Was 1996 the Year Without Employees?

BY MARJORIE KELLY

End-of-year analyses act as though wages don't exist

Besides cheap champagne, my favorite end-of-year indulgence is reading the orgy of year-end wrap-up articles every publication runs. I skipped the champagne this year, but I confess I over-indulged in media.

For the first Sunday of the New Year, I went to Shinder's and bought seven newspapers. (Hi, my name is Marjorie, and I'm a readaholic.) I gulped down the *Arizona Republic*, the *Portland Oregonian*, and the *Des Moines Register*—plus the *Minneapolis Star-Tribune*, *St. Paul Pioneer Press*, and *New York Times*. As a chaser, I tossed down the *Wall Street Journal*'s Year-End Review, and for the road, *Fortune*'s Special Year-End Double Issue.

I was on a quest. How had wages done in 1996? Only the comatose could have missed news of the Dow Jones Industrial Average, roaring past an unprecedented 5000 to top out at an unbelievable 6500. It was up 26 percent, following a gain of 33 percent in 1995—two champagne years in a row. For investors.

What about employees? I hadn't heard much, and thought surely the year-end issues would say.

I skimmed the business sections of the *Times*, the *Star Tribune*, and the *Register*. Nothing on wages. The *Arizona Republic* said most people believe children born this year will be worse off than their parents—which is about wages, I suppose, in an oblique sort of way. In *Fortune*'s gargantuan 260 pages, only one feature focused on employees at all, noting that company-funded pensions are "fading out." Nothing on wages.

Turning to the *Journal*, I read through 40 pages about mergers, IPOs, bonds, blah blah blah—and came away knowing more about investors in Venezuela than employees here at home. They were invisible. It's as though employees aren't part of corporations, but inhabit some other sphere. Some place farther away than Venezuela.

The Jan. 1, 1997, *Star-Tribune* reported a Wilson Learning Corp. finding: 80 percent of employees today are "inactive"—"just doing their jobs and unwilling to expend their energy." (Wonder why?) But on wages, mum was the word.

The *Pioneer Press* asked, "Why don't companies boost wages?" but offered useless data: a percent increase from 1989 to 1995, but nothing on 1996, and no dollar figures. That's like saying the Dow's gone up an average of 14.2 percent annually over 15 years (which it has)—but failing to mention how it did in 1996, or how specific company stocks performed.

If someone from Pluto dropped in and read all this, they might suppose investors *are* the corporation. You know, call up IBM and investors answer the phone. There's an unquestioned premise that investors alone create wealth—although no one explains how they do this without setting foot inside companies.

But back to my quest. How did employees do in 1996? Did no one know?

I called the New York economic think tank, the Twentieth Century Fund, but they didn't know. They said try Edward Wolff, professor of economics at New York University, who's authored studies on wealth inequality. He didn't know. I tried another progressive economist, Robert Kuttner, who sent me to the Economic Policy Institute in Washington. Where my quest finally ended.

I collapsed breathlessly upon a very small piece of out-of-date, worthless data. If you can stay awake, listen to this. The best figure, labor economist Jared Bernstein told me, was median weekly earnings for full-time workers over age 25. For third quarter 1996 (the latest available), it was $520. That was down slightly from $528 and $527 in the third quarters of two prior years. In a word: stagnant. While profits for U.S. companies climbed 11 percent in both 1995 and 1996.

Managers' pay might have been soaring, while regular Joe pay was falling—but you'd never know it from this aggregate data. In fact, you can't tell much at all from this data.

For example, what about wages by company? I asked Bernstein about this. General Electric investors had a banner year in 1996. Did employees share the gains—or fuel them with wage cuts? "You can't easily get that," Bernstein told me, and paused. "In fact, you can't get that." It turns out that companies do file payroll data with the federal government, but it's considered confidential. (Hmmm...)

Let the market set wages, business people love to say. But don't markets function on information? Imagine if stock price data was as hidden as wage data—so every investor had to make four calls to dig out three-month-old aggregate data (i.e., junk), while the data on specific stocks remained confidential. In that world, buying stock would be a lot like getting a job offer. The company would bring you into a room and name a price, without telling you what others are paying, or how much the stock cost last year. You get to make your decision totally in the dark.

Would we still have "perfect markets"? Or would we have a situation where one group could take advantage of another? You tell me.

SAYS WHO?

Number of "inactive" employees— just doing their job but unwilling to expend their energy:

80%

Wilson Learning Corp. study, 1996