

LABOR DAY 2007**MOST WORKERS' WAGES STUCK IN THE SLOW LANE****EPI report maps delays & detours on the road to shared prosperity**

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On the sixth Labor Day of this economic recovery, the pace of progress ranges from slow to stalled for the nation's middle- and low-wage working people. Even the modest wage gains from the beginning of this recovery period have been fading. Since 2001, real (i.e., inflation-adjusted) hourly wages rose only 3% for the middle-income worker, with none of this historically small progress occurring since 2003. Look at men only, and that 3% growth shrinks to just over 1%.

While most working people remain stuck in the economic slow lane, the better-off among us have avoided the congestion on the ground by flying over it. Since 2001 those with wages higher than 95% of all workers have seen their wage rise by 9%.

In a new report issued today by the Economic Policy Institute, the nation's leading think tank on labor market trends, economists Jared Bernstein and Lawrence Mishel analyze the state of working America this Labor Day. Their report, **"Economy's Gains Fail to Reach Most Workers' Paychecks,"** shows the latest data on where workers stand and looks behind the numbers to the forces at work in an economy that doesn't seem to be playing by the rules.

According to historical patterns, wage growth shouldn't be inching along like this. Six years of rising productivity – nearly 20% growth since 2000 – would normally deliver greater paycheck rewards to the workers whose effort helped create it. This gap between productivity and the wages of most workers is now larger than at any previous time, fueling an alarming rise in inequality between low- and middle-wage earners and those in the upper reaches of the earnings scale. With the most recent data showing a slowing of productivity gains, along with slower growth in jobs and GDP, some analysts have begun to speculate about the possible arrival of a new downturn.

"The productivity gains in the 2000s tell us that the American workforce has been working harder and smarter," Bernstein said. "The problem is that their contribution to the growing economy simply isn't showing up in their paychecks. And as the economy slows in mid-07, it's going to be tough to reverse the wage stagnation that's prevailed since late 2003. Workers have a right to wonder: is this as good as it gets?"

Hourly wages for workers with a college degree grew no faster than for workers with only a high school degree: 2.6% for the college-educated versus 2.5% for those with high school only from 2000 to the middle of 2007. These data belie the often-repeated claim that there is a shortage of highly educated workers, as such a shortage would force higher wages for the more educated.

"More education still gives workers a considerable advantage over those with less education," Mishel explains, "but even college-educated workers are not making much progress these days. This erosion only adds to the uncertainty working people feel about an economy that makes it harder to move ahead."

Another factor responsible for the disappointing real wage trends can be found in the overall decline in employment as a share of the population. Since 2001 the share of the work-eligible population that is actually employed has fallen 1.2 percentage points, indicating that a growing segment of potential workers, abandoning the search for a job, has dropped out of the unemployment statistics. Thus, Bernstein and Mishel show the seemingly low unemployment rates (4.5% at midyear) don't reflect the true extent of slack in the labor market.

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This drop in unemployment reflects another source of uncertainty for workers: the comparatively sluggish growth of jobs in this recovery. Since 2001, the nation's payrolls grew by only 5.5% compared to 11.3% growth during the same period in the last recovery and 17.1% for all recoveries that have lasted as long as this one.

Among Bernstein and Mishel's further key findings are these:

- At the median, men's wages rose only 1.1%; women did better, with growth of 5% over the 6 ½ years of recovery.
- Wages for the median worker, as well as for workers with either a high school or college education, have been flat or falling since 2003.
- While real hourly earnings of the 80% of workers in non-managerial occupations rose about 3.3%, weekly earnings only grew about half that fast, due to a decline in hours worked.
- For men in the bottom fifth of wages, increases from 2001 to 2003 were wiped out by losses after 2003, leaving them where they started.
- Workers with hourly real wages at the median or below all made gains between 2000 and 2003, but lost some of that ground between 2003 and mid-2007. Meanwhile, those at the 80th percentile and above made larger percentage gains in the first period, and those gains continued (although at a slower pace) through the second.

Don't Blame Health Care Costs

The argument has been made that the lackluster growth of wages is largely attributable to the rising cost of fringe benefits such as health care, and that employers are paying more for workers – just not in wages alone. This claim, too, doesn't match the data. As the report details, wage growth was actually slowest among workers who are least likely to have employer-provided benefits and fastest among those most likely to have them. What's more, the greatest increases in health care costs occurred during the earlier years of the recovery when wages were rising faster. Those increases moderated since 2003, a period of wage stagnation.

Why has this economy fallen so far short for so many of America's workers? Bernstein and Mishel describe a variety of factors that have conspired to weaken workers' wage growth. Chief among these factors are the undermining of labor market institutions such as labor unions, which leaves them without leverage to bargain for more, and the erosion of the Federal minimum wage, the effects of inflation, and the weakness of job growth.

“What we're seeing is a workplace relationship that has become increasingly unbalanced against working people,” said Mishel. “In this climate workers have little leverage to defend their claim to a fair share of the economic growth they are helping to create. The challenge ahead is to craft and institute the policies that will recreate a level playing field in the workplace.”

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