Long Island Chapter

Labor and Employment Relations Association

Newsletter

SHAPING THE WORKPLACE OF THE *FUTURE*

bug

November 2006

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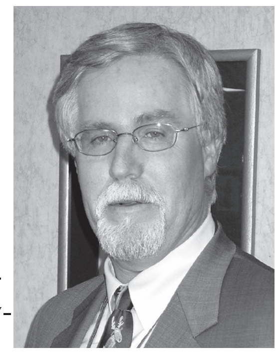
PRESIDENT'S PERSPECTIVE:



Peter Bee

Fall has fallen, and Winter is nearly upon us. Clocks have all been set back (allowing one extra hour to settle!), and hopefully we are now all focusing on the holiday season approaching.

At our September LERA meeting, turnout was unfortunately light. Those who attended, however, were treated to something a little different: NYS Senator Michael Balboni was the guest speaker. Senator Balboni gave us some insight into Homeland Security issues (as the Chair of the NYS Senate Committee on Homeland Security), and shared his views on "Workforce Housing" on Long Island. The informal setting allowed for extensive discussion amongst the LERA membership, and perhaps greater candor from an elected official sharing his views on several "hot topics" which arose during the discussion.

The September meeting also confirmed the LERA Nominating Committee for the 2007 Officers and Directors slate. (Yes, Dear Reader, my time as President draws to a close. I know I will be missed, but you'll be in good hands with Tom Lilly! I will still get to "kibbitz" from the sidelines.)

Finally, I reported at the September meeting that our L.I. Chapter is currently under consideration by the National for awards for Outstanding Programming, Member Innovation, Community Involvement, Chapter Excellence, Chapter Communications and Chapter National Relations. Not so bad.

Our December meeting will be at the Nassau County Bar Association on December 6, 2006. As usual, the Executive Board and Officers will convene at 4:30, the cocktails start at 5:30, and the Dinner and Program start at 6:30. You'll be out of there by 8pm, and home in time for the 9 o'clock movie of the week. On the down side, however, our esteemed Treasurer (Eugene Ginsberg) announced a $5.00 "across the board" increase in registration for the event as our former rates guaranteed a loss. (C'mon guys, you can spring for an extra five bucks!) The December meeting is traditionally festive, light on business and heavy on socializing. This is, after all, a Labor and Employment RELATIONS Association. So lets have some RELATIONSHIPS! See you December 6 at the Nassau Bar.

Upcoming Chapter Meetings

Please Add These To Your Calendar

Dec 6, 2006 Nassau Bar Assn Mineola

Mar 14, 2007 Pomodorino Hauppauge

June 14, 2007 Nassau County

Events Calendar

January 4-7, 2007 LERA Annual Meeting, Hilton Chicago, Chicago, Il. ***Conflict and Cooperation in Employment Relations.***

Held each year in conjunction with the Allied Social Sciences Association (ASSA), the 2007 LERA annual meeting promises something for all members. Online meeting registration, information on discounted hotel rooms, and updated program and meeting information and schedules will be mailed to all members and will be posted at the

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America Needs a More Balanced Economy

By Christian E. Weller

Recent data tell a conflicting economic story. Part of America is drowning in debt, while the another part is overflowing with cash. Middle-class families have experienced weak job growth, stagnant wages, and declining benefits. To make ends meet, they have amassed record amounts of debt. In contrast, corporations have been flush with cash due to sharp profit gains, which they have used for dividends and share repurchases. Firms have largely foregone productive investments in favor of these more speculative uses because it is impossible to sustain increased consumer demand in a debt-driven economy.

To create a more durable economy, public policy needs to reestablish the balance between labor and capital. This requires more and better jobs to finance consumption out of income instead of debt. This can be accomplished either by fostering redistribution through government taxes and spending or through regulatory approaches intended to make the private sector work better. In the current environment, the regulatory approach to rebalancing the economy appears to be more promising, but it should not happen at the expense of neglecting what are already weak social safety nets.

The Unsustainability of the Two Economies

Recent economic gains have not been shared with middle-class families. The current business expansion has the lowest average job creation since World Was II, with job growth at 0.03 percent from March 2001 through December 2005, about one-seventh the average from 1945 to 2001. Further, after adjusting for inflation, hourly earnings were only 1.2 percent greater in December 2005 than in March 2001; weekly earnings were just 0.2 percent greater. The share of employees with a pension declined from 50.3 percent in 2000 to 46.3 percent in 2004, while the share of Americans with employer-provided health insurance dropped from 65.6 percent to 59.8 percent.

To make ends meet, households have gone deeper into debt. By September 2005, household debt, mainly mortgages, totaled an unprecedented 121.2 percent of disposable income. In the third quarter of 2005, the share of income that the average household dedicates to servicing its debt grew to its highest level since 1980 (13.8 percent).

The money that did not go to workers found its way into profits and executive compensation. Nonfinancial firms were more profitable in late 2005 that an any time since 1980. Corporations used the majority of their profits to spread the wealth to shareholders, primarily through dividends and share repurchases. Corporate managers did not fare poorly, either. Between 2002 and 2004, CEO compensation increased from a high of 145 times the average worker's pay to an astronomical 240 times the average worker's pay.

Amid this divergence of economic fortunes, debt-fueled consumer spending has carried the economy's growth. Unfortunately, an economy cannot be driven indefinitely by household debt. At some point, even the cheapest credit will have to be repaid. Unless households see significant income gains, debt burdens will inevitably dampen their consumption and reduce economic growth.

Corporations are not oblivious to the fact that much of the economic expansion has depended on families going deeper into debt. It is likely one of the reasons companies are sitting on more cash than they had at any point in the previous twenty-five years – and why they have been reluctant to invest in new productive capacity. To boost investment, revenues, and ultimately profits and stock prices, families need to see stronger income gains.

Corporate Imbalances

Researchers have wrestled with the issue of why this recovery has been different from preceding ones. After all, its primary characteristic initially was continued job loss, despite renewed economic growth after 2001. There was the argument that the economy underwent a significant structural change in 2001 and subsequent years, but evidence does not support this claim. One sign of structural change would be a larger-than-usual increase in permanent layoffs and a smaller-than-usual change in temporary layoffs. Yet temporary layoffs had been trending downward for years, and the growth of permanent layoffs has not been particularly great. Other possible explanations for the divergence of growth and employment, such as trade

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Christian E. Weller is Senior Economist at the Center for American Progress

deficits and high health care costs, have certainly impeded some job creation, but these problems have not grown out of proportion to their long-run trend.

A better explanation for the diverging fortunes of labor and capital is the rise of institutional investors, the concentration of power in the hands of corporate managers, and the simultaneous decline in unionization rates. Following the abysmal stock-market performance of the 1960s and early 1970s, institutional investors altered the landscape of corporate governance. Most notably, they established a system of carrots and sticks for corporate managers. The carrots were performance-based compensation in the form of as stock options, stock grants, and dividend shares. The sticks were corporate takeovers, based on the theory that poor corporate performers have low stock prices and hence make good take-over targets. Presumably, underperforming corporate managers would lose their jobs after a hostile takeover.

The consequence of these carrots and sticks is that corporate managers had a strong incentive to use whatever means necessary to boost stock prices. Dividend payouts and buybacks of their own shares are direct ways to accomplish this goal. However, such strategies require substantial amounts of money, especially if stock prices are already high. These funds were generated through what can be described as runt-extracting activities: downsizing, outsourcing, and hollowing out (which includes offshoring production and licensing technologies to foreign companies), among others. They were augmented by a shift in corporate activities toward greater provision of financial services, even among traditional manufacturing firms, because profit rates tended to be higher for financial services than for other activities.

Corporate managers' quest for more capital to be used for dividend payouts and share repurchases put them directly at odds with workers, undermining employees' bargaining position and weakening compensation growth. In addition, the shift toward financial service activities meant a move away from sectors in the economy where unions were particularly strong and toward sectors where unions were less prevalent. Thus, the rise of new incentives for America's corporate managers was connected to the decline of organized labor, diminishing an important countervailing force to managers' pursuit of rent-extracting activities.

After 2001, corporate managers' quest for additional funds accelerated in the wake of corporate scandals and a massive stock-market crash. Financial investors in essence demanded a risk premium for what had become a much riskier investment environment. The flip side of this is the weak labor market of the past few years because economic gains were not shared more equitably.

Send your opinion to jerryarb@optonline.net.
We will print responses in future issues.

Reversing Course by Making the Private Sector Work Better

It is in the interest of all participants in the economy to better balance the distribution of economic gains among workers, managers, and shareholders. After all, if workers can no longer afford the products they are making, the system is eventually doomed to encounter a period of much lower growth, fewer profits, and diminished stock-market gains.

To address this problem, policymakers can embark on two paths. One relies more on government intervention, while the other focuses more on making the private sector work better for all the economy's stakeholders. These approaches are not mutually exclusive; they simply differ in emphasis.

Redistributive government interventions ensure that workers get a larger share of the economic pie by channeling money toward working families. Such policies include unemployment insurance, the Earned Income Tax Credit, and Medicaid, among others. One way to better balance the economy's economic gains is to increase reliance of such policies.

These are important and necessary government interventions, but they do not fully address the problem. They leave in place the allocation of corporate resources and the processes underlying them. Thus, the fundamental problem of unsustainability would likely be reduced but not eliminated. Further, expanding these safety nets would require additional tax revenues, most likely from corporate profits or high-income earners, which are unlikely to be enacted any time soon.

Instead, policymakers could consider ways to make the private sector work better, especially since this is where the problem was created in the first place. This approach would rely on government regulation, including rules that ensure easier access to shareholder meetings; improve transparency of corporate compensation; provide a higher minimum wage; and enhance protections associated with the right of employees to join a union. Workers could use their voice through such mechanisms to gain a more equitable share of economic gains without direct government intervention. Such regulatory improvements would not raid already strapped public coffers and thus not exacerbate a distributional fight over increasingly scarce public dollars.

Neither government interventions nor regulatory solutions alone will correct the corporate allocative processes. A combination of both will likely need to occur to put the United States economy on a more stable path. However, for the time being, regulatory approaches to improve the way the economy operates appear more promising.

ANNOUNCEMENTS, NOTICES

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LERA website in early September. Early bird registration fees are $75 and $35 for students and discounted hotel rooms have been arranged beginning at $95. Go to the LERA website to register.

April 13-14, 2007 ***Beyond the Protocol: The Future of Due Process in Workplace Dispute Resolution.*** **Sponsored by: National Academy of Arbitrators, Chicago-Kent College of Law**

The aim of the conference is to provide a forum for discussion of due process issues in the field of employment arbitration that will be helpful to neutrals, employers, advocates, appointing agencies, and the courts. It will include papers and panels on the questions of due process that have arisen since the adoption of the Due Process Protocol, the role of the courts, empirical research on due process in employment arbitration, and experience with the Protocol and due process by practitioners and appointing agencies.

June 14-15, 2007

LERA National Policy Forum, Hotel Washington, Washington D.C. ***Searching for the New American Dream***

The traditional American dream included a social contract that implied that all Americans could become a part of the middle class, that children had the opportunity to achieve more than their parents, by public policy that created the mechanism for the actualization of the dream. This national policy forum will examine how the old American dream has changed and explore what form the new dream might take.

OUR NEW WEBSITE

www.lilera.org

Our new website is up and running. With the technical assistance provided by Executive Board member Tom Wassel (and some help from his firm, Cullen and Dykman) the following things are available for your perusal:

- Benefits of joining our chapter
- Executive Officer Roster
- National LERA constitution
- Dates and locations of upcoming meetings
- A membership application
- The last three newsletters
- Links to LERA national and other websites

Please take a look and let us know if there are any suggestions that will make the site more useful to those that consult it.

If you have an announcement or notice of a job opening, the addition of a new associate or an event that you would like us to publish, please send an email with the info to: jerryarb@optonline.net.

The Long Island LERA Newsletter is a quarterly publication of the Long Island Chapter of the Labor and Employment Relations Association.

Notices of address change should be sent to Membership Chairman, Richard Roth at <richarbit@aol.com>.
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LONG ISLAND CHAPTER

LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

GENERAL MEMBERSHIP HOLIDAY MEETING
WEDNESDAY, DECEMBER 6, 2006

PLACE: **Nassau County Bar Association**
15th and West Streets
Mineola, New York
Tel:(516) 747-4070

DATE: **Wednesday, December 6, 2006**

TIME: **4:30 p.m., Executive Board Meeting**
5:30 p.m., Social Hour (open bar)
6:30 p.m., Dinner

please cut coupon and return with your payment

TO: EUGENE S. GINSBERG, 300 GARDEN CITY PLAZA, 5TH FLOOR,
GARDEN CITY, NEW YORK 11530
(516) 746-9307

RESERVATION FORM

Please register the following person(s) for the December 6th meeting. I understand that the fee for dinner for members is $40 if prepaid, and $45 at the door. For non-members the fee is $50. Dinner checks should be made payable to L.I. L.E.R.A.

Name:________________________________ Organization:____________________________
(please write additional names on back)
Address: ____

E-Mail Address: ____

Number of Persons: ________ Check Amount: ___________ Telephone: ____________________