobs.[19]

A. Policies That Will Help Achieve Full Employment

1. Monetary Policy That Targets Full Employment, with Wage Growth Matching Productivity Gains

The most important economic policy decisions being made about job growth in the next few years are those of the Federal Reserve Board (FRB), as it determines the scale and pace at which it raises interest rates.[20] The decision to raise interest rates is essentially a decision to slow the economy and weaken job and wage growth. There are many false concerns about accelerating wage growth and exploding inflation based on the mistaken sense that we are at, or near, full employment. Policymakers should not seek to slow the economy until wage growth is comfortably running at a 3.5% to 4% rate—wage growth consistent with a 2% inflation target (since trend productivity is 1.5% to 2%, wage growth two percentage points faster than this yields rising unit labor costs, and therefore inflation of 2%).[21] Thereafter, the FRB should pursue monetary policy conducive to allowing wage growth to match productivity gains. In short, the key danger is slowing the economy too soon, rather than too late.

2. Targeted Employment Programs

Even at 4% unemployment, there will be many communities that will still suffer substantial unemployment, especially low-wage workers and many black and Hispanic workers.[22] To obtain full employment for all, we will need to undertake policies that can direct jobs to areas of high unemployment. The tool for this is the public and non-profit employment programs that several members of Congress have introduced in the last several years, which create jobs by meeting unmet needs.[23]

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19. *Id.* (describing record-low employment rates for young workers and minorities).

20. *Id.*

21. *Id.*

22. Margaret Simms, Karina Fortuny, Marla McDaniel & William Monson, *Education and Employment of Disconnected Low-Income Men*, U.S. DEP'T OF HEALTH & HUMAN SERVS. 1, 3 (Aug. 2013), *available at* http://aspe.hhs.gov/hsp/13/LowIncomeMen/Education/rpt_EducationAndEmployment.pdf.

23. *See* Local Jobs for America Act, H.R. 2889, 113th Cong. §1 (2013) (creating local jobs through appropriations for the retention, restoration, or expansion of services needed by local communities); Emergency Jobs to Restore the American Dream Act, H.R. 1617, 113th Cong. §1

3. Public Investment and Infrastructure

There is widespread agreement that we face a substantial shortfall of public investment in transportation, broadband, R&D, and education.[24] Undertaking a sustained program of public investment, for at least a decade, can create jobs and raise our productivity and growth.[25] In the early years, this program would most effectively create jobs if we borrowed to finance it; however, as we approach full employment, we can raise revenues to cover its costs. In this way, budget policy can be a tool that allows us to raise productivity and bring us closer to full employment.

4. Reducing Our Trade Deficit

The annual U.S. trade deficit in goods and services increased from $476.4 billion in 2013 to $505 billion in 2014, an increase of $28.7 billion, or 6%.[26] That deficit represents a huge reduction in U.S. GDP and employment.[27] By making imports cheaper and U.S. exports more expensive, currency manipulation inflates the trade deficit and leads to huge job losses.[28] Eliminating currency manipulation could reduce the U.S. global trade deficit by $200 billion to $500 billion each year, which could increase overall U.S. GDP by $288 billion to $720 billion, creating between 2.3 million and 5.8 million U.S. jobs.[29]

B. Policies That Do Not Help Us Reach Full Employment

1. Corporate Tax Reform

There are many false claims that corporate tax reform is necessary to make the U.S. competitive and bring us growth. First off, the evidence shows that the corporate tax rates that U.S. firms actually pay, also

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(2013) (creating jobs through grants for public school modernization, public land improvement, and community service).

24. Josh Bivens, *Public Investment: The Next 'New Thing' for Powering Economic Growth*, ECON. POL'Y INST. 1–3 (Apr. 18, 2012), *available at* http://s4.epi.org/files/2012/bp338-public-investments.pdf.

25. *Id.* at 2.

26. *U.S. International Trade in Goods and Services*, U.S. CENSUS BUREAU, at 1, 3 (Feb. 5, 2015, 8:30 AM EST) http://www.census.gov/foreign-trade/Press-Release/2014pr/12/ft900.pdf [hereinafter 2015 U.S. Census].

27. *Id.*

28. Robert E. Scott, *Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.–Japan Trade Deficit*, ECON. POL'Y INST. 3 (Feb. 4, 2015), *available at* http://s4.epi.org/files/2014/JapanCurrencyManipulation.pdf.

29. *Id.*

described as "effective rates," are not higher than those of other advanced countries.[30] Second, the tax reform that is being discussed is "revenue-neutral," necessarily meaning that average tax rates are not actually being reduced; for every firm or sector that will see a lower tax rate, another will see a higher tax rate.[31] It is hard to see how such tax reform sparks growth.

2. Cutting Taxes

There will surely be many efforts in Congress to cut corporate taxes and reduce taxes on capital income (e.g., capital gains, dividends) and individual marginal tax rates, especially on those with the highest incomes.[32] It is easy to see how those strategies will not work. Look at **Figure A**, which shows that these taxes have been reduced over the last thirty-five years since 1980.[33] Yet, economic growth was slower since 1980 than in the preceding thirty years, when tax rates were much higher.[34] Another useful comparison is to the last recovery, following the Bush-era tax cuts, which had slower job growth than the current recovery.[35]

30. Thomas L. Hungerford, *Policy Responses to Corporate Inversions: Close the Barn Door* Before *the Horse Bolts*, ECON. POL'Y INST. 5 (Sept. 8, 2014), *available at* http://s4.epi.org/files/2014/ corporate-inversions.pdf.

31. *Id.* at 6.

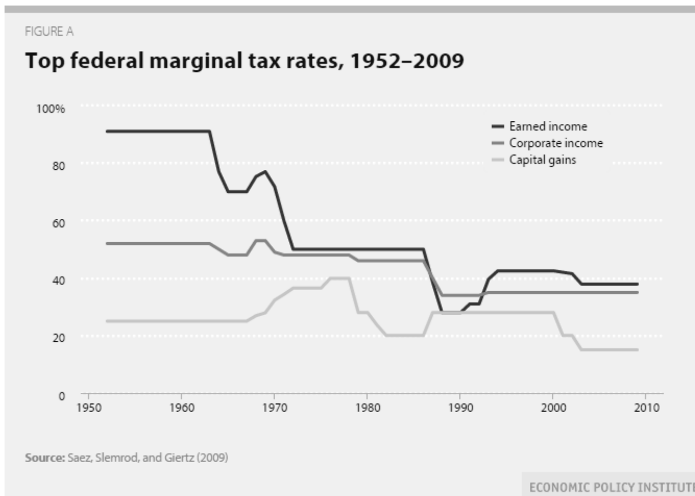
32. *See* Emmanuel Saez, Joel B. Slemrod & Seth H. Giertz, *The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review* fig.A, tbl.A1 (Nat'l Bureau of Econ. Research, Working Paper No.15012, 2009), *available at* http://www.nber.org/papers/w15012.pdf (outlining trends of income share and marginal tax rates on the top one percent from 1960 to 2006 and listing top federal marginal tax rates from 1952 to 2009 for ordinary income, earned income, capital gains, and corporate income). *See generally* Lawrence Mishel, *I Can't Tolerate the Nonsense on Corporate Tax Reform Any More*, ECON. POL'Y INST. BLOG (Aug. 12, 2014, 2:07 PM), *available at* http://www.epi.org/blog/tolerate-complete-corporate-tax-reform/ (discussing the economic erosion resulting from corporate inversions and the difficulties in implementing a workable, meaningful tax reform).

33. Saez et al., *supra* note 32, at 18.

34. *Id.* at tbl.A1; *Gross Domestic Product*, FED. RESERVE BANK OF ST. LOUIS (Sept. 25, 2015, 9:59 AM CDT), https://research.stlouisfed.org/fred2/series/A191RP1Q027SBEA.

35. Annenberg Pub. Pol'y Ctr., *Obama's Numbers (January 2015 Update)*, FACTCHECK.ORG (Jan. 9, 2015), http://www.factcheck.org/2015/01/obamas-numbers-january-2015-update/.

Figure A[36]



3. Raising Interest Rates

Those worried about inflation are calling on the FRB to raise interest rates soon and steadily thereafter.[37] Their fears are unfounded. But we should be clear that those seeking higher interest rates are asking our monetary policymakers to slow economic growth and job creation, reflecting a far-too-pessimistic assumption of how far we can lower unemployment and seemingly aiming for unemployment at current levels of between 5.0% and 5.5%. We can do better than that, and the failure to seek significantly lower unemployment would stifle opportunities for wage growth and employment for many who otherwise would not benefit from this recovery.[38]

36. Saez et al., *supra* note 32, at tbl.A1.

37. Mark Thoma, *Should the Federal Reserve Raise Interest Rates?*, CBSNEWS.COM (June 15, 2015, 5:15 AM), http://www.cbsnews.com/news/should-the-fed-raise-interest-rates/; Janet L. Yellen, *Statement Before the Committee on Financial Services*, FED. RES. (July 15, 2015, 8:30 AM), http://www.federalreserve.gov/newsevents/testimony/yellen20150715a.pdf.

38. *See* Bivens et al., *supra* note 1, at 14–16 (discussing the impact of high unemployment rates on women, black workers, and Hispanic workers).

4. More Bad Trade Deals

The North American Free Trade Agreement (NAFTA) cost U.S. workers almost 700,000 jobs.[39] Additionally, since the United States signed KORUS, a free-trade agreement with Korea, the U.S. trade deficit with Korea has nearly doubled, rising from $14.7 billion in 2011 to $26.6 billion in 2014, an increase of $11.8 billion or 80.4%.[40] The Obama administration promised that "tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods by $10 billion to $11 billion."[41] To date, increased exports have achieved less than 8% of this goal, dwarfed by the growth of Korean imports and the growing bilateral trade deficit, which has displaced nearly 60,000 U.S. jobs.[42] Furthermore, China's admission to the World Trade Organization (WTO) has been a disaster for U.S. manufacturing workers; the U.S. goods trade deficit with China increased by $23.9 billion, or 7.5%, in 2014, to $342.6 billion.[43]

Clearly, further trade deals that follow the NAFTA and KORUS pattern should be avoided. Their failure to address currency manipulation or to effectively address labor standards, while exalting the interests of multinational corporate investors, has been a disaster that should not be repeated. These trade treaties are not even about trade, given that tariffs are already very low; they are about backroom deals to protect corporate profits and establish new rights. Giving the President fast-track authority to negotiate the Trans-Pacific Partnership (TPP) would be a mistake.[44]

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39. Robert E. Scott, *Heading South: U.S.-Mexico Trade and Job Displacement After NAFTA*, ECON. POL'Y INST. (May 3, 2011), *available at* http://s2.epi.org/files/page/-/BriefingPaper308.pdf.

40. Robert E. Scott, *U.S.–Korea Trade Deal Resulted in Growing Trade Deficits and More Than 75,000 Lost U.S. Jobs*, WORKING ECON. BLOG (Mar. 30, 2015, 2:31 PM), http://www.epi.org/ blog/u-s-korea-trade-deal-resulted-in-growing-trade-deficits-and-more-than-75000-lost-u-s-jobs/; *USITC Interactive Tariff and Trade DataWeb*, U.S. INT'L TRADE COMM'N, http://dataweb.usitc.gov (last visited Dec. 14, 2015) [hereinafter *USITC Data*].

41. *The U.S.-South Korea Free Trade Agreement: More American Jobs, Faster Economic Recovery Through Exports*, WHITEHOUSE.GOV 1, *available at* http://www.whitehouse.gov/sites/ default/files/fact_sheet_overview_us_korea_free_trade_agreement.pdf (last visited Dec. 14, 2015).

42. Scott, *supra* note 39; *USITC Data*, *supra* note 40.

43. 2015 U.S. Census, *supra* note 26.

44. TPP negotiations were held in Hawaii on July 28–31, 2015, but failed to result in a deal. *See* Kit Tang, *Top U.S. Trade Expert: Massive Trans-Pacific Deal Will Get Done*, CNBC (Aug. 10, 2015, 7:01 PM ET), http://www.cnbc.com/2015/08/10/top-us-trade-expert-massive-trans-pacific-deal-will-get-done.html. However, many trade experts believe that the TPP will eventually become a reality and will be "the most sweeping trade deal in a generation and a legacy-defining achievement for U.S. President Barack Obama." *Id.*

C. Wage Growth

It is a welcome development that policymakers and presidential candidates in both parties have now acknowledged that stagnant wages are a critical economic challenge.[45] This will generate an important debate on the best way to lift wages for the vast majority, which is necessary to raise households into the middle class and fuel middle-class incomes.[46] That wage trends lay at the heart of income stagnation is just common sense. After all, middle-class families rely almost completely on what they earn from their jobs to support their consumer spending.[47] These families do not own many financial assets that produce income; at best they have a little stock (only one-third of households have more than $10,000 of stock), and their home accounts for most of their wealth.[48] This is also true for low-income households, which obtain 70% of their income from wages (including the Earned Income Tax Credit).[49]

It is useful to establish some of the basic facts on wage stagnation. **Figure B** illustrates the tremendous gap between the 138% wage growth enjoyed by the top 1% since 1979, and wages for the bottom 90%, which grew just 15%, with most of that growth occurring in the late 1990s.[50]

45. David Lauter, *Income Inequality Emerges as Key Issue in 2016 Presidential Campaign*, L.A. TIMES (Feb. 5, 2015, 7:00 AM), http://www.latimes.com/nation/la-na-campaign-income-20150205-story.html#page=1 (describing "the economy's failure to produce rising incomes for the middle class" as the leading issue in the 2016 presidential campaign).

46. *Id.*

47. *See The Middle-Class Tax Cuts' Impact on Consumer Spending & Retailers*, NAT'L ECON. COUNCIL & COUNCIL OF ECON. ADVISERS 3 (Nov. 2012), https://www.whitehouse.gov/sites/default/files/uploads/consumer_report_embargo.pdf (discussing the decline in consumption resulting from the rise in taxes for the middle class).

48. Bivens et al., *supra* note 1, at 43–45; Stephan Richter, *Stock Ownership: Who Benefits?*, SALON (Sept. 19, 2013, 8:42 AM EDT), http://www.salon.com/2013/09/19/stock_ownership_who_benefits_partner/; Laura Shin, *The Racial Wealth Gap: Why a Typical White Household Has 16 Times the Wealth of a Black One*, FORBES (Mar. 26, 2015, 8:00 AM), http://wwwforbes.com/sites/laurashin/2015/03/26/the-racial-wealth-gap-why-a-typical-white-household-has-16-times-the-wealth-of-a-black-one/.

49. Bivens et al., *supra* note 1, at 6.

50. Wojciech Kopczuk, Emmanuel Saez & Jae Song, *Earnings Inequality and Mobility in the United States: Evidence from Social Security Data Since 1937*, 125 Q. J. ECON. 91, 114 (Feb. 2010), *available at* http://eml.berkeley.edu//~saez/kopczuk-saez-songQJE10mobility.pdf; Soc. Sec. Admin, *Wage Statistics for 2013*, SSA.GOV, http://www.ssa.gov/cgi-bin/netcomp.cgi (last visited Dec. 14, 2015); Lawrence Mishel & Will Kimball, *The Top 1 Percent of Wage Earners Falters in 2013–Was It a Temporary Event?*, ECON. POL'Y INST. BLOG (Oct. 24, 2014, 2:20 PM), *available at* http://www.epi.org/blog/top-1-percent-wage-earners-falters-2013/.

Figure B[51]

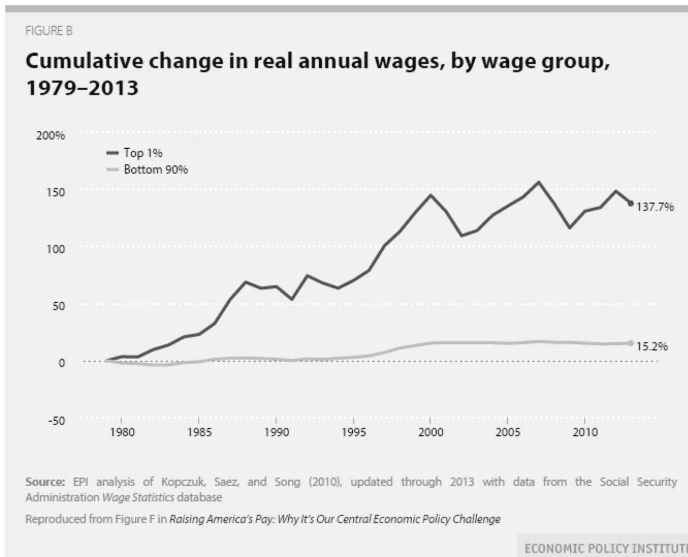
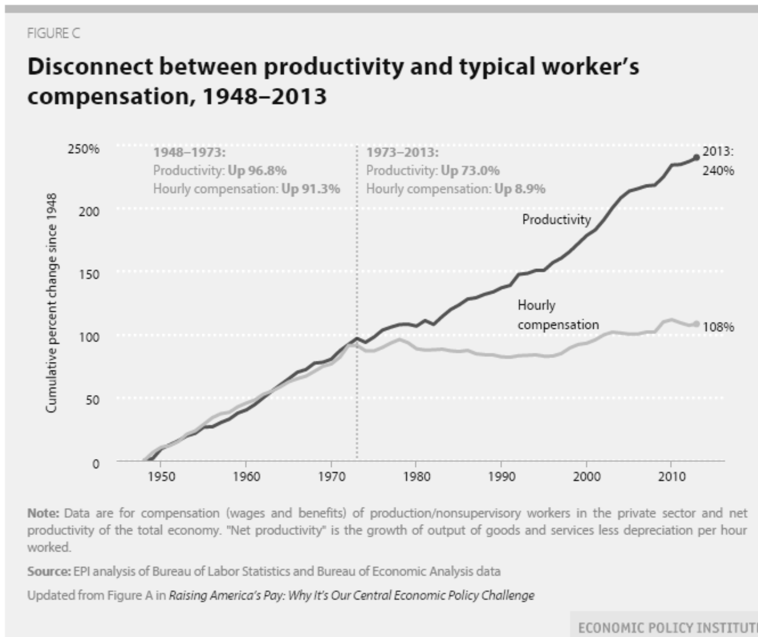


Figure C presents the divergence between productivity—the growth of the output of goods and services per hour worked—and the pay of a typical worker. Over the forty years since 1973, there has been productivity growth of 73%, yet the compensation (wages and benefits) of a typical worker grew far less, at just 8.9% (again, mostly in the late 1990s).[52]

51. Bivens et al., *supra* note 1, at 19; Kopczuk et al., *supra* note 50, at 108.
52. Bivens et al., *supra* note 1, at fig.A.

Figure C[53]



Thus, wage and benefit stagnation is a long-term trend that is not due to insufficient economic growth, since the economic growth over the last four decades did little to produce rising pay for the vast majority (**Figure D**).[54] Last, it is important to note that there has been widespread wage stagnation for the last ten years or so, affecting both blue-collar and white-collar workers, as well as both high school and college graduates.[55] Wage stagnation occurred over the last recovery from 2002–2003 until 2007, as well as during the Great Recession and its aftermath.[56]

53. *Id.*

54. Elise Gould, *Why America's Workers Need Faster Wage Growth—And What We Can Do About It*, ECON. POL'Y INST. fig.F (Aug. 27, 2014), *available at* http://s4.epi.org/files/2014/why-americas-workers-need-faster-wage-growth-final.pdf.

55. *Id.* at fig.F, fig.L.

56. *Id.* at fig.F.

Figure D[57]

Wage stagnation is conventionally described as being about globalization and technological change.[58] Many say these are trends we neither can—nor want—to restrain.[59] In fact, technological change has had very little to do with wage stagnation.[60] Such an explanation is grounded in the notion that workers have insufficient skills, so employers are paying them less; meanwhile, those with higher wages and skills—including college graduates—are highly demanded, resulting in employers bidding up their wages.[61] We know that this pattern of wage growth and job creation has not been evident over the last fifteen years.[62] Many studies have shown that the best-paying occupations have not expanded their share of employment since 1999–2000,[63] and that job

57. *Id.*

58. Michael J. Zimmer, *Can Dystopia Be Avoided? Increasing Economic Inequality Can Lead to Disaster*, 45 STETSON L. REV. 5, 8 (2016).

59. *See* Int'l Monetary Funds, *Globalization: A Brief Overview*, IMF.GOV (May 2008), http://www.imf.org/external/np/exr/ib/2008/053008.htm (discussing the many benefits of globalization and technological development including increased efficiency, diversified markets, and greater access to healthcare, among others).

60. Gould, *supra* note 54, at 20–21.

61. *Id.* at 20.

62. Bivens et al., *supra* note 1, at 63.

63. *See* Frank Levy & Richard J. Murnane, *Dancing with Robots: Human Skills for Computerized Work*, THIRD WAY 18–19 (July 17, 2013), *available at* http://content.thirdway.org/publications/714/Dancing-With-Robots.pdf (describing the impact of formal education on

growth has been centered upon low-wage occupations.[64] The so-called job polarization, which has eroded jobs in middle-wage occupations but expanded jobs at the top and bottom, has been much discussed but has not been present in the United States since the 1990s.[65] So, employers are not creating jobs at the high end, yet we see wages grow far faster for those at the top (the top 1%, as well as the top 10%) than in the middle or bottom of the wage scale.[66]

It is also important to note that the inflation-adjusted wages of college graduates have been stagnant since 2002–2003,[67] the wages and benefits earned by recent college graduates have been plummeting for every new cohort since 2000,[68] and the Federal Reserve Bank of New York has documented that an increasing share of recent college graduates work in jobs that do not require a college degree.[69] Last, there are hundreds of thousands of college students and recent college graduates working in internships that provide no wage.[70] A number of these unpaid internships in the private sector are likely illegal, but that is another matter.[71] The presence of college graduates in a wide variety of fields

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healthcare support occupations); Lawrence Mishel, Heidi Shierholz & John Schmitt, *Don't Blame the Robots: Assessing the Job Polarization Explanation of Growing Wage Inequality* 4 (Econ. Pol'y Inst., Working Paper, Nov. 19, 2013), *available at* http://www.epi.org/publication/technology-inequality-dont-blame-the-robots/ (noting how occupational wages among the bottom occupational quintile have increased at the same rate as other quintiles despite the expansion of low-wage employment occupations). *See generally* David H. Autor, *Polanyi's Paradox and the Shape of Employment Growth* (Mass. Inst. Tech., Working Paper No. 20485, Sept. 3, 2014), *available at* http://economics.mit.edu/files/9835 (describing a decrease in routine task-intensive occupations for middle-skilled workers); Paul Beaudry, David A. Green & Benjamin M. Sand, *The Great Reversal in the Demand for Skill and Cognitive Tasks* (Nat'l Bureau Econ. Research, Working Paper No. 18901, Mar. 2013), *available at* http://www.nber.org/papers/ w18901 (discussing the impact of the de-skilling process, including the resulting trend of high-skilled workers pursuing low-skill occupations).

64. Bivens et al., *supra* note 1, at 63.

65. *Id.*

66. *Id.* at 9–12.

67. *Id.* at 60–61.

68. *Id.*

69. Jaison R. Abel, Richard Deitz & Yaqin Su, *Are Recent College Graduates Finding Good Jobs?*, 20 CURRENT ISSUES ECON. & FIN. 1, 1 (2014), *available at* http://www.newyorkfed.org/research/current_issues/ci20-1.pdf.

70. Bivens et al., *supra* note 1, at 63.

71. *See* Glatt v. Fox Searchlight Pictures, Inc., 791 F.3d 376, 379 (2d Cir. 2015) (vacating the district court's decision to grant partial summary judgment and certify a class of unpaid *Black Swan* interns who raised a matter of first impression: whether—and when—an unpaid intern is entitled to compensation as an employee under the Fair Labor Standards Act). The *Glatt* analysis rested upon guidance from the Department of Labor, which laid out a six-factor test to determine if an intern is an employee. *Id.* at 382. The six factors are as follows: (1) whether the internship is similar to a training or occurs in an educational environment, (2) whether the internship is for the benefit of the intern, (3) whether the intern displaces regular employees, (4) whether the employer derives an "immediate advantage" from the intern's activities, (5) whether the intern is entitled to the job when the internship ends, and (6) whether the employer and intern understand that the intern is not entitled to wages. *Id.*; *see* Dep't of Labor, Wage & Hour Div., *Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act* (Apr. 2010), *available at* http://www.dol.gov/whd/regs/

working for free indicates that there is not a generalized excessive, unmet demand for their skills.[72] In other words, there is no skill shortage that is generating wage inequalities.

As for globalization, it has, in fact, served to suppress wage growth for non-college-educated workers,[73] who constitute roughly two-thirds of the workforce.[74] However, trends such as import competition from low-wage countries did not naturally develop; they were pushed by trade agreements and the tolerance of misaligned and manipulated exchange rates that undercut U.S. producers.[75]

In short, wage stagnation is not inevitable; it is a direct result of policy decisions. As such, it can be remedied by policy. There are two sets of policies that have greatly contributed to wage stagnation that receive far too little attention. One set is aggregate factors, which include factors that lead to excessive unemployment and others that have driven the financialization of the economy and excessive executive pay growth (which fueled the doubling of the top 1%'s wage and income growth). The other set of factors are the business practices, eroded labor standards, and weakened labor market institutions that have suppressed wage growth. These are examined in turn.

D. Aggregate Factors

Unemployment substantially above full employment and rapidly escalating pay for finance professionals and executives are both directly related to wage stagnation for the vast majority.

1. Excessive Unemployment

Unemployment has remained substantially above full employment for much of the last forty years, especially relative to the post-war period

compliance/whdfs71.pdf. *See generally* Jessica L. Curiale, Note, *America's New Glass Ceiling: Unpaid Internships, the Fair Labor Standards Act, and the Urgent Need for Change*, 61 HASTINGS L.J. 1531 (2010) (discussing the legal status of unpaid internships as well as their societal and economic ramifications).

72. Bivens et al., *supra* note 1, at 63.

73. Josh Bivens, *Using Standard Models to Benchmark the Costs of Globalization for American Workers Without a College Degree*, ECON. POL'Y INST. 2 (Mar. 22, 2013), *available at* http://s3.epi.org/files/2013/standard-models-benchmark-costs-globalization.pdf.

74. Chad Brooks, *The Surprising Jobs That Now Require a Bachelor's Degree*, BUS. NEWS DAILY (Sept. 9, 2014, 5:48 PM EST), *available at* http://www.businessnewsdaily.com/7103-no-degree-no-job.html.

75. Bivens et al., *supra* note 1, at 70.

before then.[76] Since high unemployment depresses wages more for low-wage than middle-wage workers, and more for middle-wage than high-wage workers, these slack conditions generate wage inequality.[77] This reinforces the need to achieve full employment, as delineated above.

The excessive unemployment in recent decades reflects a monetary policy overly concerned about inflation relative to unemployment and hostile to any signs of wage growth.[78] Budget policy has sometimes exacerbated our unemployment problem. For example, in the last few years, budgets at the state level have been cut so dramatically that hundreds of thousands of public employees were laid off.[79] At the federal level, deficit hysteria caused a failure to adequately focus on job creation to counter the recession and a weak recovery.[80]

2. Unleashing the Top 1%: Finance and Executive Pay

The major forces behind the extraordinary income growth and the doubling of the top 1%'s income share since 1979 were the expansion of the finance sector (and escalating pay in that sector) and the remarkable growth of executive pay.[81] Notably, CEO pay grew more than twice as fast as profits and three times faster than the pay of other very high-wage earners—the top 0.1% of wage earners.[82] The increased incomes in finance and for executives do not reflect a corresponding increase in national output.[83] Thus, restraining the growth of such income will not adversely affect the size of our economy.[84] Moreover, the failure to restrain these incomes leaves less income available to the vast majority, the 90% of wage earners who have seen little wage growth since 1979.[85]

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76. Thomas Palley, *The Federal Reserve and Shared Prosperity: Why Working Families Need a Fed That Works for Them*, ECON. POL'Y INST. 9–10 (Feb. 9, 2015), http://s2.epi.org/files/2014/TheFederalReserveAndSharedProsperity.pdf.

77. Bivens et al., *supra* note 1, at 56.

78. Palley, *supra* note 76, at 10.

79. Nicholas Johnson, Phil Oliff & Erica Williams, *An Update on State Budget Cuts: At Least 46 States Have Imposed Cuts That Hurt Vulnerable Residents and Cause Job Loss*, CTR. FOR BUDGET & POL'Y PRIORITIES 2 (Feb. 9, 2011), *available at* http://www.cbpp.org/sites/default/files/atoms/files/3-13-08sfp.pdf.

80. Josh Bivens, Andrew Fieldhouse & Heidi Shierholz, *From Free-Fall to Stagnation: Five Years After the Start of the Great Recession, Extraordinary Policy Measures Are Still Needed, but Are Not Forthcoming*, ECON. POL'Y INST. 17–18 (Feb. 14, 2013), *available at* http://s3.epi.org/files/2013/bp355-five-years-after-start-of-great-recession.pdf.

81. Lawrence Mishel & Alyssa Davis, *CEO Pay Continues to Rise as Typical Workers Are Paid Less*, ECON. POL'Y INST. 10 (June 12, 2014), *available at* http://s1.epi.org/files/2014/ceo-pay-continues-to-rise.pdf.

82. *Id.* at 1–2.

83. *Id.*

84. *Id.* at 2.

85. *See supra* Figure B (depicting the cumulative change in annual wages from 1979–2013).

For these reasons—and not because of envy—we cannot ignore the top 1% as we seek to increase wages for the vast majority. What the top 1% has taken in income growth has largely come at the expense of other income groups.

There are various policies that can help accomplish a restraint on income growth of the 1%. Tax preferences for executive pay can be eliminated, or the use of tax preferences can be tied to the executive's firm, giving wage increases equal to productivity growth.[86] Others have recommended tying corporate tax rates to the ratio of executive-to-median worker pay.[87] Imposing a financial transactions tax can steer investments toward productive uses, direct investments away from speculation, and restrain unproductive financial activity.[88]

E. Labor Standards, Labor Market Institutions, and Business Practices

There are a variety of policies related to labor standards, labor market institutions, and business practices that can greatly help to lift wage growth.

1. Raising the Minimum Wage

Erosion of the value of the minimum wage—a policy undertaken in the 1980s that has never fully been reversed—is the main reason wages at the lowest levels lag behind those at the middle.[89] The inflation-adjusted minimum wage is now about 25% below its 1968 level,[90] despite the fact that productivity has doubled and the education and skills of those in the bottom one-fifth have greatly improved.[91] Moving the

86. Josh Bivens & Lawrence Mishel, *The Pay of Corporate Executives and Financial Professionals as Evidence of Rents in Top 1 Percent Incomes*, ECON. POL'Y INST. 16 (June 20, 2013), *available at* http://s3.epi.org/files/2013/pay-corporate-executives-financial-professionals.pdf.

87. *See* S. 1372, 2013–2014 Leg., Reg. Sess. (Cal. 2014), *available at* http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140SB1372 (illustrating the course of action taken by the California senate).

88. Rebecca Thiess, *Many Options Exist for Raising Revenue in a Smart and Progressive Manner*, ECON. POL'Y INST. 2, 6 (Apr. 18, 2013), *available at* http://s4.epi.org/files/2013/options-exist-raising-revenue-smart-progressive.pdf.

89. David Cooper, *Raising the Federal Minimum Wage to $10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost*, ECON. POL'Y INST. 4–5 (Dec. 19, 2013), *available at* http://s1.epi.org/files/2014/EPI-1010-minimum-wage.pdf.

90. *Id.* at 4–6.

91. *Id.* at 5; Heidi Shierholz, *Fix It and Forget It: Index the Minimum Wage to Growth in Average Wages*, ECON. POL'Y INST. 13 (Dec. 17, 2009), *available at* http://s4.epi.org/files/page/-/pdf/bp251.pdf.

minimum wage to $12.00 by 2020 would benefit about one-fourth of the workforce directly and indirectly.[92]

2. Updating Overtime Rules

The share of salaried workers eligible for overtime has fallen from 65% in 1975 to just 11% today.[93] Someone who spends a small share of his or her time supervising others can spend the bulk of that time doing work that hourly workers do (e.g., unloading trucks or filling shelves with products), work far in excess of forty hours, and yet still receive no overtime pay. This is because the salary threshold, the salary level beneath which you are guaranteed overtime pay, has eroded such that the Fair Labor Standards Act covers only those earning less than $23,660 per year (a poverty-level wage).[94] Fortunately, President Obama has instructed the Department of Labor to revise the salary threshold.[95] Moving that threshold to the value it held in 1975—roughly $51,000 today—would provide overtime protection to 6.1 million workers, providing workers with higher pay, more leisure, and more time with their families.[96]

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92. David Cooper, *Raising the Minimum Wage to $12 by 2020 Would Lift Wages for 35 Million Workers*, ECON. POL'Y INST. 2 (July 14, 2015), *available at* http://www.epi.org/files/2015/raising-the-minimum-wage-to-12-dollars-by-2020-would-lift-wages-for-35-million-american-workers.pdf.

93. Donté Donald & Ross Eisenbrey, *The Department of Labor Should Set the Overtime Salary Threshold at No Less Than $1,122 Per Week*, ECON. POL'Y INST. (Oct. 22, 2014), *available at* http://www.epi.org/publication/the-department-of-labor-should-set-the-overtime-salary-threshold-at-no-less-than-1122-per-week/.

94. *Why It's Time to Update Overtime Pay Rules: Frequently Asked Questions*, ECON. POL'Y INST. 2 (Aug. 4, 2015), *available at* http://www.epi.org/publication/time-update-overtime-pay-rules-answers-frequently/.

95. Ross Eisenbrey, *Where Should the Overtime Threshold Be Set? A Comparison of Four Proposals to Increase Overtime Coverage*, ECON. POL'Y INST. 1 (Dec. 23, 2014), *available at* http://www.epi.org/publication/where-should-the-overtime-salary-threshold-be-set-a-comparison-of-four-proposals-to-increase-overtime-coverage/. The U.S. Department of Labor recently issued a Notice of Proposed Rulemaking, announcing its intention to increase the salary and compensation levels required to exempt an employee from receiving overtime pay. Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees, 80 Fed. Reg. 38516 (July 6, 2015). The proposed changes would "set the standard salary level at the [fortieth] percentile of weekly earnings for full-time salaried workers"; "increase the total annual compensation requirement needed to exempt highly compensated employees . . . to the annualized value of the [ninetieth] percentile of weekly earnings of full-time salaried workers"; and "establish a mechanism for automatically updating the salary and compensation levels" in the future. *Fact Sheet: Proposed Rulemaking to Update the Regulations Defining and Delimiting the Exemptions for "White Collar" Employees*, U.S. DEP'T OF LABOR, *available at* http://www.dol.gov/whd/overtime/NPRM2015/factsheet.htm (last visited Dec. 14, 2015).

96. Eisenbrey, *supra* note 95, at 1–2.

3. Strengthening Rights to Collective Bargaining

The single largest factor suppressing wage growth for middle-wage workers over the last few decades has been the erosion of collective bargaining, which can explain one-third of the rise of wage inequality among men and one-fifth among women.[97] One of the greatest impacts of the decline of collective bargaining has been that non-union workers in industries or occupations that previously had extensive collective bargaining no longer receive the higher pay that their employers used to provide (given concerns that their best workers might leave for a union job or for fear their workers would choose collective bargaining).[98] Thus, the erosion of collective bargaining has affected both union and non-union workers alike. In the United States, many more workers want collective bargaining than are able to benefit from it.[99] If all who wanted to pursue collective bargaining could in fact do so, the United States would have as much collective bargaining as Germany.[100] There are a wide variety of proposals to strengthen and rebuild our collective bargaining system.[101]

4. Regularizing Undocumented Workers

Undocumented immigrant workers are vulnerable to exploitation. Consequently, they earn lower wages than documented workers, who have greater access to legal protections and can switch jobs more readily.[102] Executive actions, such as those the current administration are

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97. LAWRENCE MISHEL, JOSH BIVENS, ELISE GOULD & HEIDI SHIERHOLZ, THE STATE OF WORKING AMERICA, AN ECONOMIC POLICY INSTITUTE BOOK 176, 277 (12th ed. 2012).

98. *Id.* at 276–77.

99. *See* Richard B. Freeman, *Do Workers Still Want Unions? More Than Ever*, ECON. POL'Y INST. 2 (Feb. 22, 2007), *available at* http://www.gpn.org/bp182/bp182.pdf (stating that in 2005, approximately 53% of non-union workers favored union representation).

100. *See id.* (noting that if American non-union workers were provided the collective bargaining representation they wanted in 2005, the approximate overall collective bargaining rate would have been 58%); L. Fulton, *Worker Representation in Europe*, WORKER-PARTICIPATION.EU (2013), *available at* http://www.worker-participation.eu/National-Industrial-Relations/Countries/Germany/Collective-Bargaining (stating that "59% of all German employees are directly covered by collective agreements").

101. *See generally* Freeman, *supra* note 99, at 12 (describing the United States workforce as a "system in crisis" and advocating for collective bargaining policies similar to those of other English-speaking countries, such as Canada and Australia).

102. Lauren A. Apgar, *Authorized Status, Limited Returns: The Labor Market Outcomes of Temporary Mexican Workers*, ECON. POL'Y INST. 1–2 (May 21, 2015), *available at* http://www.epi.org/files/pdf/86437.pdf; Walter Ewing, *Immigration Reform and Job Growth: Legalizing Unauthorized Immigrants Would Boost the U.S. Economy*, IMMIGR. POL'Y CTR. 3 (Jan. 20, 2011), http://www.immigrationpolicy.org/sites/default/files/docs/Immigration_Reform_and_Job_Growth_012011.pdf.

pursuing,[103] or comprehensive immigration reform that provides a path to citizenship, are policies that would lift wages.[104] Regularizing undocumented workers would not only lift their wages, but would also lift the wages of documented workers in the same fields of work.[105]

5. Ending Forced Arbitration

One way for employees to challenge discriminatory or unfair personnel practices and wages is to go to court or to a government agency that oversees such employment discrimination. However, many large firms force their workers to give up their access to public court and government agency remedies, and to agree to settle employment disputes over wages and discrimination only in arbitration systems set up and overseen by the employers themselves.[106] These systems can impose unaffordable costs on workers and limit their use of class actions.[107] Such practices limit workers' options and facilitate discrimination and violations of wage and hour laws.[108]

6. Modernizing Labor Standards: Providing Earned Sick Leave and Paid Family Leave

After the New Deal,[109] labor standard protections eroded and the United States failed to adopt new labor standard protections to meet

103. *See, e.g.*, Memorandum from Janet Napolitano, Sec'y Dep't of Homeland Sec., to David Aguilar, Acting Comm'r, U.S. Customs & Border Prot., et al. (Jun. 15 2012), *available at* http://www.dhs.gov/xlibrary/assets/s1-exercising-prosecutorial-discretion-individuals-who-came-to-us-as-children.pdf (describing criteria and standards for prosecutorial discretion under Deferred Action for Childhood Arrivals (DACA)); Memorandum from Jeh Johnson, Sec'y Dep't of Homeland Sec., to Leon Rodriguez, Dir., U.S. Citizenship & Immigration Servs., et al. (Nov. 20, 2014), *available at* http://www.dhs.gov/sites/default/files/publications/12_1120_memo_deferred_action.pdf (listing immigration enforcement priorities and describing criteria and standards for prosecutorial discretion under Deferred Action for Parents of Americans and Lawful Permanent Residents ("DAPA")). Individuals eligible for deferred action under DACA and DAPA are also eligible to apply for work permits that authorize the individual to work during the deferred action period. *Executive Actions on Immigration*, U.S. DEPT. OF HOMELAND SEC., http://www.uscis.gov/immigrationaction#1 (last visited Dec. 14, 2015). However, the implementation of DAPA and certain expansions of DACA have been temporarily enjoined by a federal court. *See* Texas v. United States, 787 F.3d 733, 743 (5th Cir. 2015) (denying stay of the preliminary injunction).

104. Ewing, *supra* note 102, at 2.

105. *Id.* at 3–4.

106. Martha Halvordson, *Employment Arbitration: A Closer Look*, 64 J. MO. B. 174, 174–75 (2008).

107. Lisa A. Nagele-Piazza, *Unaffordable Justice: The High Cost of Mandatory Employment Arbitration for the Average Worker*, 23 U. MIAMI BUS. L. REV. 39, 41–42 (2014).

108. *Id.*

109. The New Deal refers to the reform efforts executed by President Franklin Delano Roosevelt following the Great Depression in which the United States government attempted to aid the American people in economic recovery. *The New Deal*, PBS, http://www.pbs.org/wgbh/

emerging needs. In particular, we need updated standards to assist workers and their families to achieve a better balance between work and family.[110] The most prominent examples are standards relating to earned sick leave and paid family leave.[111] More support for child care is also necessary to assist workers and their families, especially low-to-moderate wage workers whose child-care choices are not only limited, but also of unequal quality.[112]

7. Closing Race and Gender Inequities

Generating broader-based wage growth must also include efforts to close race and gender inequities ever-present in our labor markets.[113] Many of the policies already mentioned—raising the minimum wage, updating overtime rules, pursuing full employment, legalizing undocumented workers, and increasing workers' bargaining power—though not overtly race- or gender-based, would disproportionately raise wages for women and people of color, who are more likely to work the kinds of jobs impacted by such policies.[114] Beyond these broader efforts, we need consistently strong enforcement of antidiscrimination laws in the hiring, promotion, and pay of women and minority workers. This enforcement includes greater transparency in the ways these decisions are made (including improved collection of pay data by race, ethnicity, and gender), as well as ensuring that the processes available for workers to pursue claims against violations of their rights are effective.[115] Finally, we must tackle social issues like mass incarceration, which limit employment opportunities and earnings for countless ex-offenders, particularly African-American men.[116] Improving adult education opportunities could help better integrate immigrant workers into our economy and our communities as well.[117]

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americanexperience/features/general-article/dustbowl-new-deal/ (last visited Dec. 14, 2015).

110. Robin R. Runge, *Redefining Leave from Work*, 19 GEO. J. ON POVERTY L. & POL'Y 445, 445 (2012).

111. *Id.* at 447–49.

112. Angela Hooton, *From Welfare Recipient to Childcare Worker: Balancing Work and Family Under TANF*, 12 TEX. J. WOMEN & L. 121, 131–33 (2002).

113. Gowri Ramachandran, *Pay Transparency*, 116 PENN ST. L. REV. 1043, 1049 (2012).

114. *See, e.g.*, Bivens et al., *supra* note 1, at 12–14 (explaining that a recent increase in minimum wage helped to shrink the gender wage gap since "low-wage earners are disproportionately female").

115. Ramachandran, *supra* note 113, at 1063–65.

116. Dorothy E. Roberts, *The Social and Moral Cost of Mass Incarceration in African American Communities*, 56 STAN. L. REV. 1271, 1293–94 (2004).

117. Peter A. Creticos, James M. Schultz, Amy Beeler & Eva Ball, *The Integration of Immigrants in the Workplace*, INST. FOR WORK & ECON. 18–19 (July 2006), *available at* http://www.workandeconomy.org/images/The_Integration_of_Immigrants_in_the_Workplace_Pre-publication_Release_7-31-06.pdf.

8. Ensuring Fair Contracting

In the summer of 2014, President Obama signed The Fair Pay and Safe Workplaces Executive Order, a new framework that governs the awarding of federal contracts, which the Department of Labor estimates will apply to 24,000 businesses employing twenty-eight million workers.[118] These new rules "will require prospective federal contractors to disclose labor law violations and will give agencies more guidance on how to consider labor violations when awarding federal contracts."[119] The framework

> also ensures that workers are given the necessary information each pay period to verify the accuracy of their paycheck and workers who may have been sexually assaulted or had their civil rights violated get their day in court by putting an end to mandatory arbitration agreements at corporations with large federal contracts.[120]

These new contracting rules can help reduce wage theft, obtain greater racial and gender equity, and generally support wage growth.[121]

According to a 2010 Government Accountability Office report, "almost two-thirds of the [fifty] largest wage-and-hour violations and almost 40[%] of the [fifty] largest workplace health-and-safety penalties issued between [Fiscal Year] 2005 and [Fiscal Year] 2009 were at companies that went on to receive new government contracts."[122] There are good reasons, therefore, to go further than the new executive order and bar violators from federal contracts, as amendments to the defense and transportation appropriations bills in the House of Representatives required last year.

9. Tackling Misclassification, Wage Theft, and Prevailing Wages, and Supporting Enforcement of Labor Standards

A variety of other policies can also support wage growth. Employers deem too many of their workers independent contractors when they are

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118. *Fact Sheet: Fair Pay and Safe Workplaces Executive Order*, WHITE HOUSE (July 31, 2014), *available at* https://www.whitehouse.gov/the-press-office/2014/07/31/fact-sheet-fair-pay-and-safe-workplaces-executive-order.

119. *Id.*

120. *Id.*

121. *Year of Action: A Final Progress Report on the Obama Administration's Actions to Help Create Opportunity for All Americans*, WHITE HOUSE (Dec. 19, 2014), *available at* https://www.whitehouse.gov/sites/default/files/docs/yoadec2014.pdf.

122. *Fact Sheet: Fair Pay and Safe Workplaces Executive Order*, *supra* note 118.

really employees. This is called "misclassification," though Secretary of Labor Thomas E. Perez rightly labels it fraud.[123] The consequences of misclassification include less revenue collected by state and federal governments, as well as the lack of important protections for workers in the unemployment insurance and workers' compensation systems.[124] Misclassification is particularly severe in construction.[125] Rampant misclassification also undercuts the ability of employers who follow the law to win bid contracts, thereby lowering the wages of workers in their firms.[126] Misclassification is perhaps best seen as part of the larger phenomenon of "wage theft," where workers are not paid for the work they have done or are cheated out of overtime pay.[127] It is estimated that workers are cheated out of as much as $50 billion each year in wages to which they were entitled.[128] Efforts to increase and improve labor standards enforcement, end misclassification (the Department of Labor has a multi-state initiative on this), and protect and strengthen prevailing wage laws can reduce "wage theft" and support wage growth.[129]

F. Policies That Will Not Facilitate Broad-Based Wage Growth

Unfortunately, many of the economic policies currently under discussion will do nothing to spur widespread wage growth—and may even exacerbate wage stagnation.

1. Tax Cuts: Individual or Corporate

The failure of wages to grow cannot be cured through tax cuts. While claims are sometimes made that tax cuts propel long-run job gains and economic growth, tax cuts are not effective tools to promote

123. Thomas E. Perez, *Remarks By U.S. Secretary of Labor Thomas E. Perez*, U.S. DEP'T OF LABOR (Jan. 7, 2015), http://www.dol.gov/_sec/media/speeches/20150107_Perez.htm.

124. Françoise Carré, *(In)Dependent Contractor Misclassification*, ECON. POL'Y INST. 1–2 (June 8, 2015), *available at* http://www.epi.org/files/pdf/87595.pdf; *Fact Sheet 2014: The Misclassification of Employees as Independent Contractors*, DEPT. FOR PROF'L EMPLS. AFL-CIO 1, 5–6 (Oct. 2014), http://dpeaflcio.org/programs-publications/issue-fact-sheets/misclassification-of-employees-as-independent-contractors/.

125. *Id.* at 4.

126. *Id.* at 5.

127. Brady Meixell & Ross Eisenbrey, *An Epidemic of Wage Theft Is Costing Workers Hundreds of Millions of Dollars a Year*, ECON. POL'Y INST. 1 (Sept. 11, 2014), *available at* http://s3.epi.org.files/2014/wage-theft.pdf.

128. *Id.*

129. Bivens et al., *supra* note 1, at 64.

growth.[130] Even if tax cuts did create growth, it is clear that growth by itself will not lift a typical worker's wages. After all, since 1973, productivity and GDP grew plenty while the wages of the vast majority of workers grew little.[131] That is, tax cuts are a tried and failed policy that do not change the dynamics of the labor market so that workers will gain from productivity. Corporate tax reform, as discussed above, holds little promise of promoting economic growth, let alone generating wage growth.[132] One should be mindful that while workers' pay has been stagnant, corporate profits are reaching the highest levels in over eighty-five years.[133] In short, there is no basis for believing that expanded corporate profitability will necessarily benefit the typical worker.

Personal income tax cuts are sometimes advocated as a way to provide some cash to ease the financial struggles of families.[134] This is understandable, as such policies seem readily doable to congressional policymakers.[135] The problem is that wage stagnation is an ongoing challenge, and one-time tax cuts are, at best, a short-term Band-Aid. Moreover, tax cuts erode revenues needed for education, national defense, law enforcement, health research, and other unmet needs.[136]

2. Austerity

The deficit reduction that began in 2011 torpedoed the recovery and is responsible for much of the enduring slack in the labor market.[137] Measuring from the previous business cycle peak—so fully accounting for the Recovery Act[138] and the following ad hoc stimulus measures—overall government spending today remains 10% below what it would

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130. *Id.* at 52 (citing Thomas Piketty, Emmanuel Saez & Stefanie Statcheva, *Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities*, 6 AM. ECON. J.: ECON. POL'Y 230, 251 (2014)) (describing tax cuts for the top 1% as "statistically significant in slowing income growth for the bottom [ninety-nine] percent").

131. *Id.* at 6, 33.

132. *Id.* at 52.

133. Floyd Norris, *Corporate Profits Grow and Wages Slide*, N.Y. TIMES (Apr. 4, 2014), http://www.nytimes.com/2014/04/05/business/economy/corporate-profits-grow-ever-larger-as-slice-of-economy-as-wages-slide.html?_r=0.

134. *The Middle-Class Tax Cuts' Impact on Consumer Spending & Retailers*, *supra* note 47, at 3–4.

135. *See generally id.* (discussing the Obama administration tax cuts).

136. *See generally* Lawrence Mishel, *Even Better Than a Tax Cut*, N.Y. TIMES, (Feb. 23, 2015), http://www.nytimes.com/2015/02/23/opinion/even-better-than-a-tax-cut.html?_r=1 (discussing the negative, long-term consequences tax cuts will have on the economy).

137. *See* Josh Bivens, *Recovery Is Nowhere near Accomplished, and the Fed Shouldn't Tighten Policy Until It Is*, ECON. POL'Y INST. (Dec. 11, 2014, 1:02 PM ET), *available at* http://www.epi.org/blog/recovery-is-nowhere-near-accomplished-and-the-fed-shouldnt-tighten-policy-until-it-is/ (noting how the Budget Control Act of 2011 has slowed growth).

138. Disaster Recovery Act of 2011, S.1630, 112th Cong. (2011).

have been had it followed its trajectory over the 2001 business cycle.[139] This is about $500 billion, enough to cost the economy more than five million jobs.[140]

3. Increasing College or Community College Completion

Facilitating more people attending and completing higher levels of education or other types of training (e.g., apprenticeships) is good policy. It can help fuel economic growth in the future, and it can expand access to better jobs for low- and middle-income children who would not otherwise have those opportunities.[141] That is, improving education quality and attainment is critically important to promoting upward mobility, assuring today's children have the opportunity to rise farther up the income ladder than have their parents.[142] The issue is not whether completing more education is "worth it" for certain individuals, but whether rapidly increasing the share of workers with greater education is an important tool to generate broad-based wage growth.

But advancing education completion is not an effective overall policy to generate higher wages. Some who attain higher credentials will earn more;[143] however, recall that the wages of college graduates have been stagnant for over ten years.[144] Further, the wages (and benefits) accepted by recent college graduates have been lower than those accepted by graduates in earlier years.[145] Presume these trends persist for the next ten years. It follows that increasing college completion to any great degree will mean that the wages of more college graduates will be falling, especially among men and newer graduates. This will lead to less inequality, but it is not a generalized recipe for wage growth. There is no reason to believe that everyone who completes a college degree will obtain a job that requires such an education.[146] If not, college graduates will increasingly be used in jobs that those with less education now perform.

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139. Bivens, *supra* note 137.

140. *Id.*

141. *See* Bivens et al., *supra* note 1, at 60 (stating that "those who obtain more education and skills will do *relatively* better than those who do not" (emphasis in the original)).

142. *See id.* (noting that "more and better education [for] working-class and disadvantaged students is essential for increasing upward social mobility").

143. *Id.*

144. *See id.* at 61 (examining the decline in salary of four-year college graduates in the past decade).

145. *See id.* at 60–61 (noting the drop in wage performance over the past decade for recent college graduates).

146. *See* Abel et al., *supra* note 69, at 3 (discussing the increasing number of recent college graduates taking jobs in retail, coffee shops, and restaurants, among others).

The same analysis is true for community college completion. Providing access will help many attain the opportunities for jobs previously unavailable to low- and moderate-income students, facilitating intergenerational mobility. According to an EPI analysis of Current Population Survey Outgoing Rotation Group data, community college graduates now earn 7.5% less than they did in 2004 and earn wages comparable to the wages earned by this group in 1992, the earliest year for which we have data.[147] The share of the workforce with community college degrees has expanded from 7.3% in 1992 to 10.8% in 2014, so the economy has absorbed substantially more of them.[148] At the same time, the fact that the wages of community college graduates relative to high school graduates (i.e., the wage premium) has fallen, and that the wage levels of community college graduates have fallen, indicates that there is not a swelling unmet need for such graduates.[149] This is an avenue to help some workers, but not a generalized approach to raising wages. What is needed are policies that lift wages of high school graduates, community college graduates, and college graduates—not simply a policy that changes the amount of workers in each category.

4. Deregulation

There is no solid basis for believing that deregulation will lead to greater productivity growth or to wage growth. According to the Office of Management and Budget, the estimated annual benefits of major federal regulations exceeded their cost by at least $160 billion and as much as $779 billion during the decade from 2003 to 2013.[150] The economy and the American people are better off because of the federal government's regulatory efforts.

5. Policies to Promote Long-Term Growth

Policies that can substantially help reduce unemployment in the next two years are welcomed and can serve to raise wage growth. Policies aimed at raising longer-term GDP growth prospects may be beneficial,

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147. *See* MISHEL ET AL., *supra* note 97, at app. B (discussing the wage data analysis used to get these figures from an unpublished Current Population Survey).

148. *Id.*

149. Abel et al., *supra* note 69, at 3.

150. Office of Mgmt. & Budget, 113th Cong., *2014 Draft Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities* (2014), *available at* http://www.whitehouse.gov/sites/default/files/omb/ingoreg/2014_cb/draft_2014_cost_benefit_report-updated.pdf.

but will not help wages soon or necessarily lead to wage growth in future years. This is evidenced in the decoupling of wage growth from productivity over the last forty years.[151] Simply increasing investments and productivity will not necessarily improve the wages of a typical worker. What is missing are mechanisms that relink productivity and wage growth. Without such policies, an agenda of "growth" is playing "pretend" when it comes to wages.

III. CONCLUSION

There has been a broad-based wage stagnation for the last dozen years that has hampered income growth for the majority of families, including those at the bottom. There is an emerging debate across both major parties about how to address wage stagnation. Some policies that will be offered will be fruitful, while others will not be productive in generating better wage performance. Hopefully our analysis provides information to identify what approaches are most appropriate.

151. Bivens et al., *supra* note 1, at 5–6.