An Equal Shot

A 'More With Less' America

Michael Maiello, 09.07.09, 12:00 AM ET

Happy Labor Day, hope you got the day off because chances are, you've really earned it. Productivity, the amount of output per hours worked is at a six-year high in America--it was up 6.6% in the second quarter and shows no signs of abating. It's the direct result of all the cost-cutting that brought the pleasant earnings news and helped fuel the summer's low-volume stock rally. Profits are up because companies have cut jobs, and for those who remain employed, wages have fallen.

Sometimes productivity comes from technology, and sometimes it comes from clever new management techniques that help people produce more and better products with less time and effort. This time it's the result of an ancient Viking management technique called "whipping the galley slaves." Step one, whip galley slaves. Step two, imply further whipping of galley slaves. Step three, boat goes faster.

The problem with the Viking method is that galley slaves eventually pass out or die and need to be replaced or the boat stops. The modern American manager has a more sinister technique: Fire some workers and give their work to whomever remains. The truly clever modern Viking will give the left-over worker a fancy new title so that the whole exchange seems like a promotion and hey, promotions usually come with added responsibilities, don't they? They also usually come with raises, but those are off the table as unemployment approaches 10%, and those with jobs rightly feel lucky to have them. "That Viking must think I'm very good at rowing," the contemporary oarsman thinks, "Why else would he dump four people into the frigid ocean while leaving me in charge of the whole side of the ship?"

There is some ebb and flow in this, of course, and economists tell us that when business picks up, workers will get their due. But it takes awhile and the hard-working American, the true hero of the financial crisis, has had to endure "jobless recoveries" after every recession since 1991. Managers know that American workers are adaptable, addicted to their jobs and quite willing to hang around off the clock or to even work from home.

Last week I spoke with Johan Norberg, a senior fellow at the CATO Institute and one of the sunniest of libertarian economic thinkers. He joked that the great tragedy of 2009 is that it's only the second most productive year in human civilization and that years before we had projected that it would be a record setter. The same is true for the U.S. gross domestic product--it will likely come in at $13.8 trillion in 2009, down from $14.3 trillion the year before. Declines are always bad, but $13.8 trillion is still a lot of output. The American worker should be proud.

But I don't see much pride this Labor Day. Rather than being praised for hard work, the typical American has taken it on the chin during this recession. First, the hardworking American has been blamed for our current troubles. They borrowed too much, bought too much, wanted too much and they continue to consume too much. We're now told that the great lesson of the financial crisis is that people should simplify their lives and sublimate their desires.

But nobody at the very top does that. A recent study by the Institute For Policy Studies revealed that in 2008 the top 20 recipients of bank bailout funds paid $3.2 billion to their top five executives. In Wall Street's worst post-Depression year, the average bailed-out bank CEO earned $13.2 million while the average S&P 500 CEO got $10 million. As bank stocks cratered, some execs like Vikram Pandit of Citigroup took $1 salaries, but most executives will make out well in the long-run, getting options with strikes at incredibly low prices. If they can stick it out, Ken Lewis at Bank of America and John Mack at Morgan Stanley could make vast fortunes because of the crisis.

Here's the dirty secret about unemployment: It's at 10% for the entire population, but it's at only 5% amongst the top 10% of our nation's workers by salary. The more you make, the less likely you are to be unemployed.

Just look at how bank workers suffered: 75,000 were laid off from Citigroup. JPMorgan Chase, favored by the government and allowed to expand its reach and power by acquiring Bear Stearns and Washington Mutual, laid off more than 15,000. Bank of America, the government's chosen partner for Merrill Lynch, cut 36,000 jobs. We gave them billions, and they gave us unemployment. The auto industry didn't do us a better turn. We bailed out General Motors and Chrysler to save jobs, but thousands of jobs were lost when the companies were reorganized, while the executives have been lavishly paid.

Our tax code favors investment over work. That's a simple fact, and even those who believe that dividend and capital-gains income should be taxed at a lower rate than wages will agree. Investment creates jobs, they say. But so does working. Besides, investment requires adequate capital, which lies in the hands of the very few. The United Nations says that as the decade started, 10% of the world's population controlled 85% of the world's assets. While most everyone can offer their labor to society, very few can offer meaningful assets, and the former should be treated as well by the government as those who have money to invest.

Finally, we should take this Labor Day to reflect on how we think and talk about America's labor force. We're too hard on our fellows. Global competition has brought down real wages in the economy. We no longer believe in a pension system that guarantees a well-funded retirement for a lifetime of work. We now think it's not a problem that retirees have to pick up temp jobs as Wal-Mart greeters. An amazing one-fifth of U.S. companies have suspended matching contributions to defined contribution retirement plans. Our future retirees are on their own and are doubly victimized by unfortunate market timing. The only way to make up for the massive losses of 2008 is to invest more as the markets recover. Without the employer match, workers are saving less at the worst possible time.

There is no doubt that on some fronts, American industry has lost ground to innovative and spirited competition from abroad, and because of that the last 30 years have been anxious. American workers have shouldered too much of the blame. Don't ever let anyone tell you that "Americans don't work as hard anymore." The numbers don't support it. We are, it turns out, a bit less productive per hour than French workers, but we make up for it by hanging around the office more. Wages haven't kept pace with inflation, and yet we reward the economy with ever more energy and productivity.

There are answers to this from all sides. But we haven't even started the conversation. It should be clear that America's workers deserve better and that the point of giving up so much of ourselves, our time and our lives to economic activity should be improving living standards, not just from generation to generation but year to year. American business can do better. American workers already do.

Michael Maiello is the editor of Markets and Intelligent Investing at Forbes. An Equal Shot, his weekly column, runs on Mondays.