

Filling the Bottom of the Hourglass:
Employment Restructuring in the Deregulated U.S. Economy

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In the longer view, the New Deal era of strong state economic and labor regulation in the United States may turn out to be an historical anomaly. Since the mid-1970s, growing deregulation and de-unionization have helped restore many features of the pre-New Deal order, including the widening inequality captured by the hourglass economy metaphor as well as the widespread resurgence of substandard pay and working conditions. In a variety of U.S. industries, real wages have stagnated or fallen, working conditions have deteriorated, employment has become increasingly precarious, access to employer-provided health insurance and pensions has become more restricted, and once-standard labor standards and workplace protections have been severely eroded.

Many commentators have focused on the role of technological change and/or economic globalization as key drivers of these transformations. This paper focuses instead on the impact of domestic economic and political developments, most importantly (a) the shifting power relations between employers and workers and (b) the rollback of state economic regulation. These factors are highlighted through evidence that wages and working conditions have deteriorated not only in manufacturing and other industries where globalization and outsourcing have unleashed a “race to the bottom,” but also in contexts like construction and trucking, where exposure to global economic competition is limited and where technological change has been modest.

In a wide variety of industries, whether they are mobile or place-based, employers have systematically restructured their operations since the 1970s so as to shift greater risk onto workers and to undermine both union- and state-based labor protections. Such changes in employer policies and practices, along with the rollback of state regulation, are key drivers of the deterioration in pay and working conditions U.S. workers have experienced over the past few decades. Public policies that seek to reverse these trends are therefore essential ingredients in any effort to reduce inequality in the 21st century United States.