

As Income Gap Widens, Uncertainty Spreads

More U.S. Families Struggle to Stay on Track

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Scott Clark knows how to plate a circuit board for a submarine. He knows which chemicals, when mixed, will keep a cell phone ringing and which will explode. He knows how to make his little piece of a factory churn hour after hour, day after day.

But right now, as his van hurtles toward the misty silhouette of the Blue Ridge Mountains, the woods rising darkly on either side and Richmond receding behind him, all he needs to know is how to stay awake and avoid the deer.

So he guides his van along the center of the highway, one set of wheels in the right lane and the other in the left. "Gives me a chance if a deer runs in from either direction," he explains. "And at night, this is my road."

It's his road because, at 3:43 a.m. on a Wednesday, no one else wants it. Clark is nearly two hours into a workday that won't end for another 13, delivering interoffice mail around the state for four companies -- none of which offers him health care, vacation, a pension or even a promise that today's job will be there tomorrow. His meticulously laid plans to retire by his mid-fifties are dead. At 51, he's left with only a vague hope of getting off the road sometime in the next 20 years.

Until three years ago, Clark lived a fairly typical American life -- high school, marriage, house in the suburbs, three kids and steady work at the local circuit-board factory for a quarter-century. Then in 2001 the plant closed, taking his \$17-an-hour job with it, and Clark found himself among a segment of workers who have learned the middle of the road is more dangerous than it used to be. If they want to keep their piece of the American dream, they're going to have to improvise.

Figuring out what the future holds for workers in his predicament -- and those who are about to be -- is key to understanding a historic shift in the U.S. workforce, a shift that has been changing the rules for a crucial part of the middle class.

This transformation is no longer just about factory workers, whose ranks have declined by 5 million in the past 25 years as manufacturing moved to countries with cheaper labor. All kinds of jobs that pay in the middle range -- Clark's \$17 an hour, or about \$35,000 a year, was smack in the center -- are vanishing, including computer-code crunchers, produce managers, call-center operators, travel agents and office clerks.

The jobs have had one thing in common: For people with a high school diploma and perhaps a bit of college, they can be a ticket to a modest home, health insurance, decent retirement and

maybe some savings for the kids' tuition. Such jobs were a big reason America's middle class flourished in the second half of the 20th century.

Now what those jobs share is vulnerability. The people who fill them have become replaceable by machines, workers overseas or temporary employees at home who lack benefits. And when they are replaced, many don't know where to turn.

"We don't know what the next big thing will be. When the manufacturing jobs were going away, we could tell people to look for tech jobs. But now the tech jobs are moving away, too," said Lori G. Kletzer, an economics professor at the University of California at Santa Cruz. "What's the comparative advantage that America retains? We don't have the answer to that. It gives us a very insecure feeling."

The government doesn't specifically track how many jobs like Clark's have gone away. But other statistics more than hint at the scope of the change. For example, there are now about as many temporary, on-call or contract workers in the United States as there are members of labor unions. Another sign: Of the 2.7 million jobs lost during and after the recession in 2001, the vast majority have been restructured out of existence, according to a study by the Federal Reserve Bank of New York.

Each layoff or shutdown has its own immediate cause, but nearly all ultimately can be traced to two powerful forces that reinforce each other: global competition and rapid advances in technology.

Economists and politicians -- including the presidential candidates -- are locked in a vigorous debate about the job losses. Is this just another rocky stretch of the U.S. economy that, if left alone, will foster new industries generating millions of as-yet-unimagined jobs, as it has during other times of upheaval? Or is the workforce hollowing out permanently, with those in the middle forced to slide down to low-paying jobs without benefits if they can't get the education, credentials and experience to climb up to the high-paying professions?

Over the next several months, The Washington Post, in an occasional series of articles, will explore the vast changes facing middle-income workers and the consequences for businesses and society.

Some of the consequences are already evident: The ranks of the uninsured, the bankrupt and the long-term unemployed have all crept up the income scale, proving those problems aren't limited to the poor. Meanwhile, income inequality has grown. In 2001, the top 20 percent of households for the first time raked in more than half of all income, while the share earned by those in the middle was the lowest in nearly 50 years.

Within the middle class, there has been a widening divide between those in its upper reaches whose jobs provide the trappings of the good life, and those in the lower rungs whose economic fortunes are less secure.

The growing income gap corresponds to a long-term restructuring of the workforce that has carved out jobs from the center. In 1969, two categories of jobs -- blue-collar and administrative support -- together accounted for 56 percent of U.S. workers, according to an analysis by economists Frank Levy of MIT and Richard J. Murnane of Harvard. Thirty years later the share was just 39 percent.

Jobs at the low and high ends have replaced those in the middle -- the ranks of janitors and fast-food workers have expanded, but so have those of lawyers and doctors. The problem is, jobs at the low end don't support a middle-class life. And many at the high end require special skills and advanced degrees. "However you define the middle class, it's a lot harder now for high school graduates to be in it," Levy said.

College graduates aren't immune, either. In places like Richmond, the overall health of the economy masks layoffs that have snared not only blue-collar workers like Clark, but also thousands of office workers at companies like credit card giant Capital One Financial Corp. and high-tech retailer Circuit City Stores Inc. Those cutbacks have educated even those with bachelor's degrees in the new ways of a volatile economy.

A University of California at Berkeley study last year found that as many as 14 million jobs are vulnerable to being sent overseas. Many economists, though, say offshoring is more opportunity than threat because it allows companies to make and sell goods for less, and offer even better jobs than those that are lost. "Offshoring can't explain job loss. It can only explain job switch," said David R. Henderson, a Hoover Institution economist.

Henderson says the middle class is thriving, and by many measures, he's right. As a group they're earning more money than they have before, and their ranks have swollen with members who can afford the DVDs, SUVs and MP3s now seen by many families as part of the essential backdrop to modern life. Whereas Census numbers show the median household earned \$33,338 in 1967 when adjusted for inflation, that number was up by \$10,000 in 2003.

But when compared with those at the top, the middle has lost much ground. And many in the middle have dropped well behind their peers.

The gaps are likely to widen, according to Robert H. Frank, a Cornell economist. He said that as more people worldwide become available to do routine work for less money and as computers take on increasingly complex functions, the demand for those Americans whose skills are easily duplicated could drop. "The new equilibrium," Frank said, "may be a little meaner and more unpleasant than it was before."

Believing in Ma Bell

In the Washington area, the federal government and its contractors have cushioned the impact of the change in the workforce. But you don't have to travel far for evidence of the shift: Just two hours south on I-95, to Richmond.

From a distance, like many parts of the United States, Richmond looks like a place where the middle class should thrive. As its economy evolved over the past century from agriculture to manufacturing to services and, finally, to technology, it hung on to some aspects of each phase. That diversity keeps the jobless rate below the national average. Paychecks for professionals are growing. Major corporations such as Philip Morris USA are adding staff. A biotech park has taken root in downtown. Two new malls recently opened in the suburbs.

And yet, for some who lack the right skills to match employers' demands, Richmond has less to offer than it used to.

"I think we're tending not to see any growth in the middle," said Michael Pratt, a Virginia Commonwealth University economics professor, "but I don't know anywhere in America where you are."

It wasn't always that way.

When Fred Agostino moved to suburban Richmond to head the Henrico County Economic Development Authority in the mid-1980s, employers wanted semi-skilled workers they could train for half a day and hire for life at a decent wage with benefits. Now companies looking to relocate to Richmond just want to know what percentage of the local population has a PhD. "They have to have educated, skilled, world-class people," Agostino said.

Meanwhile, the lifetime jobs were cut short.

The Viasystems Inc. circuit board factory was once known as "Richmond Works," and it provided good pay for people who didn't get past high school -- like Scott Clark. He was also among the 2,350 people who lost their jobs in 2001, when the plant shut for good.

Today Clark is a driver-for-hire, willing to work virtually any schedule, and drive any route for less than anyone else. His old factory job was outsourced to workers in China, Canada or Mexico. But now he benefits from outsourcing, doing work that once might have been someone else's full-time job with benefits. A former proud union man, he has become part of the steady exodus from the labor movement, which now represents just under 13 percent of the workforce. Instead, he's part of another nearly 13 percent of the workforce that has grown, not shrunk -- those who do jobs that are temporary, contract or on-call.

At least the work's not going anywhere. A real person in America, he reasons, has to drive American roads to get things from one place to another. There's security in that.

Clark used to feel the same security about work at the factory. When he started there in the mid-1970s, it was a new Western Electric plant, part of the Ma Bell family. When managers called him for an interview and he got the job, he could hardly believe it: "I said, 'It's funny you called me. My girlfriend's got college, and you ain't called her.' They said, 'What kind of college?' I said, 'She's taking biology and chemistry and all that stuff.' Before I got home, they called her and I had to turn around and bring her back up."

His girlfriend, Kathy, dropped out of school immediately. They started work the same day in 1976, making less than \$10 an hour between them. Marriage followed.

Clark, a big, profane man, makes his way through Virginia yelling at other drivers, yelling at talk radio, and, occasionally, singing along to a sweet, sad bluegrass tune.

He doesn't have much patience for politicians. When Sen. John F. Kerry (Mass.), the Democratic presidential nominee, comes on the radio to talk about the economy, proclaiming, "I believe in building up our great middle class," Clark sneers, "Yeah, right." When President Bush's voice echoes through the cab a little later, Clark dubs him "a liar."

Clark has few nice things to say about corporations, either, but he concedes that the factory -- for most of his years there -- was run pretty well. He enjoyed the work, putting copper plating on circuit boards that would power phones, computers and even a few submarines for the Navy. Working in the chemical division was a dirty job. But because it was dirty, managers stayed away. Amidst the fumes, working long into the night on the second shift, the workers forged deep friendships. Clark and three buddies played the lottery religiously, with a vow that if one hit the jackpot, they would split the winnings and all retire on the spot.

"It was a real close-knit group of people," said Kathy Clark, who also worked the second shift for years. "We grew up there. We had our families there."

'You Could Work for Nothing'

But in 1996, the plant was sold by Lucent Technologies Inc., which had inherited it from AT&T Corp. Although the union made a bid, the victor was a start-up called Viasystems.

Many of the workers, Scott Clark included, had a feeling Viasystems was not invested in the plant for the long term. The reality was hard to ignore: By 2001, few companies still made circuit boards in the United States. They could earn a bigger profit producing them where business costs were lower, and where the workers would not demand overtime or sick leave. Scott Clark was not surprised on the day Viasystems announced the factory would shut down.

"They point-blank told us. . . . 'You could work for nothing and we would still close this plant,' " Kathy Clark said.

On the plant's final day, the workers were told to throw their ID passes and beepers into a box in the auditorium. Scott Clark wouldn't do it. Instead he broke into a meeting of managers, and placed his pass on the table. "When I walked into this plant, they handed me that pass," he told them. "They were proud to give it to me, and I was proud to take it." Now he was giving it back. He turned, and left the plant for the last time.

A handful of employees stayed behind to remove the machines so they could either be shipped overseas or sold for scrap. In the end, Richmond Works was just a shell. The building still sits vacant off the side of Interstate 64 just outside Richmond, a 700,000-square-foot tan tombstone in a weedy field.

Kathy Clark was unemployed for a year after the plant closed. Scott Clark lost time to training as he began his second career on the road. With their savings all but evaporated, the Clarks have spent the past two years starting over.

Working 15-hour days, Scott Clark has been pulling in good money. He won't say exactly how much for fear that competitors will undercut him, but in the Richmond area, he said, a courier can make \$800 a week for doing routes less time-consuming than his. That's more than his base pay at the factory, though his new job lacks any benefits and he has to pay for the van and the gas. Kathy Clark, meanwhile, got a full-time job this summer after two years of temp work. But they still have a lot of ground to make up. Had the plant stayed open, they would have been ready for retirement in just a few more years. Now, "I feel like I'm 18 years old again," said Kathy Clark, as she sat in a rocking chair in her living room, strands of light gray overtaking the dark brown of her short hair.

The Clarks know they have it better than many of their friends from the plant. They have frequent, impromptu reunions at Wal-Mart, where the talk inevitably turns to who has found work and who hasn't.

Raffael Toskes Sr. has, but only for \$11 an hour. He rides around each day in an armored car, a gun strapped to his side. "I consider myself a middle-class person," said Toskes, who made \$17 an hour at the plant. "But right now, I'm probably a lower-middle-class person."

Lawrence Provo has given up on trying to find a job. He was out of work for nearly two years after the plant closed. "That was probably the worst time in the world to become unemployed. Everybody was downsizing. Everybody was laying off," he said.

Provo and his wife cut back on expenses and sold their car, furniture and jewelry. They even sold their home, and moved in with Provo's mother-in-law. But it was not enough. They had come to rely on his factory wage, and now their debts spiraled into the tens of thousands. They declared bankruptcy, joining a record 1.6 million who filed last year.

Provo finally got a job through a temp agency for \$8.50 an hour, less than \$18,000 a year and a little more than a third of his pay at Viasystems. He was just getting his life back together when, in November last year, his heart failed him. "My doctor told me, 'You've got a choice: You can work or you can live,' " he said.

Robert Boyer retrained in computers after the plant closed. But tech companies told him they wanted five years' experience, not a certificate from a six-month course. So he works for \$11.50 an hour at Home Depot, using the wisdom of four decades as plant electrician to help customers pick light bulbs for their remodeled kitchens.

Boyer turns angry at any suggestion that the jobs picture is not that bad. "When these guys get on the boob tube and say there's jobs out there, you just gotta go out there and get them, it makes me want to go out there and grab them by the throat and say, 'Where? Where are the jobs at?' "

Slipping Away at Circuit City

Ask Richmond's leaders, and they'll say the jobs are in infotech, biotech, nanotech and other kinds of tech yet to be conceived. "People have the impression that Richmond is a good-old-boy town. And we do have some old money here. But that money is going to build the new economy," said Robert J. Stolle, executive director of the Greater Richmond Technology Council. "Tech is the backbone of the Richmond economy."

One home-grown company seems to capture in its name Richmond's most deeply held ambitions: Circuit City. Born in 1949 to sell television sets to the masses, its existence attests to the enduring strength of the middle class. And all those sales of computers and video games have created a lot of jobs. With a local staff of 3,072, the chain is one of the Richmond area's largest employers.

But the work has a tendency to disappear. In the eight years after he moved to Richmond to take an offer at Circuit City, Chuck Moore lost his job in that company three times, proving that a white collar and a college degree are no protection from the forces that have shifted the ground under blue-collar workers like Clark.

At 35, Moore spent the first nine months of 2004 desperate for a job as he watched his grip on the middle class slipping away. His story complicates the idea that to be comfortable in America today, all you need is a little more education.

Moore's roots are solidly blue-collar: His father worked as an electrician for the same company for 40 years. His stepfather drove a truck. His brother went to work at the Georgia Pacific plant. His mother still manages the local Shoney's. No one in his family had ever graduated from college.

For nine years after his high school graduation, he and his wife, Terry, worked full time to pay for Chuck to complete his degree at the Savannah College of Art and Design. With a knack for electronics and an artistic eye, he wanted to animate movies or video games. "I thought that walking out that door with that degree in my hand, I wouldn't have to look. I would have people coming to me," Moore said.

But while Moore was in school -- designing animation by day, manning a hotel desk by night -- the technology had continued to improve and so had employers' capacity to hire artists anywhere on earth. A bachelor's degree might have been enough before; now you needed a master's or even a doctorate.

Moore started looking for computer jobs instead. He and Terry both had luck at Circuit City.

Moore's first job disappeared when the company closed a tech support center and began moving its call center operations to India. His second job -- designing ads for the recruitment division -- evaporated when the tech bubble burst. His last job there ended in January when the database he built to manage marketing projects worked so well that the company no longer needed the help of a human.

Until this past weekend, his job search had gone like this: 320 résumés sent out, six calls back. Three interviews. No offers. At first, he had put his old salary on his résumé: \$40,000. Later he switched to, "negotiable."

"I've already been willing to go down 10 [thousand dollars]. And if it goes much longer, I might have to go down 15. For a guy with a bachelor's degree to take \$25,000, I might as well be working at McDonald's," Moore said in August. "There's something not right about that."

Yet on Saturday, when an animal hospital offered him work as a veterinary assistant -- for half what he had been making in his old job and no benefits -- he accepted immediately. He starts today, cleaning out kennels and, he hopes, learning how to use the X-ray machines or work in the lab so he can add to his repertoire of skills.

Moore has thought of going back for his master's degree. But that's hardly an option when he has a 3-year-old son, not to mention a mortgage and student loans.

Instead, to help make ends meet, he's been teaching computer basics at J. Sargeant Reynolds Community College, where his students can identify with their teacher's plight. One is a 20-year Army veteran who found that the best he could do without college was become a salesman at Lowe's, the home-improvement store. He was taking Moore's class so he could go to a four-year college in the fall.

"The job market for people like me is not that good," said the man, Albert DiCicco. "Maybe it is for people with bachelor's degrees."

Lately, DiCicco's predicament has been on the mind of Federal Reserve Chairman Alan Greenspan.

In June, Greenspan warned that a shortage of highly skilled workers and a surplus of those with fewer skills has meant wages for the lower half of the income scale have remained stagnant, while the top quarter of earners sprints away. Greenspan said the skills mismatch "can and must be addressed, because I think that it's creating an increasing concentration of incomes in this country and, for a democratic society, that is not a very desirable thing to allow to happen."

But it already has happened. The gap between the wages of a 30-year-old male high school graduate and a 30-year-old male college graduate was 17 percent as of 1979, according to analysis by Harvard's Murnane and MIT's Levy in their book, "The New Division of Labor." Now it tops 50 percent, with an even larger differential for women. Real wages for both high school graduates and high school dropouts have actually fallen since the 1970s. Meanwhile, wages for college graduates -- who make up only about a quarter of the adult population -- have soared upward.

The trend seems poised to continue. The list of the 30 jobs the Labor Department predicts will grow the most through 2012 includes high-paying positions such as postsecondary teachers, software engineers and management analysts. But nearly all require a college degree. There are

also plenty of jobs that demand no college -- including retail sales and security guard -- but they pay a low wage.

And yet, as Moore's situation shows, a college diploma offers a porous shield when demand for a certain skill evaporates. College graduates have, in recent years, become an increasingly large percentage of the long-term unemployed. When they find new work, their salary cuts have been especially deep.

The optimists among economists -- and there are many -- point to trends that could help mitigate the pain of job losses and lead to future growth. One is the coming mass retirement of baby boomers, which could leave plenty of openings for those trying to break into the workforce. Economists tend to believe, too, that trade and technology will ultimately create new efficiencies that produce far more jobs than they destroy and leave everyone, on average, better off.

A Tough Climb

Scott Clark isn't sure if he will emerge better off. Spending day and night in the cab of a van was not exactly how he planned to live out his fifties and sixties, but he'll get by. He's even managed to save enough money to begin cutting his hours from 15 down to 11.

It's the end of the day now and as Clark battles the Richmond evening rush hour, his thoughts are turning to home. He's already fulfilled his part of the American dream, doing better than his parents did. "Everybody tells me I'm low class," Clark says, chuckling faintly. "But we're middle class. We're definitely middle class."

Yet his kids -- his son is 26 and his twin daughters are 21 -- still live at home because they can't afford places of their own. None of them went to college, although his daughters had 3.8 grade-point averages in high school and his son aced the SATs. They're saving to go back to school -- eventually. In the meantime, they work. His son lays carpet and his daughters stock shelves in a warehouse.

Will they be able to move up the economic ladder, just like he did? Clark ponders the question. After a long day, he is showing the strain, getting sleepy with his regular bedtime of 6:30 p.m. fast approaching.

"I really don't know. It's just too uncertain. It really is. There's nothing there," he says, turning completely serious for the first time all day. "There's nothing you can just count on. I wish there was."