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TESTIMONY OF CHARLES "SKIP" MCGILL
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Before the
Senate Health, Education, Labor and Pension Committee
United States Congress – Chairman Senator Tom Harkin

Hearing on "Rebuilding the Middle Class: What Washington can learn from Iowa."

Chairman Harkin, I thank you for the opportunity to testify today and for all the work you do for working people across this country. You have served Iowa well for many years and it is an honor to be able to testify before you today. I was proudly sitting in the gallery on May 4, 2004 when the Senate voted on your amendment to the Department of Labor proposed changes to the overtime pay rules; another middle and lower income bracket battle you championed. As long as there are more out to save the middle class than there are to destroy it, we will find a way.

I am President of the United Steelworkers Local 105 and have been for over 10 years. During that time we as a Union have been involved in many battles for social and economic justice. Many of the battles do not affect the workers I represent but are waged because we are all in this together and we know what's right and wrong. I'm sure you are aware that Labor has been at the forefront of minimum wage increase efforts and none of the workers we represent make minimum wage.

The Middle Class in the Quad Cities

The Quad Cities used to have a very big manufacturing base with a lot of big name companies with factories located here. We had a lot of good middle class work here in the Quad Cities including the Rock Island Railroad. This area began hurting when the railroad closed up shop in 1980.

We had Caterpillar, the world's biggest manufacturer of construction equipment. Back in the mid 1980s Caterpillar was starting to see more competition in the construction equipment market from the Japanese company Komatsu. Caterpillar closed in 1988 costing thousands to lose their jobs and hurting the communities and local economy. I had friends that worked at that plant.

The Quad Cities had already been hit like this in 1985 when International Harvester sold off their farm equipment business and closed the plant in Rock Island, Illinois. This plant went through its share of occupants. That plant was Farmall, International Harvester, and Case New Holland then they closed. This was a workforce that could produce up to 350 tractors a day. That closing sent a ripple effect throughout the Quad City economy.

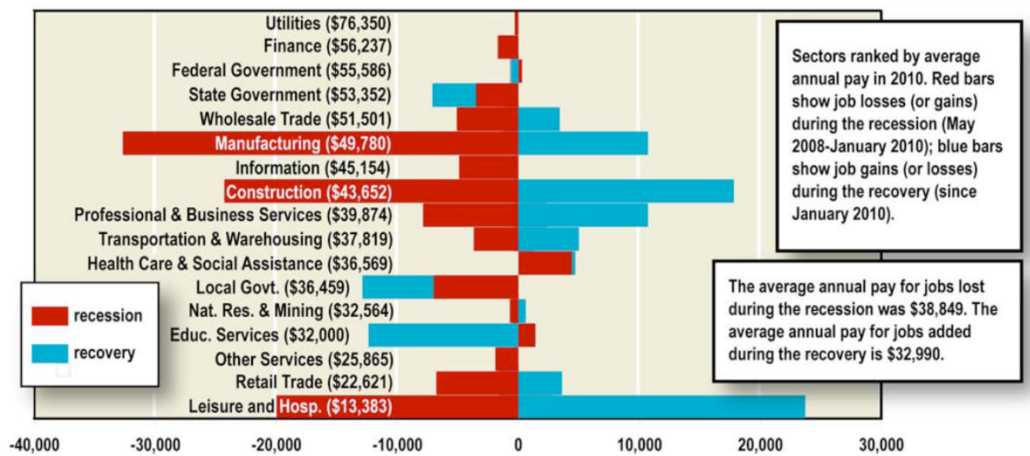
Also in the 1987 – 1988 time frame JI Case company closed plants in Rock Island, Illinois and Bettendorf, Iowa. I had friends and family members that worked at the Bettendorf plant. It was hard to see a relative who had worked so long and hard at a plant and had built up seniority and what they thought was job security to get the rug pulled out from under them. He was faced with some tough choices and made the decision to continue his seniority, so he moved his family to Racine, Wisconsin where his job went. He is more fortunate than many of the people displaced by plant closings because at least he had the opportunity to go where the jobs went; most of the time the jobs can't be followed to Mexico, China or Bangladesh.

The loss of good manufacturing jobs has an impact not only on workers but also the local businesses those workers support. When Case New Holland closed, the City of East Moline suffered significant losses in annual revenues. They lost taxes, and fees for things like water, sewer, drainage fees, utility taxes and decreased property taxes. The City had to cut the budget

due to the loss of revenue and even came up with a new \$6 monthly garbage fee that citizens did not have before.

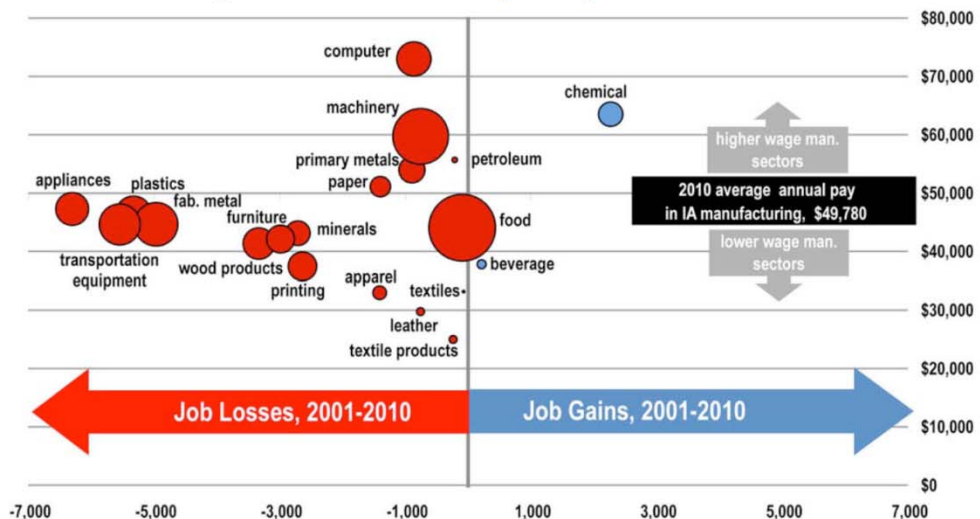
Iowa's job market in recent years has been defined by the loss of higher-wage, middle-class jobs (particularly in manufacturing), and their replacement with increasingly lower-paying jobs. The most recent recession exacerbated this trend. The Iowa Policy Project reported in 2011 that over the last four years, "the middle third of the occupations spectrum accounted for nearly two-thirds of all recessionary job losses. During the recovery, by contrast, low-wage occupations have accounted for almost all job growth—led by retail salespeople, clerks and food preparation workers. . . . The average annual pay for jobs lost during the recession was \$38,850. The average annual pay for jobs added during the recovery is almost \$6,000 lower—only \$32,990." (State of Working Iowa, 7-8).

Figure 9. Iowa Loses High-Paying Jobs, Gains Low-Paying Jobs



Moreover, job losses in Iowa manufacturing over the past decade have been particularly concentrated among sectors paying wages high enough to pull working families into the middle class. (State of Working Iowa, 8).

Figure 10. Iowa Manufacturing: Losing Jobs for a Decade



The disappearance of good jobs in Iowa means not only lower wages, but fewer workers and families with health insurance. Today, jobs in Iowa are 8.4% less likely to include health insurance than they were a decade ago. Since 2000, Iowa has lost nearly 50,000 jobs that provided health coverage, translating into loss of coverage for over 96,000 Iowa workers and family members. (State of Working Iowa, 10).

Table 1. Iowa Loses Jobs with High ESI Coverage Rates, Gains Jobs with Low ESI Coverage
Loss of Employer-Sponsored Coverage, Thousands of Jobs

	2001-02 numbers			2009-11 numbers			Loss of ESI attributable to		
	ESI		cov. jobs	ESI		cov. jobs	job losses	less coverage	total
	Jun-01	2002	Jun-01	Jul-11	2009	Jul-11			
Nat. Res. & Mining	2.2	78.4%	1.7	2	75.8%	1.5	-0.2	-0.1	-0.2
Construction	70.4	47.5%	33.4	63.7	44.0%	28.0	-3.2	-2.2	-5.4
Manufacturing	244.5	72.7%	177.8	206.2	69.6%	143.5	-27.8	-6.4	-34.2
Wholesale & Retail Trade	255.8	53.9%	137.9	241.6	50.5%	122.0	-7.7	-8.2	-15.9
Transp. & Utilities	57.4	66.9%	38.4	63.5	62.0%	39.4	4.1	-3.1	1.0
Information	37.8	73.0%	27.6	27.4	69.5%	19.0	-7.6	-1.0	-8.6
Financial Activities	93	65.8%	61.2	99.2	66.0%	65.5	4.1	0.2	4.3
Prof. & Bus. Services	109.1	57.4%	62.6	123.9	55.1%	68.3	8.5	-2.8	5.6
Educ. & Health Services	182	59.4%	108.1	216.1	57.1%	123.4	20.3	-5.0	15.3
Leisure & Hospitality	132.2	32.5%	43.0	137.8	26.3%	36.2	1.8	-8.5	-6.7
Other Services	57.4	40.1%	23.0	55.2	35.0%	19.3	-0.9	-2.8	-3.7
Private, nonfarm jobs	1241.8			1236.6			-8.6	-39.9	-48.5

Coverage rates from Elise Gould, EPI Briefing Paper #228 (Table 3).
<http://www.epi.org/publications/entry/bp283/>

Job numbers from Economic Policy Institute analysis of Current Employment Statistics survey data.

How Unions Work to Strengthen the Middle Class

Unions build and strengthen the middle class by negotiating fair wages and benefits for workers.

I would like to share part of a speech given way back in 1960 that I hold near and dear to my heart. It hangs on my office wall.

Those who would destroy or further limit the rights of organized labor -- those who would cripple collective bargaining or prevent organization of the unorganized -- do a disservice to the cause of democracy.

Fifty years or so ago the American Labor Movement was little more than a group of dreamers, and look at it now. From coast to coast, in factories, stores, warehouse and business establishments of all kinds, industrial democracy is at work.

Employees, represented by free and democratic trade unions of their own choosing, participate actively in determining their wages, hours and working conditions. Their living standards are the highest in the world. Their job rights are protected by collective bargaining agreements. They have fringe benefits that were unheard of less than a generation ago.

Our labor unions are not narrow, self-seeking groups. They have raised wages, shortened hours and provided supplemental benefits. Through collective bargaining and grievance

procedures, they have brought justice and democracy to the shop floor. But their work goes beyond their own jobs, and even beyond our borders.

Our unions have fought for aid to education, for better housing, for development of our national resources, and for saving the family-sized farms. They have spoken, not for narrow self-interest, but for the public interest and for the people.

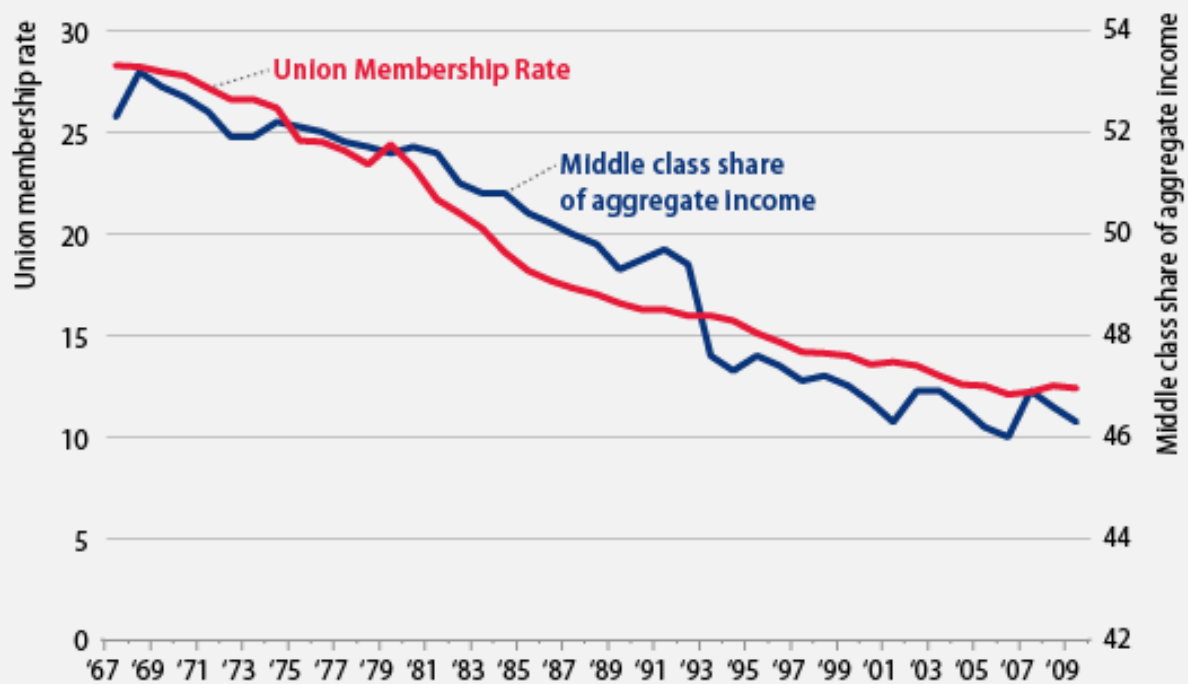
-- John F. Kennedy * August 30, 1960

I believe at the time of that speech, John F. Kennedy knew the relevance of Unions; he knew the role of Unions in building a middle class and sustaining it; and I believe he knew that Unions were about to come under attack. Too many think they do not enjoy the benefits of a Union but they do. They stand by and watch as Unions fight battles not realizing they are fighting for them.

In the last several decades the wealthiest of Americans have fared well while middle class incomes have declined. I believe it is directly related to the decline in Union density. Union membership rate have dropped to a low level and as you can see by this chart, middle class incomes are tethered to Union density. With that said; anyone who cares about the middle class better start caring about Unions and the rights of workers that have gone under attack in this country.

Ties that bind

As union membership rates decrease, middle class incomes shrink



Original figure by David Madland, Karla Walters, and Nick Bunker. Sources: Union Membership Rate is from Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman, "Estimates of Union Density by State," Monthly Labor Review, Vol. 124, No.7, July 2001. Middle Class Share of Aggregate Income is from United States Census Bureau.

We remembered and honored Dr. Martin Luther King just last week. He is another great leader that recognized the importance of Labor in bringing all people up. He was clear about the history of and continuing need for labor struggle - that workers' rights aren't won without a fight - saying to the Illinois AFL-CIO convention in 1965:

The labor movement was the principal force that transformed misery and despair into hope and progress. Out of its bold struggles, economic and social reform gave birth to unemployment insurance, old age pensions, government relief for the destitute, and above all new wage levels that meant not mere survival, but a tolerable life. The captains of industry did not lead this transformation; they resisted it until they were overcome. When in the thirties the wave of union organization crested over our nation, it carried to secure shores not only itself but the whole society.

I don't understand the misconception that Unions are a bunch of greedy workers that just want more for themselves. That is not true; we support our communities and want them to thrive. Every year throughout the year we provide time, money and resources to those in the community in need. We donate to the American Cancer Society, United Charities, Special Olympics of Iowa and Illinois, the American Red Cross., the National Child Safety Council, VA Homeless Outreach Center, support our troops through supply drives, give scholarships, etc.

Many of my Brothers and Sisters and I don't believe you can have a strong middle class without a strong Union movement. It's not a coincidence that countries with a strong middle class have a strong Union movement. And in America today, states with a higher concentration of Union membership have a much stronger middle class. According to AFL/CIO data, every 23 minutes a worker is fired or punished for supporting a Union. The sad thing about that is, I'm sure, that in most of those cases the person firing or issuing discipline is in the middle class. Labor is under attack by those who want to weaken Unions even more and that is quite the opposite of what we need to do if we hope to strengthen the middle class. Let's not fool ourselves and think that everyone would like a stronger middle class. The middle class will reach back and grab the hand of the person on the ladder rung below them; but there are some at the top that will kick to knock others down a few rungs.

What needs to be done is to support workers' rights to form and join Unions (The Employee Free Choice Act). The coordinated attacks on Unions through Right to Work Laws are designed to further weaken Unions. Supporters of Right to Work here in Iowa have said if there were any kind of repeal of the Right to Work Law, jobs would leave the state. They know that's not true; where would they go, to one of our bordering states that don't have right to work and have less unemployment? I have not had one State Legislator who supports Right to Work propose a bill that I suggested. Right to Work allows non-dues paying employees of a company reap the benefits of union representation – they are free-riders. Simply put, the Bill I proposed allows residents of Iowa to enjoy every benefit provided to the tax-payers of Iowa, but allows them to only pay state taxes if they want to. There would be public outcry against these free-riders. That's Right to Work. I call it “The Right to Reside Law”.

How Good Manufacturing Jobs Strengthen the Middle Class and Improve Communities

Good manufacturing jobs, especially good Union manufacturing jobs have a heavy impact on communities when there is a layoff or closing. Iowa is heavily dependent on manufacturing jobs. Iowa has consistently been in the top 10 states most dependent on the manufacturing sector according to the U.S. Bureau of Economic Analysis.

I realized something had to be done when the financial industry was spiraling out of control but not sure the right thing was done. We gave them a bunch of money because of so many loan defaults. It probably would have cost less to just pay the loans off and let people stay in their homes. Yes, we need to do something about the deficit but we need to stop the bleeding first.

What do I think we need to do to rebuild the middle class?

We must:

- Support the Right to form and join a Union
- Roll back some current laws that weaken Unions
- Put money in the pockets of the middle class through tax cuts and tax credits – pay for it by removing the tax breaks millionaires and investors have that allow them to pay less in taxes than struggling families.
- Invest in our crumbling infrastructure – This creates jobs in many sectors and will sustain our economic growth and national security for years to come.
- Create more jobs with a real “Buy America Policy” – there is overwhelming support for tax dollars to be used to buy American-made materials among 91% of Democrats and 87% of Tea Part Supporters
- Enforce the trade laws currently on the books and enact new ones to level the playing field American workers and their employers that are committed to investing in America.
- Close loopholes being used now to circumvent some of our trade laws

A byproduct of a stronger Labor Movement is a stronger Middle Class. A byproduct of a stronger Middle Class is a stronger more stable economy.