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Economic Situation Facing Working Families - Millenium Group Report for AFL-CIO

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The Economic Situation Facing Working Families:

Americans' Attitudes Toward The Economy, Living Standards, and Corporate Behavior

A Summary of Research Conducted
for the AFL-CIO

By Peter D. Hart Research Associates
and The Mellman Group

INTRODUCTION

This report presents the findings of public opinion research conducted on behalf of the AFL-CIO by Peter D. Hart Research Associates and the Mellman Group. The research was designed to study public perceptions and attitudes regarding the economy, living standards, and corporate behavior.

The first stage of the research consisted of 10 focus groups, including three among union members and seven among nonunion working people. These sessions were held in St. Louis, MO; Cleveland, OH; Philadelphia, PA; Birmingham, AL; and, Los Angeles, CA.

The focus groups were followed by an in-depth national telephone survey among a representative sample of 1,201 adults from the general public, for which the interviews were conducted between April 19 and 22, 1996. A parallel survey was conducted concurrently among a representative sample of 811 AFL-CIO members.

This report also incorporates the findings from a second national survey conducted for the AFL-CIO between May 14 and 16, 1996, among 802 registered voters. This latter survey looked more closely at the public's attitudes toward corporate behavior and the role of the government in promoting higher standards of responsibility in the way corporations treat their employees.

A. *Viewing the Economy: Shrinking Expectations and Concern for the Future*

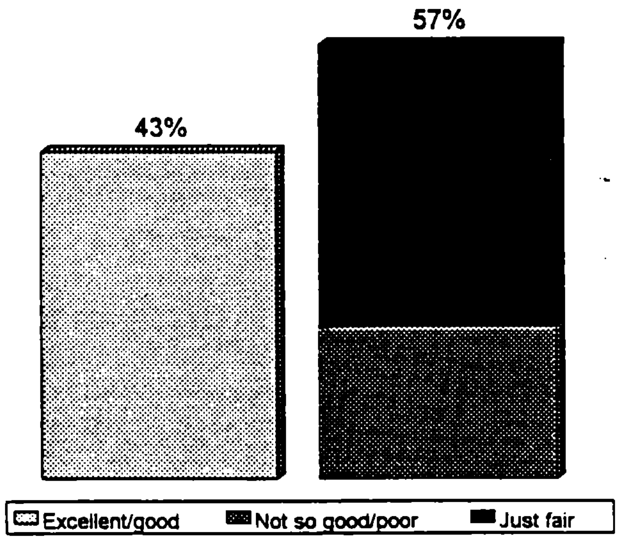
Americans offer a lukewarm assessment when they evaluate the nation's economy today. In describing economic conditions for the country as a whole, just 10% of the public says these are good economic times, while nearly four times as many (37%) feel these are hard times economically. The most common response is to describe the current economic situation as representing "average times" (51%), though, as we shall see, many of these Americans answer from a perspective of declining expectations about what now constitutes the economic norm in America.

Indeed, Americans are much more likely to give credence to negative characterizations of today's economy than they are to accept upbeat assessments of the economic situation.

In a question that asked people to rate the accuracy of 11 descriptions of the economy today, the statements that are perceived as being most accurate all spoke to the hardships and obstacles workers and their families face today. The two statements **least** credited as being true, on the other hand, are ones describing the economic situation in positive terms: "there are more opportunities than ever for people to succeed by starting their own businesses," and "the economy is in a difficult transition, but more competition and new technologies will eventually create a better economic future."

When asked about their own personal economic and financial situation, Americans are far from optimistic. Less than half (43%) of the public rates the economic situation for themselves and their family as either excellent or good; on the other hand, 37% describe their personal economic situation as just fair, and 20% say their economic situation is either not so good or poor.

Voters' Personal Economic Situation

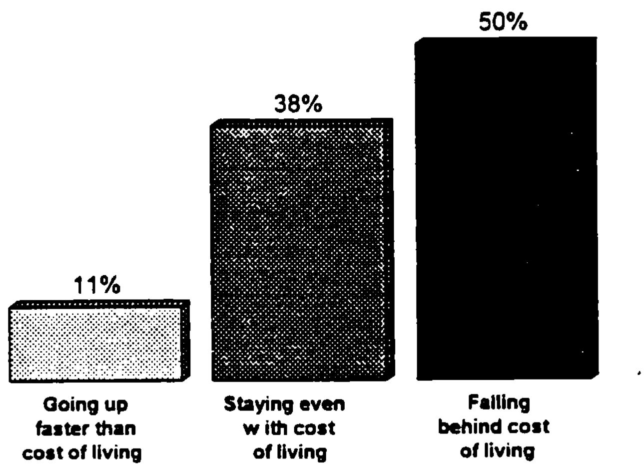


Not surprisingly, these ratings are closely related to household income: 68% of nonretired respondents with an income of over $50,000 rate their economic situation positively, but economic satisfaction drops to 42% among those with an income of between $35,000 and $50,000, and falls further to 21% among those with an income of under $35,000.

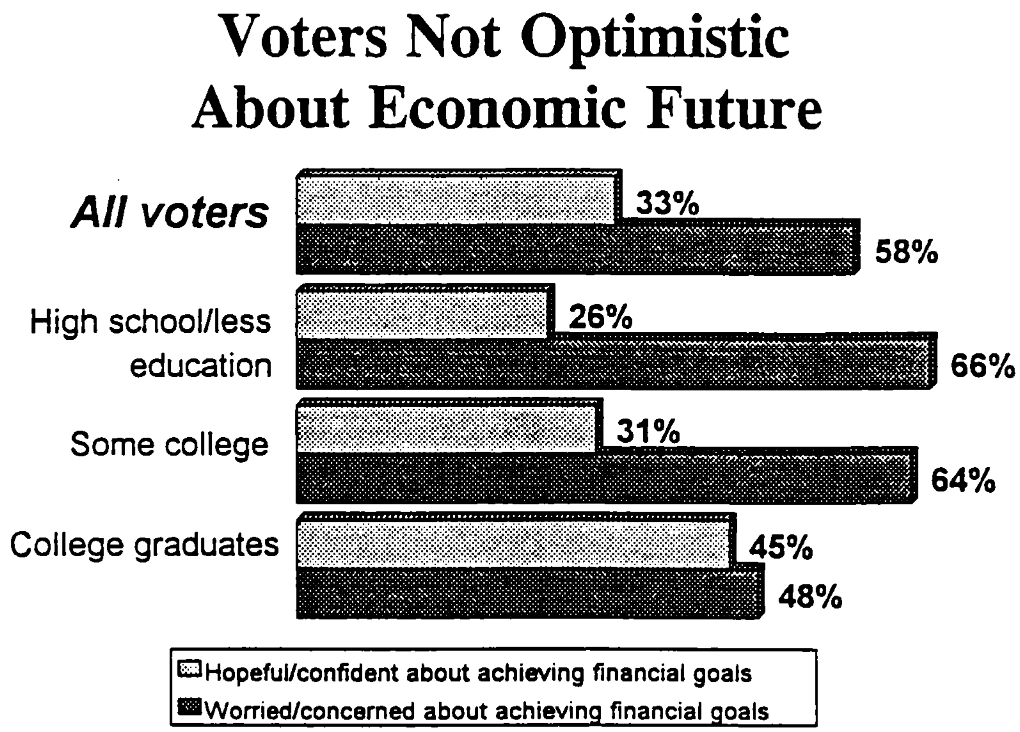
On another key measurement of economic satisfaction, half of all Americans say that their family's income is falling behind the cost of living, compared to just 11% who say their family's income is going up faster than the cost of living. In a telling result, a substantial 43% of those who describe these as "average" economic times also feel that their family is falling behind economically. A declining real income—or, at best, one that holds steady—now constitutes normal economic times in the minds of many Americans. Such a result would have been unimaginable a generation ago, and is testimony to working people's shrinking expectations.

Half See Their Income Falling Behind

Compared To Cost Of Living



For a substantial majority of Americans, the economic outlook for the future is marked primarily by doubt and trepidation. Overall, 58% of American adults say they are more worried and concerned about being able to achieve their economic and financial goals in the next five years, while only 33% say they are more hopeful and confident on this front. Degree of education has a strong impact on these feelings. Negative responses outnumber positive ones by a margin of better than two to one among working people who have not graduated from college, while there is an even balance of positive and negative responses among college graduates.

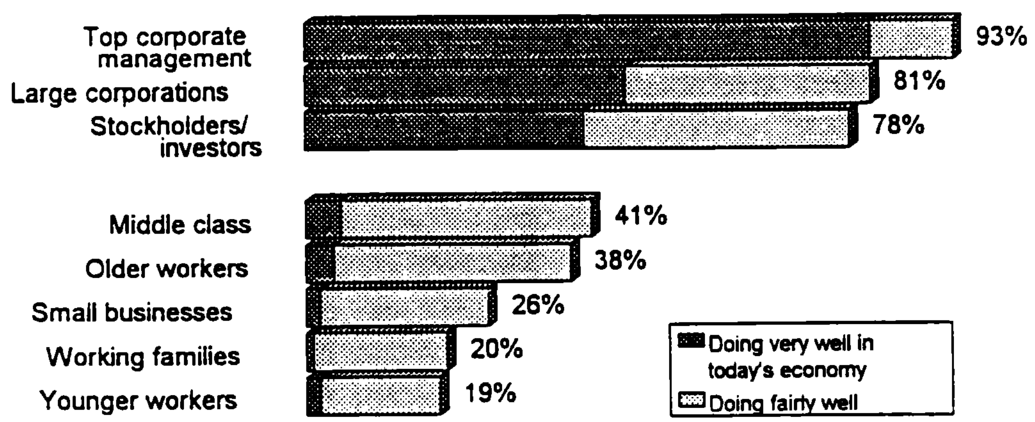


Americans draw dramatic distinctions among various groups when rating who is doing well in today's economy and who is not. The clear winners, in the public's view, are the top corporate managers and the large corporations they run: 93% say the top corporate managers are doing very or fairly well, and 81% say that large corporations are doing very or fairly well. The other group of winners in the current economy, in the estimation of 78% of the public, is "stockholders and investors."

Other groups, however, are much less likely to be seen as doing well. Less than half (41%) of the public offers a positive assessment of how the middle class is doing, while 42% say the middle class is just getting by and 13% think it is not doing well at all. Just 38% feel that older workers are doing very or fairly well today, and Americans are even more downbeat about the situation for younger workers who are just starting out (19% very or fairly well, 42% just getting by, 34% not doing well at all).

Who's Doing Well In Today's Economy?

Voters See Haves And Have-Nots



We shall see momentarily that Americans frequently see the country's economic problems through the prism of pressures on the family. In this context, we note that just one in five Americans feel that working families generally are doing well in today's economy; 61% say that working families are just getting by today, and 18% think they are not doing well at all.

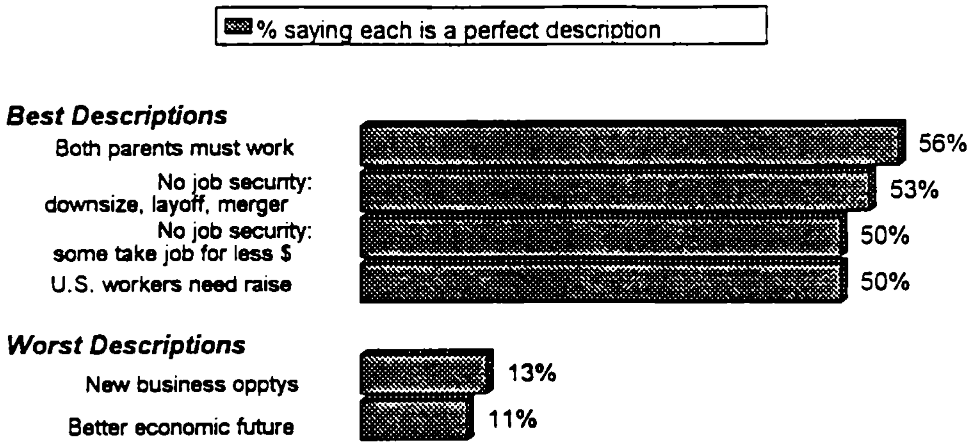
B. Top Concerns: Family Stress, Lack of Job Security, Wages Not Keeping Up

1. The Pressures on Families

Americans view the country's economic problems in terms of basic values, as well as in pocketbook terms—both in describing the symptoms and in diagnosing the causes. Indeed, Americans say by 45% to 31% that they are more concerned about moral problems and the decline of values today than about economic problems and the financial pressures on the average working family. But on this question, 22% of adults *volunteer* that both views are equally important, and the focus group discussions clearly show that Americans' concerns about values and their economic concerns are frequently two sides of the same coin.

The intimate connection between economics and values is readily apparent in the public's perception of the difficulties facing working families today. **In fact, when respondents are asked to rate the accuracy of 13 descriptions of the economy, the most widely endorsed portrayal of what's going on deals with the pressures on families.** Fully 56% of Americans overall, including 62% of all women, rate the statement, "many families are under tremendous stress, because both parents have to work in order to make ends meet," as a *perfect* description of the current economic scene (a rating of "10" on a ten-point scale).

Public's Assessment Of The Economy



Comments from focus group participants underline the problems parents face in raising families in today's economic circumstances.

> *"It is a two-family income. Both parents have to work to make ends meet these days, and you are out there, and it is a social issue, it is an economic issue, and it is hard."*
>
> Woman, Los Angeles

> *"Out of balance is true. It is hard to bring home a decent paycheck to have a family and spend enough time with your family."*
>
> Woman, St. Louis

> *"When you come home at seven or eight o'clock, you don't have quality time. And your children are left alone and raised by somebody else. I think that is a tremendous problem."*
>
> Woman, Los Angeles

> *"I seem burdened with a lot of debt. As I said, my wife would love to be home with the kids. She works, basically, because she has to work."*
>
> Man, Philadelphia

> *"It is very hard. You try to go and do a good job, and in my industry, it is high stress. And then you feel like a whirlwind ... I have two kids, two different day cares, and literally, a good portion of my income goes to making sure that they have proper day care, and then you go home and you do it all over."*
>
> Woman, St. Louis

When asked about different ways of improving the economic situation for people like themselves, 72% of adults say that "reducing stress on working families with policies like flexible hours and affordable day care" would be very effective. This is a particularly high priority among lower- and middle-income workers.

2. The Lack of Secure Jobs

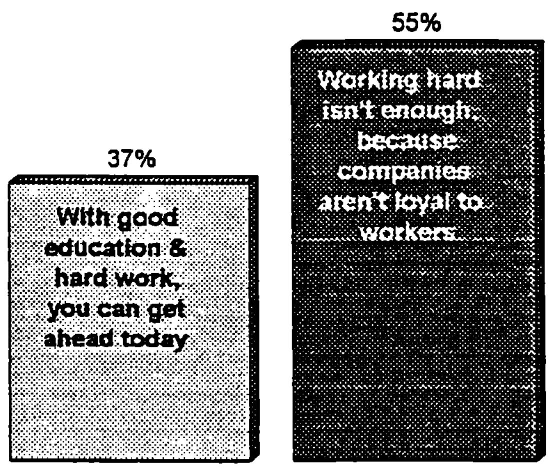
Increasingly, Americans are coming to the view that the rules of the game have changed in our economy in ways that leave few jobs secure, even for the most productive and hard-working employees. Two statements on this subject are given a high degree of credence by the public.

First, 53% believe it is *completely* accurate to say, "Nobody's job is secure today; downsizing, layoffs, and mergers can cost anyone their job, no matter how good a job they have done for their company." This statement is perceived to be true of the economy today by respondents across the range of occupational groups, and among Americans of all educational backgrounds.

Second, half of all adults say it is *perfectly* true that "nobody's job is secure today; no matter how good a job you do for your company, there is always someone else waiting to take your job for less pay." This view of the economy is particularly salient among lower-income workers and those with less educational attainment.

The issue of job insecurity has special power today, because Americans believe that it affects everyone—even people who have worked hard, played by the rules, and done a good job. When given a choice between two statements in this regard, just 37% of the public is inclined to believe that "if you get a good education and work hard today, you can really do well and get ahead." A majority of 55% agree, instead, with a more downbeat view: "working hard isn't enough anymore, because companies aren't loyal to their employees."

The Public And The American Dream



Sixty percent of women agree that working hard isn't enough to assure security anymore, while men take this side of the argument by 50% to 42%. Six in ten working people who have not graduated from college say that working hard isn't enough any more, but even among college graduates, four in nine share this point of view.

3. American Workers Need a Raise

We already have noted that half of all Americans say their family's income has failed to keep up with the cost of living. It should not be surprising, then, that there is widespread concurrence with the statement, "American workers need a raise," as an accurate description of today's economy. Fully half of all Americans rate this statement as being perfectly accurate (a "10" on a ten-point scale). People under age 35 and workers with a family income of under $35,000 give a higher rating to this statement than to any other description of the current economic situation, but the statement that "American workers need a raise" has currency across a wide variety of demographic and economic subgroups (including those who say they are more concerned about moral problems than about economic pressure).

In the focus group discussions, participants frequently use their inability to save and make ends meet as the best measuring rod of an economy that is not working for them.

> *"I consider myself to be middle income, but on that scale, what I consider to be middle income cannot buy a middle-income house. I cannot afford a middle-income automobile."*
>
> Man, Birmingham

"I'm making probably more money than I have ever made, but still, it's to the extent where most of the money is committed for the house, or this or that. It's not at a stage where you are making enough money to be starting to put things away."

Man, Philadelphia

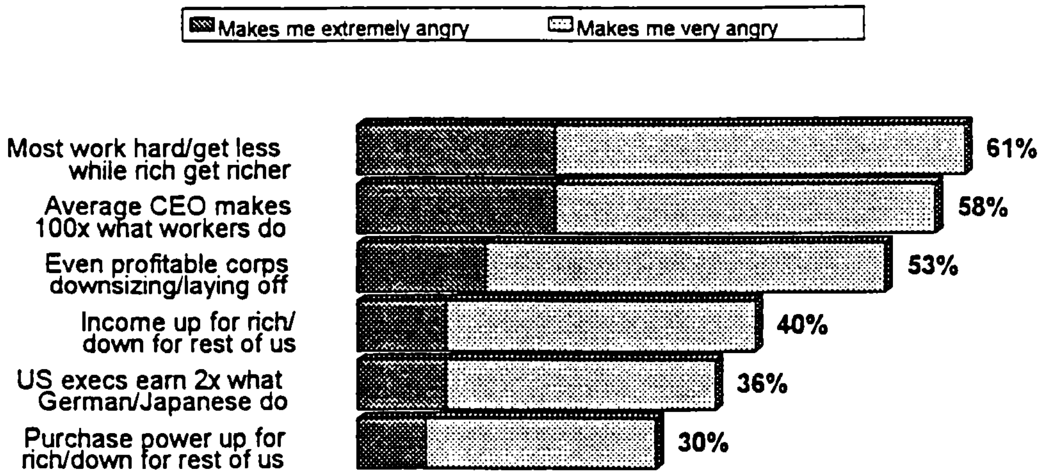
"I just wanted to say that sometimes it takes just one person's salary to pay the mortgage, and that is just to try to have a roof over your head to call your own ... A friend of mine went to buy a new car, and it was $21,700, and I said my loan was $21,000 to buy my house. I couldn't fathom $21,000 to buy a car. I am still driving a '64 El Camino."

Woman, Los Angeles

In more personal terms, the most frequent concern that Americans express about their own job is the unwillingness of their employers to raise wages, even in good times. When asked how well each of 13 positive attributes describes their own employer, American workers give their employers the lowest grades when it comes to, "raising wages when profits increase." Forty-two percent give their employers generally positive marks on this score, but 44% do not.

It probably goes without saying that Americans believe employers *should* raise wages when companies are doing well: three-quarters rate this as a very important thing for an employer to do.

What Makes Americans Most Angry?



It also is important to note that the growing disparity in incomes is what makes Americans *angriest* about the economy today. Sixty-one percent say they are very or extremely angry about a situation in which "most Americans are working harder and getting less for it, while the wealthiest Americans just keep getting richer and richer." Fifty-eight percent also express a very high level of anger in response to the fact that "30 years ago, the average CEO made 41 times as much as an average manufacturing worker; but today, the average CEO makes more than 100 times what the average worker makes." This anger flows not just from people's sense of being squeezed financially, but also because they believe the basic values of fairness are being violated in today's economy.

C. *The Causes of Our Economic Problems: Corporate Greed, Declining Values, Special Interest Government*

1. Corporate Greed

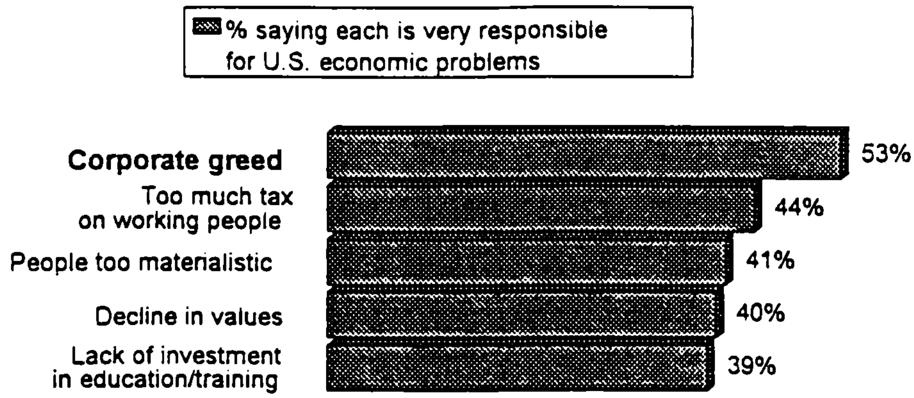
The prevailing view in some quarters is that the problems described in the preceding section are the inevitable and unavoidable consequence of a new global economy that puts a premium on competition and high skill levels. This, however, is **not** the view of most Americans.

Americans readily acknowledge the reality of economic change and the necessity of adjusting to it. Americans also believe, though, that in many cases our economy is responding to this change in the worst possible way, not the best. This is particularly true in the case of American corporations and their top management, who are widely seen by the public as taking unfair and selfish advantage of today's economic circumstances, to the detriment of everyone else.

Corporate greed is widely seen as a significant cause of the nation's economic problems. In fact, 70% rate "corporations have become too greedy" as being very (53%) or fairly (17%) responsible for America's current economic ills—**making it the most highly rated item of a dozen factors tested in our research.**

Where The Public Lays Blame

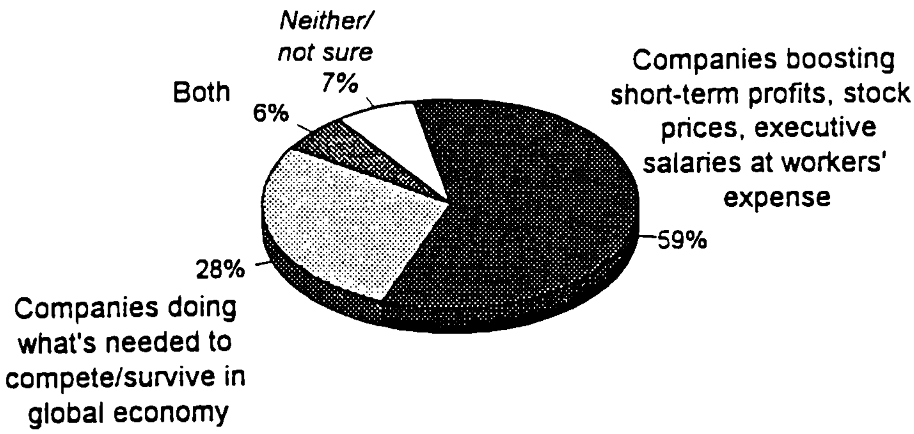
Top Five Of 12 Factors



** Only 27% say "excessive gov't regulation of business" is very responsible.*

Downsizing is broadly perceived by Americans as an expression and symbol of corporate greed, rather than as an exercise in economic necessity. When asked to say which reason is the better explanation when businesses eliminate jobs or downsize, just 28% of adults say that American corporations are doing what they need to to compete and survive in a global economy. More than twice that proportion (59%) say instead that when companies downsize, it is because they are choosing to boost short-term profits, stock prices, and executives' salaries at the expense of their employees.

Public's Take On Downsizing



This is the dominant view among virtually all elements of the public—Republicans as well as Democrats, college-educated people along with those who have not gone beyond high school. Even among people in managerial positions, a slight plurality say that businesses eliminate jobs to feather their own nest, not to compete in the global economy (44% to 40%).

The issue of downsizing and its connection with executive compensation is the subject of frequent comment in the focus group sessions.

> *"To give themselves [CEOs] a $30,000 raise, they're going to get rid of a $30,000 a year worker. Congratulations! There's your raise, everybody's unemployed, and everybody's happy.*
>
> Man, Birmingham

> *"It kills me when I see a CEO who makes ten million dollars a year and then blows out 100,000 workers."*
>
> Man, Philadelphia

"When you laid off people in the olden times ... it was because of a decrease in productivity. Now with the downsizing, they are laying off people and raising executive pay."

Man, Birmingham

Lest there be any doubt, Americans do not view layoffs by profitable companies in benign terms. More than half say that "even corporations with record profits and stock prices downsizing and laying off productive workers" makes them very or extremely angry about the current economic situation.

These attitudes have created something of a pendulum swing in Americans' relative sympathies toward labor and management. When asked which side they generally favor when they hear about a dispute between management and workers, Americans choose the workers' side by 54% to 13%. When asked about disputes between labor unions and management, Americans today side more with unions by a 20-point margin—up from just an eight-point margin at the end of 1993.

2. Declining Values

Many Americans believe that the nation's economic problems are the product of declining values in the country. This view is expressed sometimes in terms of an excessive materialism in our society: 61% rate "people having gotten too materialistic and expecting too much" as an important factor in explaining what has gone wrong with the economy.

Even more often, though, Americans focus on a decline in the basic values of **loyalty and fairness.** Two-thirds of all adults say that the erosion of these core values is very or fairly responsible for the economic problems facing the country. The weakening of loyalty as a characteristic of the American workplace is often described by focus group participants as a central feature of the unraveling of the rules in American economic life.

> *"Loyalty was one of the great standards of corporate America, and is no longer."*
>
> Man, Philadelphia

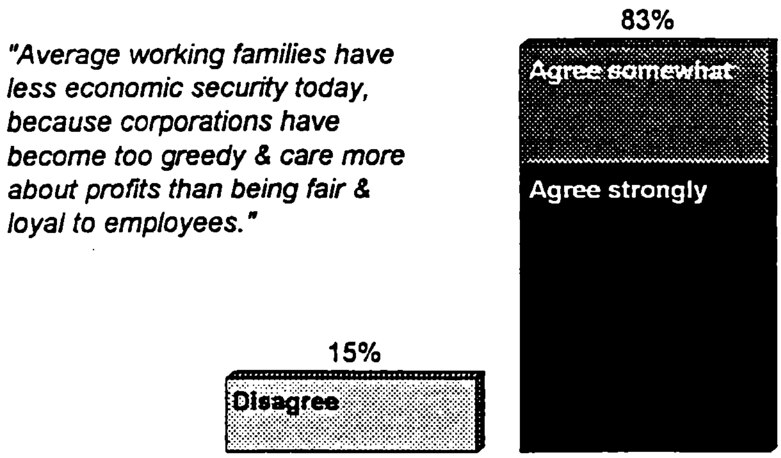
> *"Business used to take care of you, and you would take care of business ... Now the world's not like it used to be. It's going down."*
>
> Man, Birmingham

> *"It used to be that companies were more loyal to the employees than they are now. Now they just let you go."*
>
> Woman, St. Louis

> *"I just think that big business doesn't care about the little people anymore. They'd rather fill their pockets."*
>
> Man, Cleveland

An extraordinary 83% of all Americans agree with the statement that "average working families have less economic security today, because corporations have become too greedy and care more about profits than about being fair and loyal to their employees"—including 59% who **strongly** agree.

Voters' View Of Corporations



And in rating the importance of various changes for improving the economy, three-quarters of the public puts a high priority on "restoring the basic values of loyalty, respect, and responsibility to the workplace, so companies that do well share that success with their employees and don't abandon those whose hard work helped the company succeed."

Americans also place a very high premium on honoring the value of work and having policies that make sure that everyone who wants to work can get a job. This emphasis on the value of work is a key element in the deep support for raising the minimum wage among Americans who have no direct personal stake in the matter.

3. Special Interest Government

Only a minority of Americans have a favorable view of the federal government today. Overall, 25% express positive feelings toward the federal government, 28% are neutral, and a plurality of 45% feel negative toward the federal government.

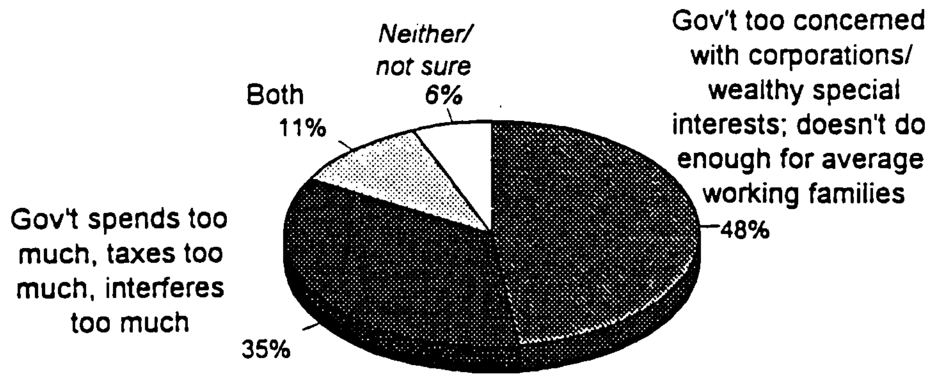
Many Americans believe that the government bears a large share of the blame for the country's economic problems—through sins of both commission and omission. Sixty-eight percent of all Americans rate "government taking too much in taxes from working people" as being very or fairly responsible for economic problems today. Additionally, 58% blame government for failing to invest sufficiently in education and training; among people under age 35, inadequate investment in education and training ranks along with corporate greed at the very top of their concerns about the economy.

While anxiety about the tax burden on working people is palpable and significant, Americans are less certain about the effectiveness of cutting taxes as a cure for our economic problems. In a recent NBC News/*Wall Street Journal* survey, 45% of voters said that enacting a general tax cut for individuals would be a very or fairly effective way to improve the economy—substantially fewer than the proportions who responded positively on this scale to "making sure that people can get health insurance when they change jobs or have a preexisting conditions" (70% very or fairly effective) or "encouraging companies to share more profits with employees" (62% very or fairly effective).

Indeed, spending and taxes are not the most important criticisms Americans have about the federal government. A different critique, related to the government's responsiveness to wealthy special interests at the expense of average working families, has far more power and credibility.

Respondents were read two criticisms of the federal government's economic policies and asked to say which one they consider to be the bigger problem with the government today. Thirty-five percent of adults give more weight to the criticism that "government spends too much, taxes too much, and interferes too much in things better left to individuals." A plurality of 48%, however, say that the bigger problem today is that "government is too concerned with what big corporations and the wealthy special interests want, and does not do enough to help average working people." While Republican voters are inclined to emphasize spending, taxes, and government interference as the key problems with government, independents—as well as Democrats—say that special interest dominance of government is the bigger problem.

Where Voters Fault Government



This is a view heard frequently in the focus group sessions.

"Well, you've got to realize this, even with our government, the wealthy run our government."

Man, Birmingham

"I am of the opinion that maybe the corporate lobbyists, or the back room politics, has a lot do with this type of thing [economic problems] happening. People with big money, they have the power to have lobbyists in Washington."

Man, Cleveland

"The corporations have the ear of Congress to change things over periods of time."

Man, Philadelphia

"It was the big businesses ... that made these contributions to these senators, and then sent their lobbyists and said pass this bill, so we can start getting cheap steel from China or Japan to make our cars, so we don't have to pay this labor over at U.S. Steel. So it gets back to money. That's why I don't really get into the government thing."

Man, Birmingham

Given these attitudes, it is easy to understand why Americans draw a clear connection between political reform and economic change. Indeed, 78% of all Americans say that a very effective way to improve the economic situation for people like them is to "take back control of our government, by adopting political reforms that make politicians accountable to working people, instead of to lobbyists for big business and the wealthy."

D. GOVERNMENT AND CORPORATE BEHAVIOR: THE ROLE OF LEADERSHIP

There is a division of opinion among Americans on the question of how much government can or should do about the problem of corporate greed and its impact on working families. This division is largely the product of the public's continuing skepticism toward government's ability to solve problems, but also reflects some concerns about the impact that government involvement could have on jobs in the private sector.

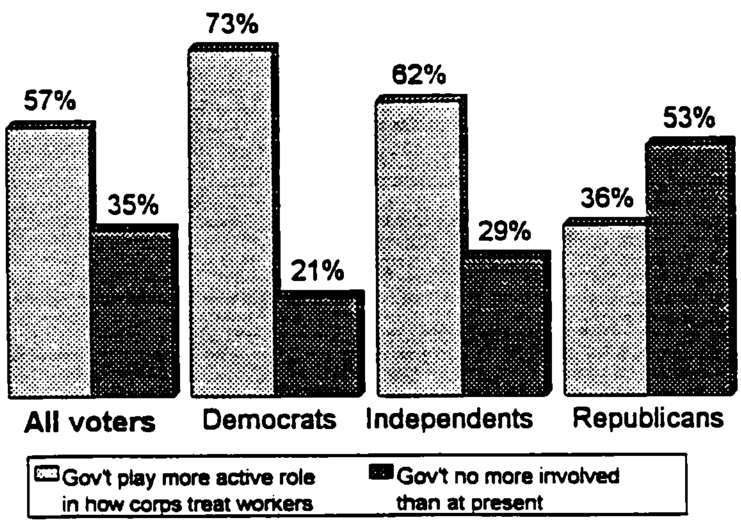
Nonetheless, there is a broad consensus in the country today about the importance of having national leaders speak out on the need for corporations to be fair and responsible in their treatment of their employees. In an electoral context, voters express a substantial preference for a candidate who favors a more active government role in holding corporations to a higher standard of responsibility over a candidate who believes the government should not get more involved in this area than it already is. And when we move from the abstract question of governmental involvement to the public's reaction to specific policy proposals, we find that there are a number of steps that are strongly favored by a majority of Americans.

As mentioned previously, 83% of the public agrees that "average working families have less economic security today, because corporations have become too greedy and care more about their profits than about being fair and loyal to their employees." When asked whether this is the kind of problem the federal government should do something about, however, 41% say yes, while 51% say this is not the kind of problem in which the government should get involved. It is worth noting that, in a follow-up question, as many Americans volunteer positive comments about government involvement in corporate behavior (41%) as volunteer negative comments (40%). The leading concern people express about government involvement is its possible effect on small business (this possibility represents nearly half of all the unfavorable comments).

But even as many Americans express doubts about how much government should do to deal with corporate greed and its consequences, **the plurality of Americans say that government today is doing too little to deal with this problem.** Overall, just 6% say the government is doing too much, 33% think the government is doing the right amount, and 45% feel the government is doing too little. The view that the government is doing too little is most prevalent among voters who have attended some college (56%), independent voters (54%), blue collar voters (54%), and voters under age 35 (50%).

Indeed, 80% of Americans believe that it is very (61%) or fairly (19%) important for national leaders, such as the president, to speak out publicly about the need for corporations to be fair and responsible in how they treat their employees. When given a choice between one candidate for national office who believes government should play a more active role in holding corporations to a higher standard of responsibility in the way they treat their employees, and another candidate who believes the government should not get more involved in this area than it already is, voters prefer the supporter of governmental action by 57% to 35%–with 46% *strongly* favoring the candidate who believes government should be more involved. Both Democrats (by 73% to 21%) and independent voters (by 62% to 29%) are more likely than average to side with the activist candidate, as are supporters of Ross Perot (by 65% to 29%).

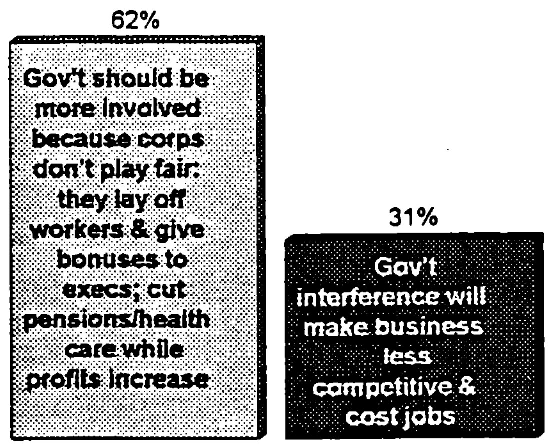
Voters Prefer Candidate Who Wants To Do More



When read an argument against governmental action (based on the assertion that government involvement would make business less competitive and cost jobs in the long run), with no countervailing positive argument, Americans divide evenly on whether government should pass new laws that hold corporations to a higher standard of responsibility in the way they treat their employees (44% say yes, 45% say no).

When given arguments on both sides of the question, however, the public overwhelmingly is more persuaded by the case for action. Here, 62% of Americans endorse the position that government needs to be more involved "because too many corporations have stopped playing by fair rules—they lay off productive workers while giving huge bonuses to the top executives, and they cut back on pensions and health care benefits, even when their profits and stock prices are increasing." Half that proportion (31%) endorse the opposite position that "corporations are doing what they need to to compete and survive in a rapidly changing global economy, and if government tries to interfere with free enterprise by telling corporations what they can and can't do, it will only make things worse by causing business to be less competitive and costing us jobs in the long run."

Support For Government Involvement



In the real world, the rubber meets the road when voters are confronted with specific policy proposals involving the relationship between corporations and their employees. In this context, the research identified seven governmental actions that large majorities of Americans say they would favor, and for which at least half of all voters express **strong** support.[1] These policies include:

- Strengthening the laws that require employers to give women equal opportunities and equal pay for equal work;
- Increasing the tax rate on corporations that repeatedly violate environmental and workplace safety standards;
- Requiring corporations with more than 50 employees to provide basic health insurance benefits;
- Requiring corporations with more than 50 employees to provide basic pension benefits;

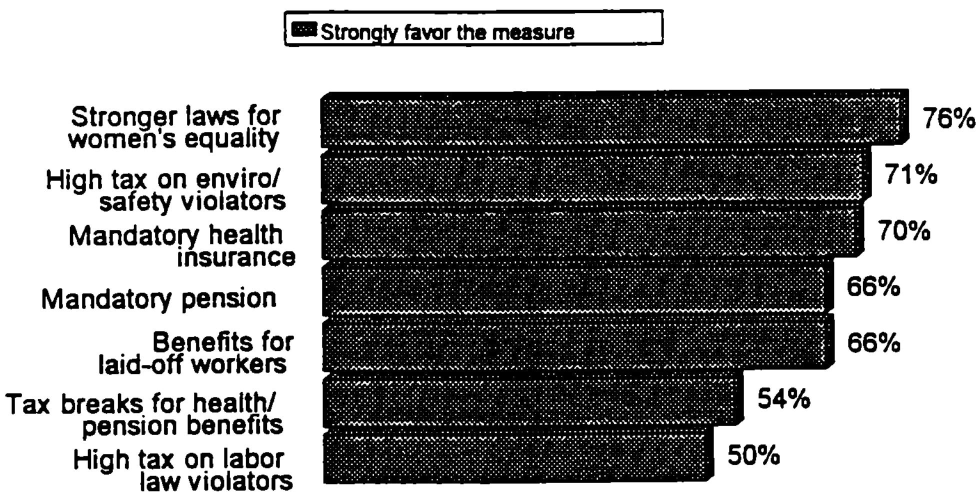
[1] Even when told of the opponents' assertion that these proposals "would cost jobs and involve too much government interference with business.

- Requiring profitable corporations to provide three months of health benefits and job placement assistance to laid-off employees if the company moves jobs overseas or lays off workers while giving large executive bonuses;

- Giving special tax benefits to corporations that provide health insurance and pension benefits to their employees; and

- Increasing the tax rate on corporations that repeatedly violate labor laws, such as laws that protect the rights of employees to form unions if they want to and to bargain collectively.

Best Ways To Promote Corporate Responsibility



For the first five of these items, 55% or more of Bob Dole's current supporters say these are measures that they would strongly support.

The message from the research is that Americans do not want government to micromanage corporate America or even to pick sides against corporations in the name of workers. Clearly, however, Americans believe that government should be involved in ensuring basic standards of fairness and making sure corporations play by fair rules. They also want leaders to use their bully pulpits to reassert the values of loyalty, fairness, and work.