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A Sin and a Shame

By BOB HERBERT

The treatment of workers by American corporations has been worse — far more treacherous — than most of the population realizes. There was no need for so many men and women to be forced out of their jobs in the downturn known as the great recession.

Many of those workers were cashiered for no reason other than outright greed by corporate managers. And that cruel, irresponsible, shortsighted policy has resulted in widespread human suffering and is doing great harm to the economy.

“I’ve never seen anything like this,” said Andrew Sum, an economics professor and director of the Center for Labor Market Studies at Northeastern University in Boston. “Not only did they throw all these people off the payrolls, they also cut back on the hours of the people who stayed on the job.”

As Professor Sum studied the data coming in from the recession, he realized that the carnage that occurred in the workplace was out of proportion to the economic hit that corporations were taking. While no one questions the severity of the downturn — the worst of the entire post-World War II period — the economic data show that workers to a great extent were shamefully exploited.

The recession officially started in December 2007. From the fourth quarter of 2007 to the fourth quarter of 2009, real aggregate output in the U.S., as measured by the gross domestic product, fell by about 2.5 percent. But employers cut their payrolls by 6 percent.

In many cases, bosses told panicked workers who were still on the job that they had to take pay cuts or cuts in hours, or both. And raises were out of the question. The staggering job losses and stagnant wages are central reasons why any real recovery has been so difficult.

“They threw out far more workers and hours than they lost output,” said Professor Sum. “Here’s what happened: At the end of the fourth quarter in 2008, you see corporate profits begin to really take off, and they grow by the time you get to the first quarter of 2010 by $572 billion. And over that same time period, wage and salary payments go down by $122 billion.”

That kind of disconnect, said Mr. Sum, had never been seen before in all the decades since World War II.

In short, the corporations are making out like bandits. Now they’re sitting on mountains of cash and they still are not interested in hiring to any significant degree, or strengthening workers’ paychecks.

Productivity tells the story. Increases in the productivity of American workers are supposed to go hand in hand with improvements in their standard of living. That’s how capitalism is supposed to work. That’s how the economic pie expands, and we’re all supposed to have a fair share of that expansion.

Corporations have now said the hell with that. Economists believe the nation may have emerged, technically, from the recession early in the summer of 2009. As Professor Sum writes in a new study for the labor market center, this period of economic recovery “has seen the most lopsided gains in corporate profits relative to real wages and salaries in our history.”

Worker productivity has increased dramatically, but the workers themselves have seen no gains from their increased production. It has all gone to corporate profits. This is unprecedented in the postwar years, and it is wrong.

Having taken everything for themselves, the corporations are so awash in cash they don't know what to do with it all. Citing a recent article from Bloomberg BusinessWeek, Professor Sum noted that in July cash at the nation's nonfinancial corporations stood at $1.84 trillion, a 27 percent increase over early 2007. Moody's has pointed out that as a percent of total company assets, cash has reached a level not seen in the past half-century.

Executives are delighted with this ill-gotten bonanza. Charles D. McLane Jr. is the chief financial officer of Alcoa, which recently experienced a turnaround in profits and a 22 percent increase in revenue. As The Times reported this week, Mr. McLane assured investors that his company was in no hurry to bring back 37,000 workers who were let go since 2008. The plan is to minimize rehires wherever possible, he said, adding, "We're not only holding head-count levels, but are also driving restructuring this quarter that will result in further reductions."

There can be no robust recovery as long as corporations are intent on keeping idle workers sidelined and squeezing the pay of those on the job.

It doesn't have to be this way. Germany and Japan, because of a combination of government and corporate policies, suffered far less worker dislocation in the recession than the U.S. Until we begin to value our workers, and understand the critical importance of employment to a thriving economy, we will continue to see our standards of living decline.