The State of Working America

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Introduction

The ultimate measure of the performance of our economy is the change in Americans' real income — how much we earn relative to how much we pay for the goods and services we buy. Statistics on production, sales, trade, and hundreds of other activities also provide us with valuable insights. But the bottom line in the economics of a democratic society is how well or poorly the people are doing.

Those who work for a living, the overwhelming majority of adults, are of course the critical group. Those too young, too old or too sick to work, and those who live on their investments, all depend on the earnings, taxes, and productivity of America's workers for their income. Moreover, the maintenance of purchasing power through adequate wages is critical to prosperity. In a modern economy, as Henry Ford observed earlier in this century, capital cannot afford to produce goods that labor cannot afford to buy.

There is no one statistic that tells us at a glance how America's workers have fared. Income and wage data alone are not sufficient; we must look at changes in the number of family members working or the number of hours worked before judging whether a change in income has made people better or worse off. We must also look behind the averages to discover how people on the upper and lower ends of the income spectrum are doing, by race, age, gender, education, and other characteristics of our varied work force.

The picture we get of the actual trend in living standards also depends on the time frame we choose. Because a market economy is cyclical, a clever choice of dates permits one to 'prove' almost anything about the economy. Measuring from troughs to peaks in a business cycle will overstate high growth, the reverse will bias the results in the direction of decline. It is therefore almost universally accepted among economists that the best way to measure change in the economy over time is to compare data from one trough to another or from one peak to another. Even within a given business cycle there are, of course, short term monthly shifts which distort the longer term trend.

Therefore, the data used in this study to measure the state of working America wherever possible compare conditions at the peak of the last full business cycle, 1979, to the latest full year of the present recovery, 1987.

The results are not good news. Family incomes in 1987 were about the same as they were at the last cyclical peak. Weekly and hourly wages were substantially lower, poverty increased, and a large number of Americans in the prime of working life had fallen behind in the pursuit of the tangible manifestations of the American Dream — a home of their own, a new car, adequate health coverage. Again, averages and generalizations can be deceiving. Some Americans are doing very well. The majority lost ground between 1979 and 1987.

The decline in real wages of American workers over this recent business cycle represents a worsening of the decline that began in 1973 — the peak of the previous business cycle. From the end of World War II to 1973, wages rose steadily and briskly. Today, not only are they below 1979, they are below 1973 as well.

The 1973-79 period was dominated by an inflation driven by dramatic increases in the price of oil. Over the more recent business cycle, we suffered the recession of 1981-82 (the deepest since the 1930s) and a set of fiscal and monetary policies that drove up the value of the dollar, making imports cheap, exports expensive, and destroying some four million jobs in American manufacturing and related industries. The cutbacks in government spending on education and training and a decline in the rate of unionization also contributed to the stagnation of wages and living standards among America's working families since 1979.

The data not only tell us something about the past, they help inform future economic policy as well. For example, it has become conventional wisdom to lay the blame for our economic troubles on an overconsuming public. The American people, it is said, have been living beyond their means and now must tighten their belts in order to pay for the debts that the Reagan Administration has run up in recent years. A look at the numbers in this volume should make us pause before pursuing such policies; most American families appear to have been tightening their belts at least since 1979.

Jeff Faux
President
Economic Policy Institute

Summary and Conclusions

This report gathers together a variety of data designed to describe recent changes in the economic well-being of America's workers and their families. It presents family incomes, wages, fringe benefits, employment and other indices from a variety of government sources.

The data reinforce the widespread impression that this most recent economic recovery, despite its length, has been seriously flawed. In 1987, after five years of recovery, the average working American appears to be worse off economically than he or she was at the peak of the last business cycle. Our specific findings are:

Income Stagnation

In 1987, the typical family's real income was about the same as it was in 1979 and in 1973, comparable years of relatively low unemployment. Moreover, the families who were able to maintain their 1979 standard of living did so by working more hours and by having more members work. Families had to work more just to stay even. Those families that could not or did not send an additional adult into the labor force experienced income declines of from 4% to 6.5% since 1979.

Greater Inequality

The gap between rich and poor has grown. Those at the very top, the upper 20% but particularly the upper 5%, have enjoyed substantial income growth since 1979. The bottom 40% of families saw their incomes fall, with those at the very bottom suffering the most. Women's wages are now closer to men's wages, but primarily because of a decline in men's wages. Overall, income inequality is now at its highest levels since 1947. Income inequality along racial lines has also increased.

Wages and Benefits

Average hourly wages, adjusted for inflation, dropped by 7% between 1979 and 1987. Hourly wages for males fell by 10% while the real wages of their female counterparts fell by 1%. The only workers to make wage gains were salaried workers whose pay has increased by 3% since 1979. A disproportionate number of the new jobs created over the business cycle have been low paid and part-time. In 1987, more than five million workers who wanted full-time jobs were forced to accept part-time work. Among all employees, roughly 17% have no health insurance and 40% are not covered by a pension plan.

Jobs

The rate of job creation in our economy has slowed considerably since 1979, compared with the experience of previous business cycles. For the year 1987, unemployment and underemployment were still at rates above those of the last cyclical peak (although since then the drop in the official unemployment rate has put it below the 1979 average in June 1988). Given the slower rate of growth in jobs, the drop in the unemployment rate is largely a result of much slower rate of growth in the labor force.

Industry Shifts

Since 1979, some 85% of the new jobs have been in the lowest paying industries — retail trade and personal, business and health services. Simultaneously, jobs are shrinking in the high-wage goods producing industries as well as in the highest paying service sector industries such as communications, transportation, and government. Overall, those industries with expanding employment paid annual wages and benefits nearly $9,000 less than those paid in industries with shrinking employment.

Shifts from Labor to Property Income

Labor compensation — wages, salaries and fringe benefits — as a share of all income is at the lowest level of any peak year since 1947. The high interest rates that have prevailed since 1979 have resulted in income from property ownership (rent, dividends, and interest) rising three times faster than income from work.

Wealth

The ownership of wealth has also become more unequal and is far more concentrated at the top than is income. The richest 10% of families controlled 86% of all financial assets in 1983. Yet, for more than half of all families the value of their financial assets was zero or negative (i.e., they had more debts than assets), leaving most families without any financial cushion to meet medical or economic crises. This is especially true of black families, who generally have much less wealth than white families with comparable incomes.

Young Families

In 1987, the average family headed by someone between the ages of 25 and 34 had an income 9% lower than their counterparts in 1973. Young families, in general, are now experiencing much slower income growth than their parents did at an earlier age. The fact that a much smaller proportion of young families have been able to buy homes is symbolic of their diminished economic well-being and opportunities.

More Poverty, Deeper Poverty

Between 1979 and 1987 all of the progress in reducing poverty since the mid-1960s has been reversed. Moreover, poor persons are now deeper in poverty. One in five children overall and two out of every five black or Hispanic children lived in poverty in 1987. Although minorities still have more than double the average poverty, the recent increase in poverty has occurred primarily among whites. This new poverty reflects the expansion of low-wage jobs, cutbacks in government cash assistance to the poor, the collapse of the purchasing power of the minimum wage, and continued race and sex discrimination.

Living Year By Year

The statistics in this report focus on changes between cyclical peak years, which is the proper way to assess the long run trajectory of income growth. But people do not live just in peak years; they live during in-between years as well.

The following table shows average family income, wages and unemployment in all the years within the last three business cycles. Thus the data reflect the actual real wages and incomes that Americans have depended on. It shows that wages averaged $35, or 10%, less per week over the 1979 to 1987 period than over the prior cycle. Unemployment was nearly one percentage point higher and family incomes were down $800. Comparing the data between the decades — the 1980s versus the 1970s — we also see a sharp drop in wages and lower family incomes. By these basic measures of well-being, the condition of those who work for a living has been, on the average, worse than it was over the prior business cycle.

Average Wages, Unemployment, and Family Incomes in Recent Business Cycles

By Business Cycle*:	Average Weekly Earnings**	Unemployment Rate	Median Family Income**
1967–72	$355.64	4.6%	$25,938
1973–78	355.57	6.7	30,024
1979–87	320.81	7.5	29,221
By Decade:			
1970s	$355.77	6.2%	$29,398
1980s	317.87	7.7	29,040

* The peak year through the year prior to the next peak year.
** 1987 dollars
Source: *Economic Report of the President, 1988*, Tables B-30, B-39 and B-45. Census *Series P-60,* No.161

Method of Analysis

Time Periods

The analysis assesses long term economic trends by examining changes between peak years of the business cycle. The initial year in the analysis is 1947, the first year for which family income data are available. The intermediate years in the analysis are 1967, 1973 and 1979, all of which are years of cyclically low unemployment. The end year of the most recent business cycle is the latest year for which data are available.

The family income and poverty data for 1987 were released as this publication was in the final stage of production. Most of the tables were updated with 1987 data but some tables whose meaning would not change still use 1986 data.

Trends are presented in terms of compound annual rates of growth because the periods are not of equal length. Where data are presented in time frames other than those which correspond to business cycles, it is because they were not otherwise available.

Real Income

Dollar values are deflated for price change using the Consumer Price Index (CPI) for urban consumers. The CPI is used by the U.S. Bureau of Labor Statistics in its real earnings series and by the Bureau of the Census in its family income series.

Our major conclusions are unaffected by our choice of price index. Analyses using other indices show: (1) A deterioration in job quality; (2) Overall wages have been stagnant since 1973 and have fallen for nonsupervisory workers; and (3) Family incomes have grown at a historically low rate since 1979.

Sources

The statements in the text are supported by data in the tables. The data sources and computational methodologies are reviewed in the footnotes to each table (listed in Sources, p.49).

Family Income: *Stagnant and Less Equal*

Most Americans live in families in which income is shared among members. Family income is therefore the best single measure of how Americans are doing economically.

Stagnant Incomes

Tables 1 and 2 show changes in family income, adjusted for changes in consumer prices, in various years since World War II.

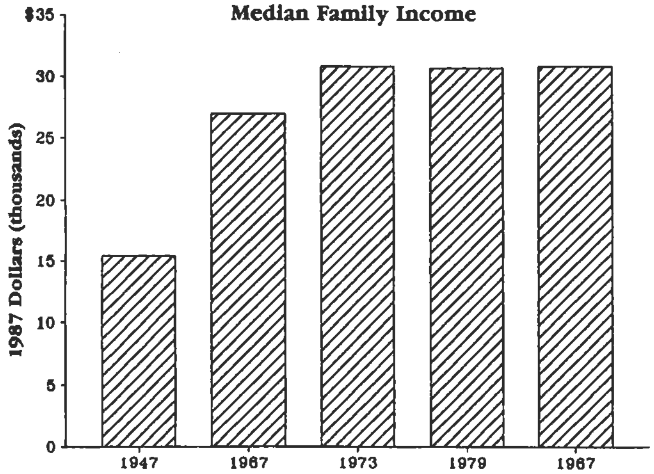
TABLE 1

Median Family Income*

Year	Constant (1987 Dollars)
1947	$15,422
1967	27,003
1973	30,820
1979	30,668
1987	30,853

* Income includes all wage and salary, pension, interest, rent, government cash assistance and other money incomes.

FIGURE 1:
Median Family Income



There was a substantial increase in family income in the two decades immediately following World War II, when the median family income increased by $11,581 for an annual rate of growth of 2.8% (Table 2). Family incomes continued to grow into the early 1970s, but have been stagnant since 1973. In 1987, median family income was only $33 more than it was in 1973.

TABLE 2

Growth in Median Family Income
(1987 dollars)

Years	Annual Rate	Dollar Change
1947–67	2.8%	$11,581
1967–73	2.2	3,817
1973–79	−0.1	−152
1979–87	0.1	184

Young Families Hurt Most

Table 3 shows that the largest drop in incomes has occurred among the youngest families. *The average income of families headed by someone under age 25 has declined at an annual rate of almost 3% since 1979.* Theirs is also the only age-group for which median family income is lower today than it was in 1967; these young families have $3,835 less income to spend in real dollars than their 1967 counterparts had when they were starting out.

Families headed by someone between the ages of 25 and 34 years also have fared poorly. In stark contrast to the six years between 1967 and 1973 when income for this group increased at a 2.1% rate annually, the period from 1979 to 1987 brought a 0.9% annual rate of decline. The families in this age-group are likely to be in the midst of bringing up young children and trying to settle into a home of their own. The impoverishment of these young families thus reflects the impoverishment of the nation's children.

The incomes of the 35-44 years age-group have been virtually stagnant since 1973. They fell slightly between 1973 and 1979 and the 0.2% annual rate of growth meant only 2% more in family income in 1987 than in 1979. In contrast, family income for this age group grew 2.6% per year between 1967 and 1973, adding $5,140 by the end of the period.

TABLE 3

Median Family Income by Age of Householder (1987 dollars)

	Under 25	25–34	35–44	45–54	55–64	Over 65
1967	$19,892	$27,555	$31,449	$32,937	$27,374	$13,370
1973	20,495	31,216	36,589	38,932	32,687	16,434
1979	20,380	30,307	35,948	39,694	34,417	17,708
1987	16,057	28,303	36,655	41,241	33,179	20,813

Annual Rate of Growth in Median Family Income by Age of Householder

	Under 25	25–34	35–44	45–54	55–64	Over 65
1967–73	0.5%	2.1%	2.6%	2.8%	3.0%	3.5%
1973–79	−0.1	−0.5	−0.3	0.3	0.9	1.3
1979–87	−2.9	−0.9	0.2	0.5	−0.5	2.0

Median incomes for families headed by someone 65 years-and-over have increased throughout the period.

Income Growth Among Racial Groups

Income stagnation has affected all racial groups, as **Table 4** illustrates. White families, who fared the best from 1967 to 1973, have on average experienced virtually no growth in real incomes since then. Black families, with median incomes more than 40% lower than whites, have seen no gains in their incomes between 1979 and 1987 after experiencing the largest annual declines of any group in the 1973-79 period. The median incomes of families of Hispanic origin have declined 1.1% per year between 1979 and 1987. Despite income stagnation on the part of white families, the disparities between whites and blacks and Hispanics are even greater than they were in 1967.

Running Faster to Stay Even

The stagnation in median family incomes over the years between 1973 and 1987 has occurred against a backdrop of enormous changes in the types of families whose incomes make up these

TABLE 4

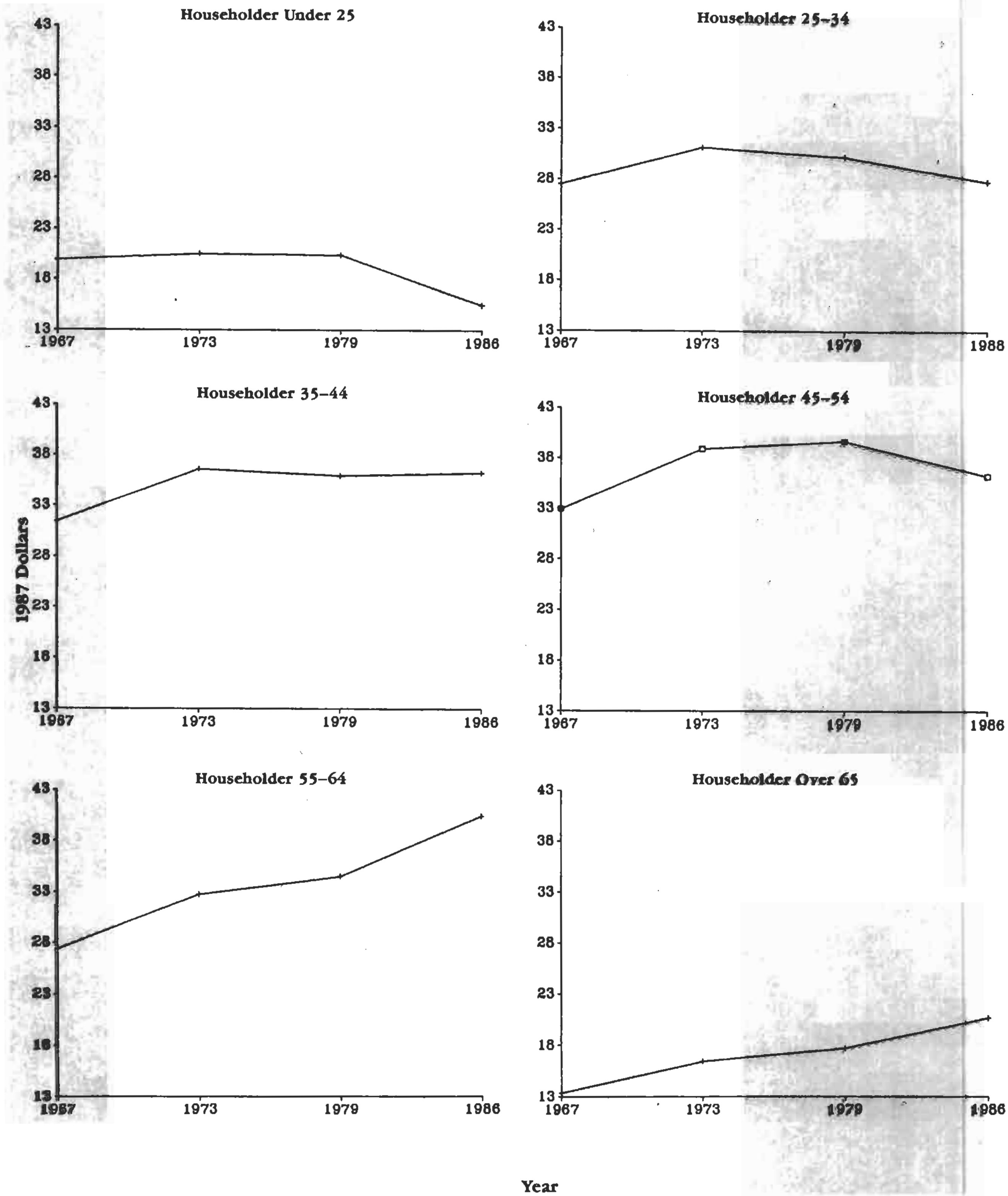
Median Family Income by Race
(1987 dollars)

Year	White	Black	Hispanic	Ratio to White Family Income of: Black	Hispanic
1947	$16,063	N/A	N/A	N/A	N/A
1967	28,028	$16,594	N/A	59%	N/A
1973	32,211	18,590	$22,288	58	69%
1979	32,002	18,122	22,185	57	69
1987	32,274	18,098	20,306	56	63

Annual Rates of Growth of Family Income by Race

	White	Black	Hispanic
1967–73	2.4%	1.9%	N/A
1973–79	−0.1	−0.4	−0.1%
1979–87	0.1	0.0	−1.1

FIGURE 2:
Median Family Income
By Age of Householder



statistics. In 1987, only 35% of American families conformed to the traditional model of a married couple with only one spouse performing paid labor. Understanding what has happened to family living standards thus requires an examination of the economic differences among different types of families.

Table 5 compares changes in median family income among married couple families on the basis of whether the wife is a paid labor force participant. The incomes of families *with* wives in the paid labor force rose at an annual rate of 2.4% during the 1967-73 period, failed to rise in the 1973-79 period and have grown slowly since 1979. The modest income growth for families with wives in the labor force has come about primarily because wives are spending more hours at paid labor and because women's real wages have increased slightly in recent years.

TABLE 5

Median Family Income of Married Couple Families
(1987 dollars)

	Married Couple Families	
	Wife in the Labor Force	Wife NOT in Labor Force
1967	$33,890	$25,907
1973	38,968	29,201
1979	39,077	27,792
1987	40,422	26,652

Annual Rate of Growth In Median Family Income

	Married Couple Families	
	Wife in the Labor Force	Wife NOT in Labor Force
1967–73	2.4%	2.0%
1973–79	0.0	−0.8
1979–87	0.4	−0.5

Married couple families with wives *not* in the paid labor force had smaller gains in the good years, about 2% annually between 1967 and 1973. They suffered substantial income losses after 1973, and by 1987 their median family incomes had dropped 8.7%.

Table 6 shows why the median incomes of families with wives not in the labor force have fallen. From 1973 to 1986, the pay of *primary* earners has declined at 0.4% per year.

Since 1973, in response to these declines in primary earners' pay, many families have had to increase the number of family members sent to work in order to maintain their standard of living. As **Table 7** shows, the number of full-time, year-round workers per family has risen more than 6% (for families with children) since 1979. It should be noted that these data do not include increases in the number of married couple family members who work either part-time or part-year (e.g., schoolteachers).

TABLE 6

Growth of Primary Earner Annual Earnings
(1987 dollars)

	Married Couples*	
	With Children	No Children**
1973–79	−0.4%	−1.0%
1979–86***	−0.4	−0.4

* Families in the middle sixty percent of income
** Non-elderly
*** Data for 1987 are not available.

TABLE 7

Average Number of Full-Time, Full-Year Workers In Middle Income Families*

				Percent Change	
	1973	1979	1986‡	1973–79	1979–86
Married Couples					
1. With children*	1.06	1.11	1.18	4.7%	6.3%
2. No children**	1.19	1.23	1.27	3.4	3.3

* Families in the middle sixty percent of income
** Non-elderly
‡ Data for 1987 are not available.

Not only are more people employed per family, but **Table 8** shows that those who are employed are working more hours. The increase in average an-

TABLE 8

Change in Average Annual Hours Worked, 1979–86*

Wage and Salary Workers	Percent Change	Hours Change
Men	0.4%	9 hours
Women	8.5	118
Men and Women	2.9	48

* Data for earlier and later years are not available.

nual hours of paid employment has occurred mostly among women, who worked 118 hours (or three more weeks full-time) more per year in 1986 than in 1979.

Families headed by unmarried individuals, who generally do not have the ability to increase hours worked or to send others in the family out to work, have suffered declines in incomes. **Table 9** shows that the incomes of families of unmarried male heads of households dropped steadily after 1973, resulting in a 9.7% drop in median income by 1987.

Female-headed families, whose annual rate of income growth was under 1% between 1973 and 1979 managed to avoid the steep declines experienced by male-headed families in those years. By 1987, however, female-headed families had lost more than they had gained between 1973 and 1979.

TABLE 9

Median Income of Unmarried Householder Families
(1987 dollars)

	Unmarried Householder Families	
	Male Head	**Female Head**
1967	$23,194	$14,531
1973	27,472	14,825
1979	26,409	15,543
1987	24,804	14,620

Annual Rate of Growth In Median Family Income

	Unmarried Householder Families	
	Male Head	**Female Head**
1967–73	2.9%	0.3%
1973–79	−0.7	0.8
1979–87	−0.8	−0.8

Their real income in 1987 was 5.9%, or $923, lower than it had been in 1979.

Female-headed families have much less income than male-headed families. The median income of female-headed families in 1987 was 59% of the median income of unmarried male-headed families, and 55% of the median income of married families where the wife was not in the paid labor force.

Table 10 shows that incomes for married couples with children virtually have been stagnant since 1979, and have dropped substantially for single mothers. Unlike the preceding data, the numbers in Table 10 were adjusted for changes in family size. The result is that they understate the impact of lower incomes on families which have postponed having children or limited their number for economic reasons.

The Distribution of Family Income: Growing Inequality

Over the last 10 years, the vast majority of American families have experienced an erosion in their standard of living through decreased income. A small minority of families have had income growth. The result has been a stunning increase in inequality. The rich have gotten dramatically richer; the poor are more numerous and they are poorer than they have been in decades. At the same time, the majority of Americans are being pushed closer toward the bottom.

Table 11 displays family incomes when the population is divided into tenths (or "deciles"); the richest 5% and the richest 1% are also separated out. The striking fact which emerges from this table is that between 1977 and 1988, average income declined for every decile but the top two, with the second-highest decile achieving only a 1% income gain. The top tenth gained 17% while the bottom tenth lost 15%. The upper 1% did the best, increasing its income by 50% in this period. As a

TABLE 10

Growth Rate of Adjusted Family Income for Families with Children
(1987 dollars)

Year	**All Families w/Children**	**Married Couples w/Children**	**Married Couples Childless***	**Single Mothers**
1973–79	0.2%	0.7%	0.5%	2.0%
1979–86	−0.6	0.1	0.0	−2.7

* Non-elderly

TABLE 11

Changes in Average Family Income
(1987 Dollars)

Income Decile	Average Family Income 1977	Average Family Income 1988*	Percentage Change 1977–88	Change in Average Family Income 1977–88
First	$ 4,113	$ 3,504	– 14.8%	$ – 609
Second	8,334	7,669	– 8.0	– 665
Third	13,140	12,327	– 6.2	– 813
Fourth	18,436	17,220	– 6.6	– 1,216
Fifth	23,896	22,389	– 6.3	– 1,507
Sixth	29,824	28,205	– 5.4	– 1,619
Seventh	36,405	34,828	– 4.3	– 1,577
Eighth	44,305	43,507	– 1.8	– 798
Ninth	55,487	56,064	1.0	577
Tenth	102,722	119,635	16.5	16,913
Top 5%	134,543	166,016	23.4	31,473
Top 1%	270,053	404,566	49.8	134,513
All Families	33,527	34,274	2.2	747

* CBO projection of 1988 incomes

result, inequality between the extremes has increased dramatically: in 1977, the average family in the top decile received $25 for every $1 received *by an average family* in the bottom decile; the ratio is expected to be $34 to $1 in 1988. While families in the middle four deciles (i.e. the middle 40% of the population) lost on average about $1,500 per year in income, families in the top 1% gained $134,513.

FIGURE 3:
Change in Average Family Income 1977–1988

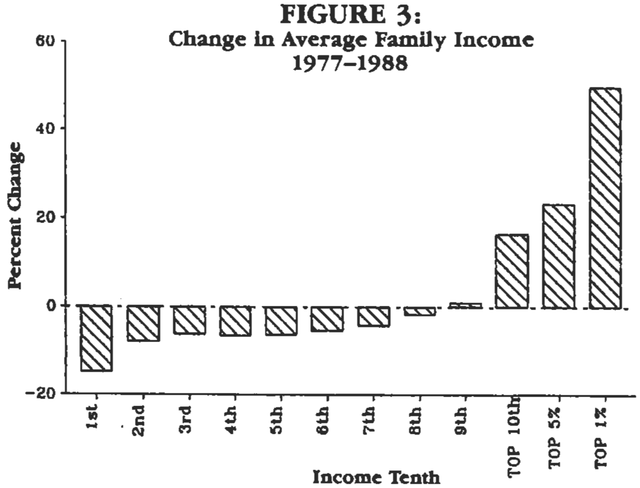


Table 12 shows the distribution among families of the gains in the nation's income from 1977 to 1988. If we take away the effect of increasing population, we see that between 1977 and 1988, *the richest 5% not only received all the increase in the economic "pie," but they also ended up with a good-sized portion of the slice which formerly went to the bottom 90%.*

TABLE 12

Shares of Total Income Gains

Income Group	1977–88
Bottom 90%	–95%
Top 5%	181
Top 1%	155

Thus, every time the economy generated an extra dollar's worth of GNP, the rich collected all of that dollar plus an additional 81 cents. Most ($1.55 for every $1.81) of the income gains were received by the richest 1%.

TABLE 13

Average Income of the Top 5% Compared to the Bottom 80% (1987 dollars)

Year	Average Income among the Top 5%	Average Income among the Bottom 80%	Ratio of Average Income of Top 5% to Average Income of Bottom 80%
1947	$ 63,506	$ 12,927	5.0 : 1
1967	91,074	22,356	4.0 : 1
1973	107,998	25,649	4.2 : 1
1979	110,416	25,508	4.3 : 1
1987	123,600	25,780	4.8 : 1

TABLE 14

Percent of Income Going to Various Fifths, and Top 5%

Year	Lowest Fifth	Second Fifth	Middle Fifth	Fourth Fifth	Top Fifth	Top 5%
1947	5.0%	11.9%	17.0%	23.1%	43.0%	17.5%
1967	5.5	12.4	17.9	23.9	40.4	15.2
1973	5.5	11.9	17.5	24.0	41.1	15.5
1979	5.2	11.6	17.5	24.1	41.7	15.8
1987	4.6	10.8	16.9	24.1	43.7	16.9

Table 13 shows a post-World War II history of U.S. income distribution. In 1947, the richest 5% of the population had $5 of income for every $1 granted to the bottom 80%. By 1967 inequality had lessened — so that the ratio improved to $4 to $1. Since 1979 this ratio has increased, so that by 1987 inequality was almost back to the level of 1947.

Table 14 illustrates changes in the percentage distribution of income among the various fifths (or "quintiles") of the population, and the top 5%. In 1987 the share of total income allocated to the bottom three-fifths was even smaller than their shares in 1947. Since 1979, the bottom **60%** lost income share and only the top 20% gained. Even among the rich, the benefits were skewed to the very top, as the top 5% took more than half of the gains received by the top 20%.

The three panels of **Table 15** illustrate the effect of the shift toward greater income inequality which occurred between 1979 and 1987. Panel A shows "negative growth," or income shrinkage, for each of the bottom two-fifths and small growth for the middle fifth. The only substantial income growth was among the top 20%. Again, the top 5% is shown to have by far the largest income growth (in percentage and dollar terms), while the bottom 20% suffered large percentage and dollar declines.

TABLE 15

The Effect of Shifts in Inequality by Fifth, 1979–87

A: Real Family Income Growth by Fifth, 1979–87*

Lower Fifth	Lower Middle Fifth	Middle Fifth	Upper Middle Fifth	Upper Fifth	Upper 5%
$ – 676	$ – 521	$324	$1,958	$7,045	$13,183
– 7.5%	– 2.6%	1.1%	4.7%	9.7%	11.9%

B: Real Family Income Growth If Income Inequality Had Not Increased Since 1979*

Lowest Fifth	Lower Middle Fifth	Middle Fifth	Upper Middle Fifth	Upper Fifth	Upper 5%
$421	$941	$1,421	$1,958	$3,389	$5,138

C: The Effect of Increased Family Income Inequality**

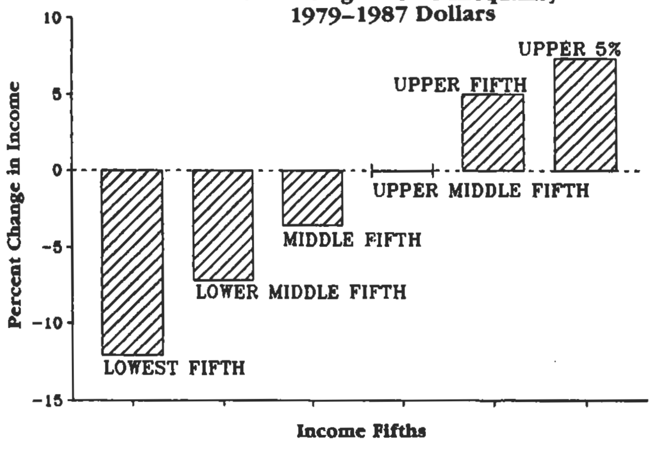
Lowest Fifth	Lower Middle Fifth	Middle Fifth	Upper Middle Fifth	Upper Fifth	Upper 5%
$ – 1,097	$ – 1,463	$ – 1,097	$0	$3,657	$8,045
– 12.1%	– 7.2%	– 3.6%	0%	5.0%	7.3%

* 1987 dollars
** Measured as difference between income growth presented in Panels A and B above.

Panel B shows what would have occurred if family income inequality had not increased since 1979. It presents the growth of real family income which would have occurred if each of the income groups had maintained its 1979 share of income.

Panel C draws on this information in order to show the difference between actual income growth (Panel A), and that which would have occurred without a shift in the income distribution (Panel B). It shows only the richest 20% have benefitted from recent changes in income inequality, gaining $3,657 per family. The shift to greater inequality meant $8,405 more in family income for the upper 5%, but more than a $1,000 *loss* per family in the bottom. Those in the lower middle and middle quintiles suffered income losses of more than $1,000 due to the worsening of inequality. The upper middle fifth was able to maintain its share of income.

FIGURE 4:
The Effect of Rising Income Inequality
1979–1987 Dollars



The Shift from Wages to Property Income

A major reason for the unequal growth in family incomes is that in recent years a greater share of our national income has gone to property-based incomes and a smaller share has gone to wages. Most families receive little or no income from property, therefore this shift has had a substantial impact on income distribution.

Table 16 presents data which show the sources of income for families in each income decile. The top decile gets a larger percentage of its income from financial assets compared to the other nine deciles below it. The top 1% receives nearly half its income from the financial assets they own. Those without access to property-based incomes depend either on wages (the broad middle) or on government transfers (the bottom) as their primary source of income.

Tables 17 and 18 show an expanding share of income going to owners of financial assets and a shrinking share to labor.

Between 1979 and 1987 those who owned income-producing property such as real estate, corporate stock, bonds, and other interest-bearing assets saw their incomes from these sources increase by 50%. During the same period, total labor income, which includes the pay of executives and professionals as well as hourly workers, rose by one-third less — only 16.7%. (Since real wages and salaries have fallen, the rise in labor income resulted from a larger employed population working longer hours.) Total incomes of farmers and small business proprietors rose 13%. A sharp shift towards property income is therefore evident.

The post-1973 shift away from labor income and toward property income is unique in the post-war period (Table 18) and is partly responsible for the recent surge in inequality. Since the rich are the owners of income-producing property, or "capital," the fact that the assets they own have commanded an increasing share of the nation's income automatically leads to income growth which is concentrated at the top.

TABLE 16

Source of Family Income for Each Population Decile

Decile	Labor Income	Capital Income	Government Transfer	Other	Total
First	23.9%	6.7%	62.4%	7.0%	100.0%
Second	39.9	6.3	47.0	6.8	100.0
Third	60.3	7.8	24.8	7.1	100.0
Fourth	67.3	9.5	16.1	7.2	100.0
Fifth	72.2	9.7	11.3	6.8	100.0
Sixth	76.9	9.8	8.0	5.4	100.0
Seventh	78.8	10.3	5.9	5.0	100.0
Eighth	82.3	9.4	4.3	4.0	100.0
Ninth	83.4	10.0	2.8	3.8	100.0
Tenth	66.7	28.9	1.4	3.0	100.0
Top 5%	60.7%	35.5%	1.1%	2.7%	100.0
Top 1%	50.5	47.8	0.4	1.2	100.0
All Families	72.3%	16.6%	6.8%	4.4%	100.0

TABLE 17

Income Growth by Type of Income, 1979–87

1) Total Property Income	49.9%
a) Rent	128.2
b) Dividends	20.4
c) Interest	54.3
2) Total Labor Income	16.7
a) Wages & Salary	17.0
b) Other Labor Income	13.4
3) Proprietor's Income**	12.9
4) Total Market-Based Income	21.2

* Defined by the fixed-weighted GNP price inflator.
** Business and farm owners' income

TABLE 18

Shares of Income by Type, 1947–87

	1947	1967	1973	1979	1987
1) Total Property Income	10.9%	14.4%	13.6%	14.9%	18.5%
a) Rent	3.2	3.2	1.8	0.3	0.6
b) Dividends	3.5	3.3	2.6	2.6	2.6
c) Interest	4.2	7.9	9.2	12.0	15.3
2) Total Labor Income	69.5%	73.9%	74.7%	74.6%	71.8%
a) Wage & Salary	68.2	70.3	69.8	68.0	65.6
b) Other Labor Income	1.3	3.6	4.8	6.7	6.2
3) Proprietor's Income*	19.7%	11.7%	11.7%	10.4%	9.7%
4) Total Market-Based Income	100.0%	100.0%	100.0%	100.0%	100.0%

* Business and farm owners' income

Changes in Per-Capita Income

Some people have pointed to continued increases in the statistics on per-capita income as a sign that the living standards for the majority of Americans may not be declining, as the family income data suggest. But closer analysis of the numbers supports the case that family incomes are in trouble.

The data of **Table 19**, for example, show a significant slowdown in the growth of per-capita personal income and in disposable (or after-tax) income. Consumer spending has slowed even more than disposable incomes.

The analysis presented in **Table 20** calls into question whether an increase in per-capita income necessarily means an improved standard of living. The table shows that a major reason for rising per-capita income is that families are having fewer children (this phenomenon has ambiguous implications: for some, it reflects a freely-chosen preference, for others it reflects an inability to afford a larger family). Per-capita income also has risen because the population is getting older. The purely **economic** change in per-capita income — that is, income changes which reflect economic opportunity rather than the change in family composition — therefore actually was negative between 1979 and 1985.

TABLE 19

Per-Capita Growth in Real Income and Consumption, 1947–87

	Personal Income	Disposable Personal Income	Consumption Expenditures
1) 1947–67	2.65%	2.56%	2.21%
2) 1967–73	3.67	3.47	3.19
3) 1973–79	2.03	1.79	2.26
4) 1979–87	1.36	1.34	1.70
	Post 1979 Slowdown		
5) Change from 1973–79 to 1979–87*	−0.67	−0.45	−0.56

* line (3) less line (4)

TABLE 20

Source of Rising Per-Capita Money Income

	Percent Change 1973–79	Percent Change 1979–85
(1) Total PCI Rise	5.8%	3.6%
due to: (2) Fewer Children Per Adult	4.5	1.4
due to: (3) Adult Income Growth	1.3	2.2
(4) Aging Adult Population	0.3	2.8
(5) "Economic" Rise*	1.0	−0.6

* Adult income growth (line 3) less effect of aging (line 4).

Income and Education

Traditionally, the more education one has, the more income one is likely to receive for one's work. Higher education is a valuable "investment" which provides financial returns, but only for a small portion of families. As **Table 21** shows, higher education in 1987 brought only $584 more than it did in 1973, an increase of just 0.1% annually.

The disparity in income between those with high school educations (or less) and those with a college education has grown considerably. This is because the incomes of those without a college degree have rapidly declined since 1973. Families relying on household heads with a high school or elementary school education have incomes 12% to 18% below 1973 levels. In 1987, the median income of a high school graduate was 55.3% of the median income of a college graduate, down from 64% in 1973. In 1973, those with high school educations were, on the average, able to earn incomes greater than the median family income; in 1987, median income for this group was only 90% of median family income.

The rapid rate of income decline for those without a college degree is not a problem which is confined to a small group; **Table 22** shows that the percentage of American heads of household who have a high school education (or less) remains well over half — still 61% in 1987. An additional 16.9% had one to three years of college. Only about one-fifth (22.1%) had four or more years of college.

TABLE 21

Income and Educational Attainment: Median Income for Various Levels of Education* (1987 dollars)

Year	Elementary	High School	1 to 3 Years College	4 Years College or More	Median Income High School Graduate as % of College Grad.
1973	$19,562	$31,677	$37,730	$49,531	64.0%
1979	18,013	30,038	35,902	47,011	63.9
1987	16,094	27,733	36,392	50,115	55.3
Annual Rate of Change In Real Income at Various Levels of Education					
1973–79	−1.4%	−0.9%	−0.8%	−0.9%	
1979–87	−1.4	−1.0	0.2	0.8	
1973–87	−1.4	−0.9	−0.3	0.1	

*Incomes of families by educational attainment of householders, 25 years of age or more.

TABLE 22

Percentage of Adult Population at Various Levels of Education

Year	Elementary	High School	1 to 3 Years College	College Graduate or More	Total	High School or Less
1973	23.1%	48.9%	12.2%	15.8%	100.0%	72.0%
1979	17.4	48.8	14.9	19.0	100.0	66.1
1987	12.1	48.9	16.9	22.1	100.0	61.0

* Families by educational attainment of householders, 25 years of age or more

Falling Wages

The vast majority of Americans obtain most of their family income from paid employment. The data which follow indicate that lower earnings are responsible for the recent declines in family incomes.

Trends in hourly and weekly earnings have shown the same pattern as family incomes have shown over the same period (**Table 23**). After a quarter-century of sustained real growth in wages, over the last 15 years wages have fallen. Since 1973, hourly and weekly earnings both have declined, with weekly earnings falling $60 by 1987. From 1979 to 1987, real average hourly earnings decreased by 7%, or $.67 per hour. During this same period, average weekly earnings fell 9.2%, a $32-a-week decrease which amounts to $1,664-per-year less for someone working full-time, full-year. By 1987, average weekly earnings had dropped to the wage level which prevailed in the early 1960s. These data are for nonsupervisory workers, who comprise 80% of the workforce.

TABLE 23

Hourly and Weekly Earnings, 1947–87
(1987 Dollars)*

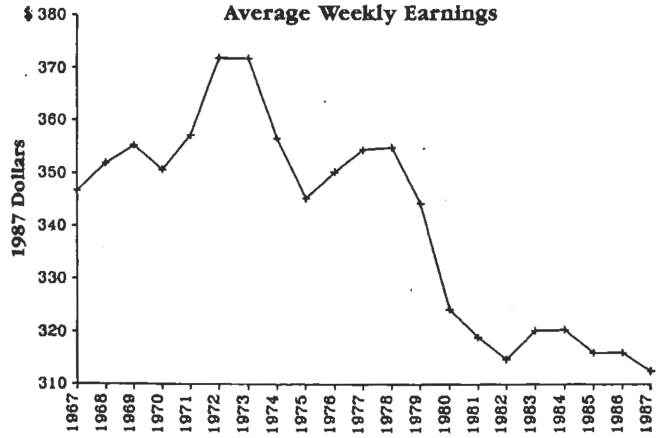
Year	Average Hourly Earnings	Average Weekly Earnings
1947	$ 5.75	$231.92
1967	9.12	346.66
1973	10.08	371.83
1979	9.65	344.33
1987	8.98	312.50

Annual Rates of Growth

Year	Average Hourly Earnings	Average Weekly Earnings
1947–67	2.3%	2.0%
1967–73	1.7	1.2
1973–79	−0.7	−1.3
1979–87	−0.9	−1.2

* For nonsupervisory employees

FIGURE 5:
Average Weekly Earnings



Hourly Versus Salaried

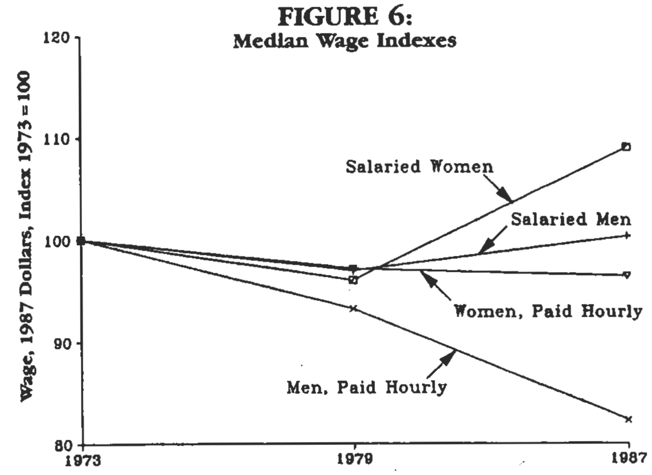
Men as well as women who are paid on an hourly basis have suffered decreases in their earnings during both the 1973-79 and 1979-87 periods (**Table 24**). In contrast, salaried workers of both sexes have seen increases in their earnings between 1979 and 1987. Women generally have fared better than men in both categories: female hourly workers

TABLE 24

Changes in Real Hourly Wages, Hourly and Salaried Workers, 1973–87

	Hourly Workers		Salaried Workers	
	Men	Women	Men	Women
	(Annual Rates of Change)			
1973–79	−1.2%	−0.5%	−0.5%	−0.7%
1979–87	−1.5	−0.1	0.4	1.6

FIGURE 6:
Median Wage Indexes



had smaller annual decreases than males over the same time periods, and between 1979 and 1987 female salaried workers enjoyed annual pay increases four times as large as their male counterparts.

One consequence of the differing rates of change of women's and men's earnings is that men's wage advantage over women has become smaller, as **Table 25** shows. The first column shows that between 1979 and 1987, the difference between women's and men's hourly wages shrank by eight percentage points. The second column shows that **if** men's wages had **not** fallen after 1979, then the wage advantage of men would have only dropped by 2.9 percentage points. Thus, *the fall in men's wages is the main cause of the improvement in the male-female wage gap.*

The value of fringe benefits per hour also declined between 1979-87, as shown in **Table 26**. This decline in hourly fringe benefits is surprising in view of the sharp increase in the costs of health insurance. Fringe benefit costs have fallen because fewer workers are covered by employer-paid health and pension plans and because employers have been shifting their health costs onto their employees.

While wages and benefits have been declining, productivity (which is often cited as the key factor determining wages) has increased over both the 1973-79 and the 1979-87 periods.

If productivity has increased, why have average earnings declined? A large part of the answer can be explained by the industrial shifts which have occurred in the economy. **Table 27** shows the percentage of workers in each industry with various levels of earnings. A greater proportion of workers is concentrated in the middle range of weekly earnings in industries such as manufacturing, mining, transportation, communications, and government. For example, 46.7% earn between $300 and $600 a week in manufacturing industries, compared with 32.6% of workers in the retail sector. Yet the industries with earnings concentrated in the middle ranges are largely those which, in the 1980s, have experienced substantial declines in employment.

Expansion in employment has occurred mostly in the service-producing sector of the economy, especially in retail trade and services which have the largest percentages of workers concentrated at the bottom of the earnings distribution. In retail trade, 57.5% of full-time workers earn below $299 a week. In services, 41.8% of workers earn $299 or less per week compared with 31.3% in manufacturing. The impact of the shift to low-wage industries is examined in more detail in the section on Industry Shifts and Worker Dislocation.

TABLE 25

Explaining the Relative Rise of Women's Wages

	Actual Ratio of Female to Male Hourly Wage	Ratio of Female to Male Hourly Wage if Male Wages Were at 1979 Level
1979	62.6%	62.6%
1987	70.6	65.5
Change		
1979-87	8.0	2.9

TABLE 26

Real Compensation and Productivity Growth Rates, 1973–87*

	Hourly Earnings	Weekly Earnings	Hourly Compensation	Hourly Fringes**	Productivity
1) 1973–79	−0.7%	−1.3%	0.4%	4.9%	0.5%
2) 1979–87	−0.9	−1.2	0.1	−0.5	1.1
Slowdown from 1973–79 Growth Rate					
3) 1979–87	−0.2%	0.1%	−0.3%	−5.4%	0.6%

* The difference between the 1973–79 and 1979–87 growth rates
** Total compensation less wages and salaries and social insurance taxes

TABLE 27

Percent Distribution of Full-time Weekly Earnings by Industry

	Under $199	$200 to $299	$300 to $399	$400 to $499	$500 to $599	$600 to $749	$750 to $998	$999 or more
Total 16 yrs. +	**12.0%**	**22.3%**	**18.6%**	**15.4%**	**11.1%**	**9.5%**	**6.4%**	**4.7%**
Private Sector	13.4	23.5	18.4	14.5	10.3	8.9	6.1	4.9
Goods Producing	9.8	22.1	18.7	15.9	11.4	10.3	6.8	4.9
Agriculture	36.3	36.5	14.6	6.2	2.4	2.3	0.9	0.6
Mining	2.4	10.3	15.2	16.7	17.0	14.6	10.8	13.1
Construction	5.5	22.5	19.7	17.4	11.2	13.2	7.5	3.0
Manufacturing	9.6	21.7	18.8	16.1	11.8	9.9	6.9	5.3
Durable	6.4	19.4	19.3	17.4	12.9	11.1	7.6	5.8
Nondurable	14.4	25.1	18.1	14.2	10.0	8.1	5.7	4.4
Service Producing	15.7	24.4	18.2	13.6	9.6	8.0	5.6	4.9
Transp., Comm., and Util.	4.3	13.1	16.0	18.3	16.1	16.7	9.8	5.6
Wholesale Trade	7.6	21.2	20.1	15.9	12.3	9.0	7.7	6.3
Retail Trade	28.3	29.2	16.2	10.2	6.2	4.8	2.9	2.2
Fin., Ins., Real Est.	7.1	25.6	20.5	13.0	10.2	8.1	7.1	8.4
Services	16.5	25.3	19.0	13.8	8.8	6.9	5.0	4.7
Public Sector	5.5	16.9	19.6	19.4	14.8	12.2	8.0	3.6

The Shift to Low-Paying Jobs

The fact that recent job creation has been disproportionately low-wage is documented further in **Tables 28, 29, and 30**. Table 28 examines *weekly* wages. There has been a decline in the percentage of full-time wage and salary workers with middle level earnings between 1973 and 1985. During the same time period, the share of workers in low-paying jobs increased by 3.8 percentage points and the share in high-paying jobs decreased by 0.7 percentage points. More than half the new full-time jobs created between 1973 and 1985 were low-paying jobs.

The expansion of low-wage jobs is also evident from data on the ***annual*** wages of workers. Tables 29 and 30 compare annual wages of full-time workers who worked at least 50 weeks. (Restricting the analysis to full-time, full-year workers is necessary to ensure that the data reflect changes in the amounts which jobs pay rather than changes in fractions of workers working part-time or part-year due to the ups and downs of the business cycle.) From 1963 to 1973 there was a considerable shrinkage in low-wage jobs (from 21.4% to 13.1%) accompanied by an expansion of mid-level and higher-paying jobs. Low-wage jobs began to expand again after 1973. Between 1979 and 1986 some 3.4% of the full-time workforce, or more than three million workers, moved down the ladder, from jobs with mid-level earnings to jobs with low-level earnings.

TABLE 28

Distribution of Full-Time Wage and Salary Workers by Relative Weekly Wage Level

Earnings Level	Percent Distribution of Employment		
	1973	1982	1985
High Stratum	33.3%	33.5%	32.6%
Middle Stratum	34.8	33.5	31.7
Low Stratum	31.9	33.1	35.7

TABLE 29

Distribution of Employment by Wage Level: 1963–86
(For Year-Round, Full-Time Workers)

	Shares of Total Employment				
Wage Level	**1963**	**1973**	**1979**	**1986**	**Change 1979–86**
All					
Low Stratum	21.4%	13.1%	13.8%	17.2%	+3.4%
Middle Stratum	75.5	78.7	78.3	74.0	−4.3
High Stratum	3.1	8.1	7.9	8.8	+0.9
Total	100.0%	100.0%	100.0%	100.0%	—
Men					
Low Stratum	14.1%	7.4%	8.0%	11.7%	+3.7%
Middle Stratum	81.8	80.9	80.3	75.0	−5.3
High Stratum	4.2	11.7	11.7	13.2	+1.5
Total	100.0%	100.0%	100.0%	100.0%	—
Women					
Low Stratum	41.3%	25.3%	24.2%	25.5%	+1.3%
Middle Stratum	58.6	74.1	74.7	72.4	−2.3
High Stratum	0.1	0.6	1.0	2.2	+1.2
Total	100.0%	100.0%	100.0%	100.0%	—

FIGURE 7:
Middle-Wage Jobs

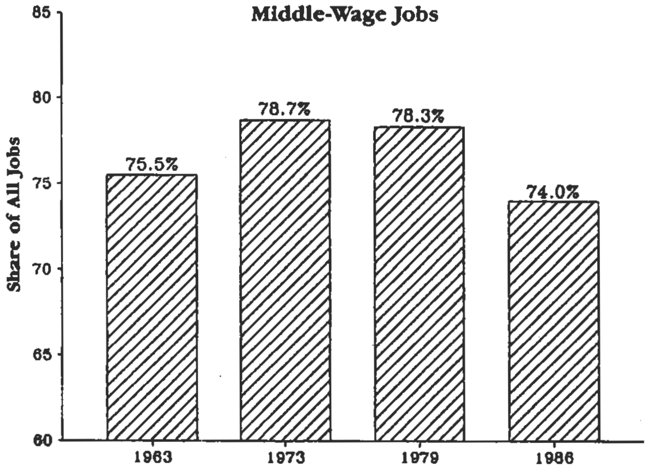
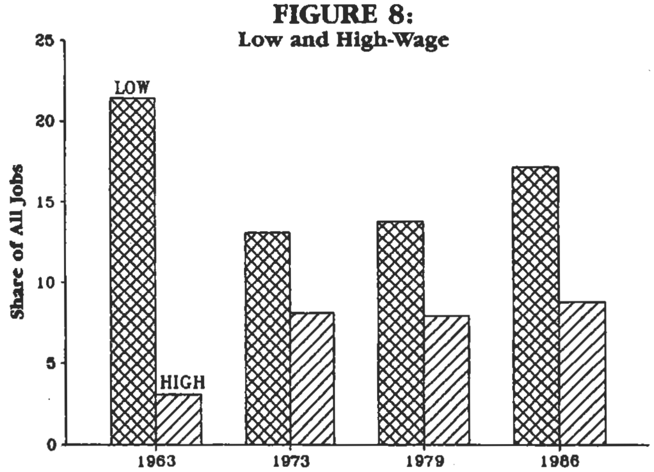


FIGURE 8:
Low and High-Wage



Since 1979, men and women have lost jobs with mid-level pay (shifting to lower and upper-level jobs). Men had a larger shift downward (Table 29), with 3.7% of the jobs held by men shifting from mid-level to lower-level jobs between 1979 and 1986.

There was also a shift from mid-level to low-paying jobs both among whites and nonwhites (Table 30). The shift towards lower-wage jobs was most dramatic among minority workers, as an additional 5% of the jobs held by minority workers were low paid in 1986 compared to 1979. One in five minority workers held a low-wage job in 1979; in 1986, one in four held low-wage jobs.

International Competition

Increased competitive pressure from our international trading partners has been cited as a reason why American employers now must pay their workers less. **Table 31** compares hourly compensation in the U.S. relative to some of our major international competitors. With the fall of the dollar

TABLE 30

Distribution of Employment Level By Wage Level: 1963–86 (For Year-Round, Full-Time Workers)

	Shares of Total Employment				
Wage Level	1963	1973	1979	1986	Change 1979–86
Whites					
Low Stratum	18.7%	11.8%	12.9%	15.8%	+2.9
Middle Stratum	78.0	79.3	78.5	74.6	−3.9
High Stratum	3.4	8.9	8.6	9.6	+1.0
Total	100.0%	100.0%	100.0%	100.0%	—
Nonwhites					
Low Stratum	48.6%	24.0%	20.9%	25.8%	+4.9
Middle Stratum	51.4	74.1	76.4	69.9	−6.5
High Stratum	0.1	1.9	2.8	4.2	+1.4
Total	100.0%	100.0%	100.0%	100.0%	—

since 1985, U.S. wages either are lower than or equal to most of our competitors' wage levels (with the exception of South Korea). In less than three years, for example, Japanese wages have risen from being half of American wages to a level that is nearly equal. Yet our trade problems have continued to grow. Wages in Third World countries such as South Korea continue to be far below U.S. levels (presently only 10% to 14% of U.S. wages).

TABLE 31

Comparison of Manufacturing Hourly Compensation in U.S. and Other Countries, 1979–88

	U.S.	Canada	Germany	Japan	Korea
1988(est)*	$13.46	$12.81	$17.61	$13.12	$1.89
1987	13.46	11.98	16.83	11.34	1.69
1986	13.21	11.04	13.35	9.47	1.39
1985	12.96	10.88	9.56	6.47	1.31
1984	12.51	11.07	9.43	6.34	1.28
1983	12.10	10.97	10.23	6.13	1.20
1982	11.64	10.20	10.28	5.70	1.13
1981	10.84	9.32	10.53	6.18	1.06
1980	9.84	8.47	12.33	5.61	1.01
1979	9.02	7.69	11.29	5.49	1.06

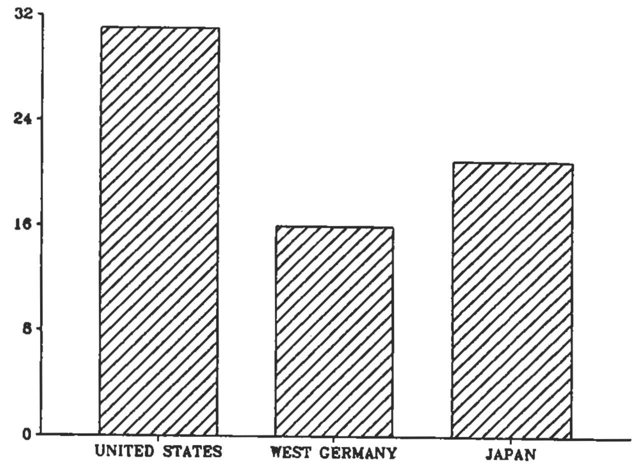
* 1987 Hourly Compensation at 5/27/88 exchange rates

Ratio to U.S. Hourly Compensation

1988(est)	100%	95%	131%	97%	14%
1987	100	89	125	84	13
1986	100	84	101	72	11
1985	100	84	74	50	10
1984	100	88	75	51	10
1983	100	91	85	51	10
1982	100	88	88	49	10
1981	100	86	97	57	10
1980	100	86	125	57	10
1979	100	85	125	61	12

In response to the challenge of foreign competition, American management has pursued wage cuts for *hourly* workers to the point where the historic gap between the U.S. and other major industrial competitors largely disappeared. However, the difference between U.S. and foreign *executive* pay remains substantial. As Figure 9 shows, an American executive makes 31 times the salary of an average worker. The difference between an executive's salary and a worker's wage is much smaller in countries which are our major competitors, such as West Germany and Japan.

FIGURE 9:
Ratio of CEO's Pay to Workers' Pay



Employment and Unemployment: *Good Jobs, Bad Jobs, or No Jobs*

The official rate of unemployment published by the Bureau of Labor Statistics through the first half of 1988 was low relative to the historically high rates which have prevailed so far in the 1980s. But the downward movement of the official rate at this stage of the recovery hides the reality that the employment situation in the U.S. economy has deteriorated. The tables which follow show that unemployment and underemployment are problems whose severity has increased for most of the population over the course of the last two business cycles.

TABLE 32

BLS Unemployment Rates

	Unemployment	Teen Unemployment
Total		
1947	3.9%	9.2%
1967	3.8	12.9
1973	4.9	14.5
1979	5.8	16.1
1987	6.2	16.9
Male		
1947	4.0%	N/A
1967	3.1	12.3%
1973	4.2	13.9
1979	5.1	15.9
1987	6.2	17.8
Female		
1947	3.7%	N/A
1967	5.2	13.5%
1973	6.0	15.3
1979	6.8	16.4
1987	6.2	15.9
Black		
1967	N/A	N/A
1973	9.4%	31.5%
1979	12.3	36.5
1987	13.0	34.7
White		
1967	3.4%	11.0%
1973	4.3	12.6
1979	5.1	14.0
1987	5.3	14.4
Hispanic		
1967	N/A	N/A
1973	7.5%	19.7%
1979	8.3	19.2
1987	8.8	22.31

Unemployment

Table 32 gives a broad view of unemployment rates by race, sex, and age during various peak years in the business cycle since World War II for the working population as a whole, as well as for teenagers. Peak years are those when the economy is at its strongest, and therefore unemployment is at its lowest. For every group except females and black teens, unemployment was higher in 1987 than in earlier peak years.

The rate of unemployment for teenagers either has risen or remained fixed (depending on race and sex) since 1979 at extremely high levels relative to the post-war period. This is true despite the fact that in the current period teenagers account for a smaller segment of the population, and that the minimum wage has its lowest real value since 1955. This is strong evidence that a lower minimum wage does not reduce teen unemployment. In fact, historically, a higher minimum wage has been associated with *lower* teen unemployment.

Table 33 presents an alternative measure of unemployment, which is issued regularly by the National Committee for Full Employment. This

TABLE 33

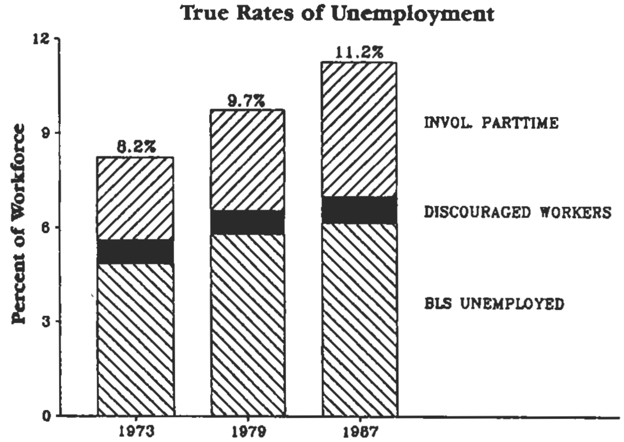
"Real" Rates of Unemployment

	1973	1979	1987
	(1,000s)	(1,000s)	(1,000s)
BLS Civilian Labor Force	89,429	104,962	119,865
BLS Unemployed	4,365	6,137	7,425
Discouraged Workers	689	771	1,026
Involuntary Part-Time	2,343	3,373	5,122
Total Affected*	7,397	10,281	13,573
"Real" Unemployment Rate**	8.2%	9.7%	11.2%
BLS Unemployment Rate	4.9	5.8	6.2

* Unemployed, discouraged, and involuntary part-time.
** Total affected divided by the sum of the labor force plus discouraged workers.

alternative measure is more comprehensive than the official one because it includes people working part-time who want to work full-time ("involuntary" part-timers) and those who want to work but have been discouraged from searching for jobs by lack of previous success. In 1987, this real rate was 11.2%, approximately 80% higher than the official 6.2% rate, and significantly higher than the real rate of unemployment in 1973 and 1979. The higher levels of real unemployment primarily reflect the high levels of involuntary part-time work in 1987.

FIGURE 10:
True Rates of Unemployment



The average amount of time individuals are forced to spend in unemployment also has lengthened. As **Table 34** shows, in 1987 the average duration of unemployment was 14.5 weeks, four-and-one-half weeks longer than it was in 1979. A higher portion of the unemployed also now are forced to remain without work for six months or more (27-plus weeks).

Unemployment has not only become longer, it also has become more financially difficult. **Table 35** shows that in 1987, fewer than one-third of the unemployed were receiving any unemployment insurance, a substantial drop from the financial protections available in prior years. Changes in the laws and administration of unemployment insurance at both the federal and state levels are responsible for the lower coverage of unemployment insurance.

TABLE 35

Proportion of the Unemployed Who Receive Some Unemployment Insurance Payment

Year	Rate
1967	42.7%
1973	41.1
1979	42.2
1987	30.5

Employment

Table 36 presents the changes in two measures of employment growth over various periods since World War II. The trend is unmistakable: both overall employment and full-time equivalent employment (which combines part-time and full-time according to practices in each industry) show an increasing rate from 1947 up through 1979, and then deceleration from 1979 to 1987.

The last two columns of Table 36 show why unemployment, as officially measured, has been able to fall despite ***a much slower growth in job creation since 1979.*** One reason is that the working-age population has grown more slowly than it did in the period from 1967 to 1979. The growing proportion of the working-age population seeking employment, as shown by the labor force participation rate, also has leveled off in recent years. Together, these trends account for a slowdown in growth in the number of people seeking work. Thus, the recent fall in unemployment

TABLE 34

Duration of Unemployment

Year	Average Weeks of Unemployment	Percent of Unemployed With Duration of Unemployment of: 15–26 weeks	27+ weeks
1973	10.0 weeks	11.1%	7.9%
1979	10.8	11.5	8.7
1987	14.5	12.7	14.0

TABLE 36

Employment Growth, 1947–87

Period	Measures of Employment: Employment	Full-Time Equivalent Employment	Working Age Population	Labor Force Participation Rate
	(Annual Rates of Growth)			
1947–67	1.34%	1.85%	1.22%	.11
1967–73	2.26	1.88	2.10	.33
1973–79	2.53	2.30	1.92	.78
1979–87	1.63	1.29	1.48	.37

has *not* been due to superior job creation. Instead, unemployment has fallen because fewer new jobs were demanded.

Table 37 shows that the share of total employment made up of full-timers has declined steadily from 1973 to 1987. At the same time, the share of jobs which are part-time has increased from 16.6% in 1973 to 18.4% in 1987. The bottom half of the table indicates that more than half of the new part-time employment between 1979 and 1987 has been involuntary, that is,the holders of these new part-time jobs would prefer full-time work if it were available, but have been forced to settle for part-time work.

FIGURE 11:
Employment Growth, 1947–1987

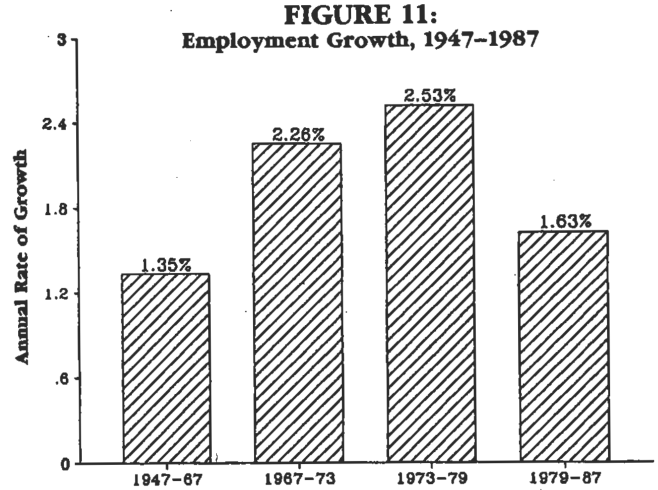


TABLE 37

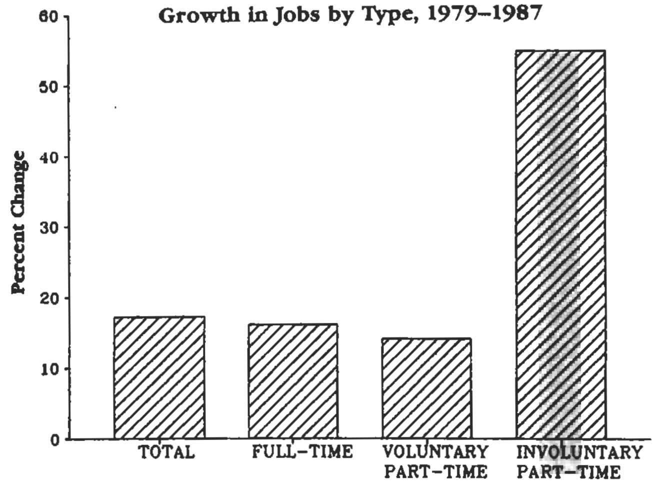
Composition of Non-Agricultural Employment, 1973–87

Year	Part-Time: Total	Part-Time: Involuntary	Part-Time: Voluntary	Full-Time	Total
1973	16.6%	3.1%	13.5%	83.4%	100.0%
1979	17.6	3.8	13.8	82.4	100.0
1987	18.4	5.0	13.5	81.6	100.0

Shares of Part-Time Job Growth, Voluntary and Involuntary, 1973–87

Years	Share of New Part-Time Jobs: Voluntary	Share of New Part-Time Jobs: Involuntary	New Part-Time Jobs (1,000s)
1973–79	66.3%	33.7%	3,055
1979–87	46.5	53.5	3,271

FIGURE 12:
Growth in Jobs by Type, 1979–1987



As Figure 12 shows, involuntary part-time employment has been growing three times as fast as either full-time or voluntary part-time employment.

Many workers prefer a part-time schedule because it allows time to pursue education, leisure or family responsibilities. But large numbers of part-timers clearly would prefer to work full-time. Part-timers generally have lower pay, a lower-skilled job, less chance of promotion, less job security, less chance of receiving paid benefits (such as vacation, health insurance, and pension) and a lower status overall within their place of employment.

A major factor in the recent relative decline in the share of full-time workers in the economy is the concentration of job growth in industries which rely heavily on part-time work. As **Table 38** shows, more than one-third of employment in retail trade — an industry with one of the fastest rates of job growth — is part-time. More than one in five service industry jobs are part-time. Only 7% of goods-producing jobs are part-time, a rate of part-time work only one-third of that of the service-producing sector.

Table 39 shows that workers in every category have had to accept involuntary part-time employment — with women, blacks, and teenagers the most likely to be affected.

TABLE 39

Rate of Part-Time Work For Various Workforce Groups, 1987

Workforce Group	Involuntary	Voluntary	Total Part-Time
Men	4.1%	7.3%	11.4%
Women	6.1	20.9	27.0
Age 16–19	11.0	54.2	65.2
Age 20–64	4.6	9.9	14.5
Age 65 and up	4.5	47.9	52.4
Black	7.7	9.2	17.1
White	4.6	14.0	18.6
All	5.0	13.5	18.4

TABLE 38

Rate of Part-Time Work By Industry, 1987

Industry Sector	Involuntary	Voluntary	Total Part-Time
Goods Producing	3.5%	3.4%	6.9%
Mining	3.9	2.2	6.1
Construction	6.9	4.6	11.5
Manufacturing	2.5	3.1	5.6
Durable goods	1.6	2.3	3.9
Nondurable goods	3.9	4.3	8.2
Service Producing	5.0	16.3	21.3
Transp., Comm., Util.	3.2	5.3	8.5
Wholesale trade	2.2	6.2	8.4
Retail trade	8.9	27.0	35.8
Fin., Ins., Real Est.	1.9	9.5	11.4
Public administration	1.3	5.1	6.4
Education	3.7	21.2	24.9
Service industries	5.3	17.0	22.3

The Marginal Workforce

A significant portion of today's workforce has become marginalized, in one way or another. There has been a large increase in the number of workers hired on a temporary basis. These temporary workers frequently are denied health insurance and pension coverage and effectively are denied access to promotions and better jobs. The growth of employment in the temporary help service industry, shown in **Table 40**, reflects these developments. Temporary help employment grew six times faster than overall employment in the 1970s and nine times faster than total employment since 1979. By 1987, this industry had nearly 1.2 million workers and made up 1.2% of total employment, four times its relative importance in 1973.

TABLE 40

The Growth of Temporary Help Industry Employment, 1973–87

		Temporary Help Industry*	
	Total Employment	**Employment**	**Share of Total**
	(1,000s)	(1,000s)	
1973	76,790	256	0.3%
1979	89,823	527	0.6
1982	89,566	556	0.6
1987	102,110	1,188	1.2
Percentage Change			
1973–79	17.0%	106%	
1979–87	13.7	125	
1982–87	14.0	114	

* In 1987, 80% of employment in this industry was in temporary help agencies, the remainder in employment agencies.

Other types of marginal workers (**Table 41**) include "leased employees," who work for one firm but are leased to another, and workers employed at home (so employers can reduce their overhead and avoid labor regulations such as minimum wage, overtime, and safety protections). These workers, along with those employed by "temp" agencies are the statistically visible portion of this new marginal workforce; many others — such as new immigrants — escape detection. Some experts say that the total is closer to 25 million.

TABLE 41

Elements of The Marginal Workforce

	No. of Workers
	(1,000s)
Temporary Help Services*	944
Leased Workers*	120
At-home Workers**	2,243
8 hours/week or more	1,992
35 hours/week or more	1,067

* 1987
** 1985

Industry Shifts and Worker Dislocation

Family incomes, wages, and employment all have been affected in recent years by the shift from goods-producing to service-producing jobs. As Table 42 shows, the 12.2 million (net) jobs created between 1979 and 1987 involved a loss of 1.6 million goods-producing jobs (1.9 million fewer in manufacturing) and an increase of 13.9 million service-sector jobs. The two lowest paying industries — retail trade and services (business, personal, and health) — accounted for 84% of all job growth from 1979 to 1987.

TABLE 42

Employment Growth by Sector, 1979–87

Industry Sector	Employment 1979 (1)	Employment 1987 (2)	Job Growth (3)	Industry Share of Job Growth (4)	Median Weekly Earnings (1987) (5)
	(1,000s)	(1,000s)	(1,000s)		
Goods Producing	26,461	24,885	-1,576	-12.8%	$389
Mining	958	742	-216	-1.8	508
Construction	4,463	5,032	569	4.6	402
Manufacturing	21,040	19,112	-1,928	-15.7	398
Durable Goods	12,760	11,235	-1,525	-12.4	408
Nondurable Goods	8,280	7,876	-404	-3.3	349
Service Producing	63,363	77,219	13,856	112.8	344
Transp., Comm., Util.	5,136	5,377	241	2.0	485
Wholesale	5,204	5,797	593	4.8	401
Retail	14,989	18,262	3,273	26.6	258
Fin., Ins., Real Est.	4,975	6,588	1,613	13.1	370
Services	17,112	24,136	7,024	57.2	327
Government	15,947	17,063	1,116	9.1	425
Total	89,823	102,105	12,282		372

By 1987 there was a 5% shift in employment from goods production to the service sector (**Table 43**). Manufacturing, which in 1979 had 23.4% of employment, had fallen to only 18.7% in 1987. The three highest-paying industries in the service sector — transportation, communications and utilities; government; and wholesale trade — also have seen their shares of total employment decline.

The shift from employment in high-paying to low-paying industries reduced average wages (**Table 44**). The industries in which non-supervisory jobs shrank between 1979 and 1985 paid weekly wages of $402 — 56% more than the $258 weekly pay in expanding industries. Hourly pay averaged $9.93 in shrinking industries and $7.70 in expanding ones.

TABLE 43

Changes in Employment Share by Sector, 1979–87

Industry Sector	Share of Employment 1979	Share of Employment 1987	Change in Employment Share, 1979–87
Goods Producing	29.5%	24.4%	-5.1%
Mining	1.1	0.8	-0.4
Construction	5.0	4.9	0.0
Manufacturing	23.4	18.7	-4.7
Durable Goods	14.2	11.0	-3.2
Nondurable Goods	9.2	7.7	-1.5
Service Producing	70.5	75.6	5.1
Transp., Comm., Util.	5.7	5.3	-0.5
Wholesale	5.8	5.7	-0.1
Retail	16.7	17.9	1.2
Fin., Ins., Real Est.	5.5	6.5	0.9
Services	19.1	23.6	4.6
Government	17.8	16.7	-1.0

TABLE 44

Nonsupervisory Earnings in Expanding and Shrinking Industries,* 1979–85

	Average Hourly Earnings**	Average Weekly Earnings**
1. Expanding Industries	$7.70	$257.73
2. Shrinking Industries	9.93	402.30
3. Ratio (2/1)	1.29	1.56

* Expanding and shrinking defined by growing or declining shares of employment in two-digit industries.

** Measured at 1985 wage levels.

This shift reduced weekly earnings by 3.2% and hourly earnings by 1.8% between 1979 and 1985 (**Table 45**). The damage to average earnings from industry employment shifts in the 1979 to 1985 period was double the damage done in the prior six years.

TABLE 45

Effect of Industry Employment Shifts on Average Earnings

Private Nonsupervisory	1973–79	1979–85
1. Weekly earnings	-1.7%	-3.2%
2. Hourly earnings	-1.0	-1.8

Table 46 presents information on industry shifts over the post-war period. Two trends are evident. The first is that in the most recent period (1979-1986) there has been a more rapid shifting of employment than in earlier periods. Second, the difference in annual compensation (wages and fringe benefits) between expanding and shrinking industries is also at a post-war high. The industries which have been shrinking since 1979 paid $29,400 — or 41.5% more than the $20,800 annual compensation paid in the expanding industries. This rapid shift towards industries with low pay caused average compensation to be 0.4% lower each year from 1979 through 1986, a total reduction of 3%.

The loss of jobs in high-paying industries affects particularly two groups in the workforce. One group is made up of the young workers who are not able to find jobs in high-wage industries. This loss of access to jobs in high-paying industries is one of the reasons that young families have much less income than their counterparts did in the early 1970s. The other major group affected is made up of "dislocated workers" — those who lose jobs in primarily high-paying industries and must find work in other, lower-paying industries. Between 1981 and 1985, 11.2 million workers (or 2.25 million a year) were permanently dislocated — more than 5.2 million because their plant or place of employment closed down or moved (**Table 47**).

FIGURE 13:
The Compensation Gap
Between Expanding and Shrinking Industries

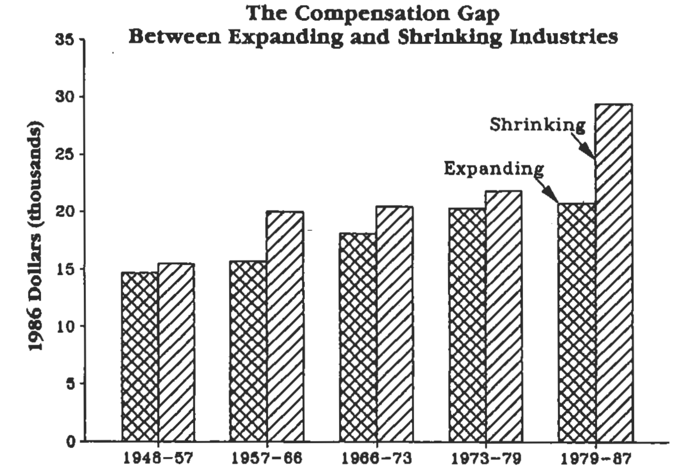


TABLE 46

Sectoral Employment Shifts and Average Compensation

Time Period	Rate of Structural Shift*	Annual Compensation of: Expanding Industries**	Annual Compensation of: Shrinking Industries**	Annual Compensation Gap*** Percent	Annual Compensation Gap*** Dollar	Effect on Average Compensation Annual
1948–57	.85	$14,693	$15,496	5.5%	$ 803	−0.1%
1957–66	.69	15,715	20,090	27.8	4,375	−0.2
1966–73	.93	18,187	20,554	13.0	2,367	−0.1
1973–79	.83	20,430	21,935	7.4	1,505	−0.1
1979–86	1.02	20,843	29,486	41.5	8,643	−0.4

* Annual shift of shares of employment among two-digit private sector industries.
** In 1986 dollars; expanding industries are those with increasing shares of employment. Shrinking industries are those with declining shares of employment.
*** Dollar value and percentage by which shrinking industries pay more than expanding industries.

TABLE 47

Numbers of Workers Permanently Dislocated from Their Jobs*

Time Period	Reason for Dislocation: Plant Closings	Reason for Dislocation: Other Reasons**	Total
1981–85	5,224,000	5,986,000	11,210,000
1979–83	4,924,000	7,000,000	11,924,000

* Based on BLS surveys in January 1984, and January 1986, of workers dislocated in the prior five years.
** Permanent job-loss due to abolition of job or shift, slack work, or self-employment business failure.

Dislocated workers experience high levels of unemployment. In January 1986, the overall adult unemployment rate was 5.9%. However, blue-collar workers (the bulk of those dislocated) who had lost their jobs *at least a year earlier* had unemployment rates at least twice as high: 15.3% for men and 13.6% for women (**Table 48**). In January 1984, blue-collar workers who were dislocated from their jobs between 1979 and 1982 suffered even worse rates of unemployment — roughly 25%.

Dislocated workers also experience longer-than-average spells of joblessness following their job loss (**Table 49**). The median time without work for blue-collar males and females who were dislocated in the 1981 to 1984 period was, respectively, 20 weeks and 48 weeks. More than one-third (35.2%) of dislocated female blue-collar workers were without work for more than a year. More than one-fifth (22.3%) of male blue-collar workers had no work for more than a year.

When dislocated workers do find new jobs, they tend to pay significantly less than their old jobs (**Table 50**). Consider the experiences of the male blue-collar workers who lost their jobs

TABLE 48

Unemployment and Dislocation

		Unemployment Rate for Dislocated Workers			
		Blue-Collar		White-Collar and Service	
Time	**Adult Unemployment Rate**	**Male**	**Female**	**Male**	**Female**
Workers Dislocated from 1981–84					
Jan. 1986	5.9%	15.3%	13.6%	7.4%	12.2%
Workers Dislocated from 1979–82					
Jan. 1984	7.1%	23.7%	25.4%	12.6%	15.2%

TABLE 49

Length of Joblessness Experienced by Dislocated Workers

	Percent Dislocated Workers by Length of Joblessness			
	Blue-Collar		White-Collar and Services	
Jobless Weeks	**Male**	**Female**	**Male**	**Female**
A. Workers Dislocated 1981–84				
Total	100.0%	100.0%	100.0%	100.0%
0–14	44.5	27.0	57.3	48.2
15–26	14.0	15.1	17.5	16.1
27–52	19.2	22.7	15.5	15.4
52 +	22.3	35.2	9.7	20.2
Median Weeks	19.7	47.7	10.5	16.0
B. Workers Dislocated 1979–82				
Total	100.0%	100.0%	100.0%	100.0%
0–14	37.3	28.7	54.8	44.7
15–26	13.7	13.4	13.6	12.9
27–52	18.9	20.6	16.8	16.3
52 +	30.2	37.3	14.8	26.1
Median Weeks	26.3	40.0	12.0	20.0

sometime between 1981 and 1984. One-third of those who found new employment were being paid at least 25% less. Among female blue-collar dislocated workers who found jobs, about 40% had earnings reductions exceeding 25%. White-collar and service dislocated workers fared slightly better than their blue-collar counterparts, with 30% experiencing earnings reductions of 25% or more.

Overall, workers who lost full-time manufacturing jobs in the early 1980s ended up in jobs paying 14% to 17% less (**Table 51**). Those who ended up in the low-paying part of the service sector (retail trade and services) had wages which averaged one-third less than what they formerly were paid.

TABLE 50

Earnings Reductions of Dislocated Workers

Earnings Reductions*	**Earnings Reductions Experienced by Dislocated Workers in New Jobs**			
	Blue-Collar		**White-Collar and Service**	
	Male	**Female**	**Male**	**Female**
A. Workers Dislocated 1981–84				
Total	100.0%	100.0%	100.0%	100.0%
No Loss	37.0	36.5	42.1	45.1
1–25 percent	28.4	22.9	29.0	23.8
25–50 percent	20.9	19.9	17.9	18.2
More than 50 percent	13.8	20.7	11.0	12.8
Percent Reemployed	79.2	63.8	89.4	72.0
B. Workers Dislocated 1979–82				
Total	100.0%	100.0%	100.0%	100.0%
No Loss	31.3	34.3	48.0	37.4
1–25 percent	30.3	29.3	29.2	29.7
25–50 percent	20.9	19.9	17.3	16.6
More than 50 percent	17.6	16.5	10.4	19.5
Percent Reemployed	71.3	56.5	82.7	66.8

* The percentage by which the weekly wage in the current job is less than the wage in the job which was lost.

TABLE 51

Earnings Reductions of Dislocated Manufacturing Workers

Industry of Current Employment	**Earnings Reductions of Dislocated Manufacturing Workers by Industry of Current Employment***	
	Worker Dislocation:	
	1981–84	**1979–82**
All industries	–14%	–17%
Manufacturing	–6	–12
Services	–28	–33
Retail Trade	–35	–34
Construction	–15	–27
Wholesale	–19	–31
Transportation	–2	–22

* Workers permanently dislocated from full-time manufacturing jobs.

A major problem facing dislocated workers is the loss of health insurance (**Table 52**). Fully 40% of the blue-collar workers who lost jobs between 1981 and 1984 also lost their health insurance coverage. Among those who had found new jobs, nearly 30% had lost coverage.

TABLE 52

Dislocation and Loss of Health Insurance Coverage

	Percentage of Workers Dislocated from Full-Time Jobs Who Lost Health Insurance Coverage*			
	Blue-Collar		White-Collar and Service	
	Male	Female	Male	Female
A. Dislocated 1981–84				
Total	40.2%	42.0%	26.4%	27.5%
Reemployed	27.8	29.0	19.4	19.5
B. Dislocated 1979–82				
Total	31.5%	39.7%	21.4%	28.6%
Reemployed	23.2	28.4	15.9	29.0

* Based on health insurance coverage at time of survey, January 1984, and January 1986.

Wealth:
The Rich Get Richer . . .

Lower incomes and earnings do not tell the whole story of the decline in the well-being of working Americans. The distribution of *wealth* is far more unequal than even that of income, and suggests an even wider gap between the living standards and economic security of the rich, on the one hand, and the middle class and the poor, on the other.

The fact that there are large numbers of working Americans with little or no household wealth means that regardless of income these families are in precarious economic circumstances. A household's level of wealth indicates its level of economic security — its ability to weather events such as medical emergencies and spells of unemployment. In practical terms, the situation is actually worse than the data indicate because most wealth owned by working people is in the form of equity in their homes or automobiles; liquidation of either is difficult and may have drastic results on living standards.

Table 53 shows that wealth is distributed more unequally than income. Those with family incomes of $5,000 or less had a median net worth valued at approximately 10% of their incomes, while those with incomes of $50,000 or more had a median net worth valued at over two-and-one-half times their incomes. In 1983, the latest year for which these data are available, 24% of families had a median net worth under $3,000 (this includes those with zero or negative net worth).

Table 54 shows that the wealthiest 10% of Americans own 86% of all financial assets (i.e. cash, bonds, stocks, certificates of deposit, IRA's, etc.) and 57% of the nation's total net worth. This same top 10% of the population receives 33% of the nation's income. The bottom 90% owns only 14% of all financial assets, and only 43% of total net worth, yet they claim 67% of the nation's flow of income.

TABLE 54

Percent Distribution of Wealth and Income, 1984

Families By Income	Shares of Total: Net Financial Assets	Net Worth	Income
Upper 2 percent	54%	28%	14%
Upper 10 percent	86	57	33
Bottom 90 percent*	14	43	67

* 20% of families had a zero or negative net worth; 54% of families had a zero or negative net value of financial assets.

TABLE 53

Median Net Worth by Family Income, 1983

Family Income	Percent of Families	Median Net Worth
Less than 5,000	9%	$ 514
5,000–7,499	8	2,140
7,500–9,999	7	2,725
10,000–14,999	14	11,575
15,000–19,999	13	15,383
20,000–24,999	11	22,820
25,000–29,999	9	28,876
30,000–39,999	13	45,981
40,000–49,999	7	63,941
50,000 and more	10	130,851

FIGURE 14:
Shares of Financial Assets and Incomes, 1983

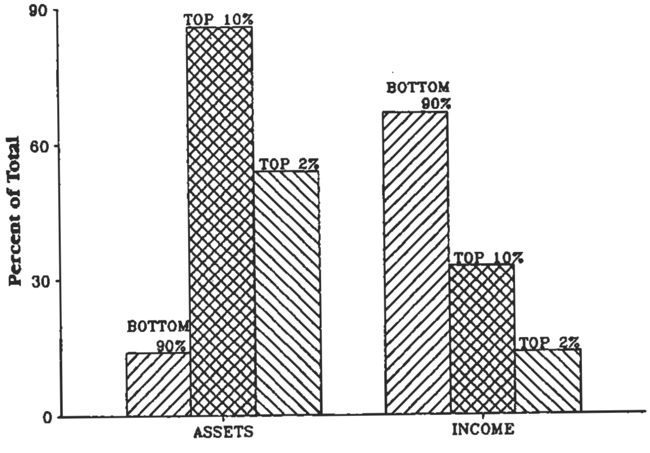


Table 55 shows that the top one-half-of-one-percent of Americans owned more than one-quarter of the nation's assets in 1983. The bottom 90% of the population as a group owned only 31.2% of all wealth. In 1983, the average "super rich" household (those in the top 0.5%) owned approximately 162 times as much wealth as the average household in the bottom 90%.

This inequality in the distribution of wealth has worsened in recent years. Between 1962 and 1983, the wealthiest Americans increased the value of their share of the nation's wealth by 90%, for an average dollar gain of more than $3.2 million per household. During the same period, the top 0.5%

FIGURE 15:
Change in Average Family Wealth 1962–1983

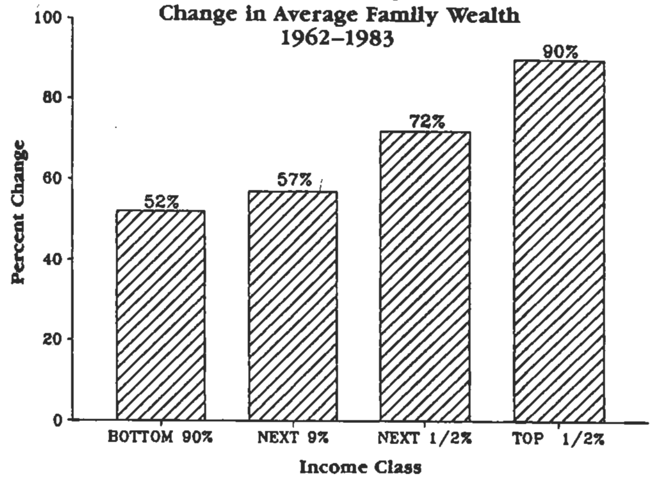


TABLE 55

Shifting Patterns of Wealth, 1983

Category	Average Wealth 1962	Average Wealth 1983	Percentage Change 1962–83
	1983 dollars		
Top half percent	$3,588,489	$6,823,675	90%
Next half percent	1,037,543	1,789,270	72
Next 9 percent	253,187	396,931	57
Bottom 90 percent	27,390	41,604	52

	Shares of Wealth 1962	Shares of Wealth 1983	Percentage Change 1962–83
Top half percent	25.4%	28.4%	12%
Next half percent	6.9	7.4	7
Next nine percent	32.3	33.0	2
Bottom 90 percent	34.9	31.2	− 11

TABLE 56

Selected Holdings of the Very Rich, 1983

	Percent of Total Held by High-Income Families					
	Financial Assets				Other Assets	
Families Ranked by Income*	Liquid Assets**	Stocks	Bonds	Municipal Bonds	Property	Business
Top 10 percent	51%	72%	70%	86%	50%	78%
Top 2 percent	30	50	39	71	20	33

* Ten percent of families had annual incomes over $50,000 and 2 percent earned over $100,000 annually in 1983.
** Money in checking accounts, IRAs, certificates of deposit, etc.

increased its share of total wealth by 12% while the majority of Americans (the bottom 90%) actually lost 11% of their share. As Figure 15 shows, the super-rich 0.5% increased their wealth at a pace that was nearly double that of the vast majority of Americans.

The data on the distribution of wealth show that most of the nation's total stock of wealth is concentrated among those at the very top of the income distribution. The ownership of financial assets, or wealth which provides income to its owners (as opposed to an automobile, for example), is even more concentrated at the top than other forms of wealth. The data of **Table 56** confirm this, showing that most financial assets such as cash in bank accounts, stocks, and bonds were owned by those in the top 10% of the income distribution as of 1983, the latest year for which such data are available. Business property ownership also was concentrated almost entirely among those in the top 10% of income. The richest 2% of all families owned half the value of all stocks and over two-thirds of all municipal bonds.

Table 57 analyzes the distribution of wealth in terms of differences between blacks and whites. These data are based on a very broad definition of wealth which includes automobiles, and residential property, as well as financial assets, businesses, real estate, and cash. Taking all these forms of property into account, 11% of American households had zero or negative net worth in 1984, and 15.3% were only slightly better off with a net worth of $4,999 or less. In black households, almost a third had either zero or negative net worth, while another 23.9% had $4,999 of net worth or less. Thus, more than half of black households and nearly a quarter of white households are without sufficient assets to provide for any significant degree of economic security.

Table 58 compares median net worth of households on the basis of race and monthly income. The last column shows the ratio of black-to-white net worth among those with comparable monthly incomes. There are huge disparities in household wealth between blacks and whites at every level of income, especially at the bottom.

TABLE 57

Percent Distribution of Households by Net Worth and Race, 1984

Net Worth*	All	Black	Whites
Zero or Negative	11.0%	30.5%	8.4%
$1–$4,999	15.3	23.9	14.0
$5,000–$9,999	6.4	6.8	6.3
$10,000–$24,999	12.4	14.0	12.2
$25,000–$49,999	14.5	11.7	15.0
$50,000–$99,999	19.3	9.3	20.7
$100,000–$249,999	15.3	3.3	16.9
$250,000–$499,999	4.6	0.5	4.4
$500,000 or over	1.9	0.1	2.1

* Net worth is the value of assets owned by household members minus their debt. Pension equity, life insurance policies, home furnishings and jewelry are excluded.

TABLE 58

Median Net Worth by Race and Monthly Household Income

Monthly Income	Median Net Worth		Black/White Ratio
	Blacks	Whites	
Less Than $900	$ 88	$ 8,443	.01
$900 to 1,999	4,218	30,714	.14
$2,000 to 3,999	15,977	50,529	.32
$4,000 or more	58,758	128,237	.46

Table 59 presents the level of median net worth by type of household for blacks and whites. An enormous differential between blacks and whites exists for all households, but it is most pronounced for households headed by females, where black net worth is only 3% of the level for whites.

Because much wealth is inherited, and because the tax system allows intact intergenerational

TABLE 59

Median Net Worth by Type of Household, 1984

Household Type	Median Net Worth		Black/White Ratio
	Blacks	Whites	
All Households	$ 3,397	$39,135	.09
Married Couples	13,061	54,184	.24
Female Householder	671	22,500	.03
Male Householder	3,022	11,826	26

wealth transfers, data on wealth reflect the sharp historical inequities suffered by blacks in income and access to ownership of such assets as land and other real estate. Some wealth, especially home and automobile equity, is accumulated through savings (which depends partly on income). However, the falling incomes of poor and middle class households of all races make savings an unlikely vehicle for increasing either their absolute or relative share of wealth. Indeed, lower earnings are likely to exacerbate the current inequalities in wealth between the rich and poor as well as middle class households.

Poverty: *The Poor Get Poorer . . .*

This section presents data on the dramatic changes in the size, composition, and depth of poverty of America's poor. Data on the poverty population is included in this study of "Working America" because — contrary to popular impressions — *many poor people do work.* In addition, the existence of a large and growing poverty population serves as a strong negative pull on the living standards of the rest of the working population.

Table 60 shows that 39.6% of the adult poverty population performed some paid employment in 1987, an increase of nearly three percentage points since 1979. Nearly 9% of poor adults held a full-time, full-year job in 1987.

TABLE 60

Percent of Poor Persons Age 15 and Over Who Worked, 1967–87

	Worked	Worked Full-Time Year-Round
1967	43.1%	12.9%
1973	40.1	9.3
1979	38.6	8.0
1987	39.6	8.8

The Poverty Population: Who Are They?

Table 61 shows that in 1987, 13.5% of the population lived in poverty. Poverty rates were highest among racial minorities, with blacks more than three times more likely than whites to be poor. More than one in four Americans of Hispanic origin lived in poverty in 1987.

Children are the age-group most likely to be poor. More than one in five children under 18 years old lived in poverty in 1987. Nearly half of all black children under three years old lived in poor families.

The last two columns of **Table 61** reflect the existence of sex discrimination in the labor market, since poverty rates do not begin to diverge on the basis of sex until entrance into the labor force. Differing success in earning a living leaves adult women with poverty rates 50% higher than those of their male counterparts.

Although people of color have much higher poverty rates than whites, it would be incorrect to think of poverty only as a "minority problem"; far more whites (21.4 million) than racial minorities (11.1 million) were poor in 1987.

Growing Poverty

Table 62 presents historical data on the rate of poverty for individuals by race, according to the official U.S. census definition. While the rate of poverty has increased for all races, the largest rate increase has been for Hispanics who suffered a 25% rise (from 21.8% to 28.2%). Between 1979 and 1987, the rate of poverty among whites rose by 17% (from 9% to 10.5%). The rate of poverty for blacks, while still almost three times that for whites, increased by only 6.8%. Nearly two-thirds of the increase in the overall poverty rate since

TABLE 61

Poverty Rate for Individuals by Age, Race, and Gender, 1987

Age	Total	White	Black	Hispanic	Male	Female
Under 3 years	23.1%	18.0%	49.1%	42.3%	N/A	N/A
Under 18 years	20.6	15.6	45.8	39.8	20.7%	20.4%
22–44 years	10.7	8.5	25.1	21.2	8.3	13.1
45–54 years	8.1	6.3	21.9	19.8	6.6	9.4
55–59 years	9.8	8.2	21.9	20.9	8.1	11.3
60–64 years	10.8	8.8	29.5	21.7	9.6	11.9
65 years +	12.2	10.1	33.9	27.4	8.5	14.9
All Ages	13.5	10.5	33.1	28.2	12.0	15.0

1979 has been due to increased poverty among whites.

TABLE 62

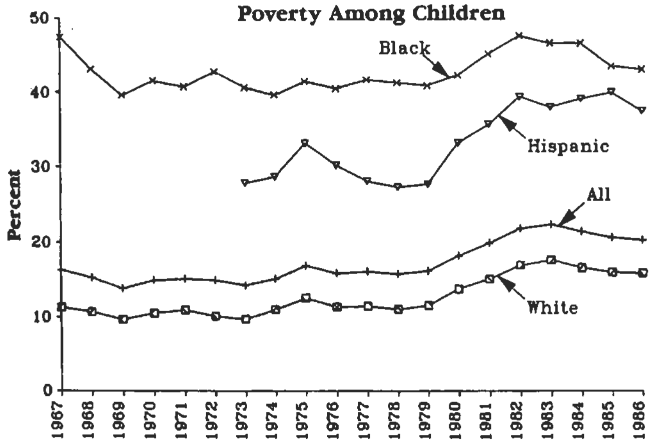
Poverty Rates, 1967–87*

Year	All	White	Black	Hispanic
1967	14.2%	11.0%	39.3%	N/A
1973	11.1	8.4	31.4	21.9
1979	11.7	9.0	31.0	21.8
1987	13.5	10.5	33.1	28.2

* In families and unrelated subfamilies

FIGURE 16:
Poverty Rate

FIGURE 17:
Poverty Among Children



Impoverishing Children

There were 1.6 million more children under the age of six years who were in poverty in 1987 than there were in 1979. Most of the increase has been among white children for whom the increase was 51.7% (or 1.1 million) more in poverty. **Table 63** also shows that the rates of poverty among young children have increased, so that in 1987, more than one out of every five American children under the age of six was in poverty. Nearly half the black children under the age of six lived in poor families in 1987.

TABLE 63

Poverty Among Children under Age Six, 1979–87*
(in thousands)

Year	All	White	Black	Hispanic
1979	3,406	2,054	1,250	526
1987	4,984	3,116	1,612	1,038
Poverty Rates for Children under Age Six				
1979	18.1%	13.3%	43.6%	29.2%
1987	22.8	17.6	49.0	41.8

* Data for years prior to 1979 are not available.

Table 64 shows the poverty rates for children under age 18 from 1967 to 1987. While there were appalling increases for all races, the greatest percentage change was for white children, for whom the rate grew by 18.6% between 1973 and 1979, and again by 33.9% between 1979 and 1987. Still, minority children are poor at more than double the average rate.

TABLE 64

Poverty Rates of Children under Age 18*

Year	Total	White	Black	Hispanic
1967	16.3%	11.3%	47.4%	N/A
1973	14.2	9.7	40.6	27.8%
1979	16.1	11.5	40.8	27.6
1987	20.4	15.4	45.6	39.6

* In families and unrelated subfamilies

Poverty in female-headed families puts many children in jeopardy. **Table 65** shows that almost half (45.3%) of white children who rely on females for their economic support are in poverty. More than two-thirds of black and Hispanic children in female-headed families were poor in 1987. Like the numbers for female-headed families generally, the rates for whites have increased even more dramatically than for racial minorities — by 19% between 1979 and 1987.

TABLE 65

Poverty Rates for Children under 18 in Female-Headed Families, By Race

Year	White	Black	Hispanic
1967	46.9%	76.6%	N/A
1973	42.1	67.2	68.7%
1979	38.6	63.1	62.2
1987	45.8	68.3	70.1

The Feminization of Poverty

The "feminization of poverty," reflected in part by the growing poverty in families headed by women, is shown in Table 66. Over one-third of such families were poor in 1987, compared to 13.5% of all families (**Table 62**). Among the different types of families, rates of poverty for families headed by a woman are highest for each racial group.

TABLE 66

Poverty Rates for Female-Headed Families

Year	All	White	Black	Hispanic
1973	32.2%	24.5%	52.7%	51.4%
1979	30.4	22.3	49.4	49.2
1987	34.3	26.7	51.8	51.8

The data in **Table 67** refute the widespread notion that young unmarried minority women are responsible for the recent upsurge in the number of female-headed families in poverty. Between 1973 and 1979 poverty among families headed by minority women rose twice as fast as poverty among families headed by white women. Since 1979, however, there were 580,000 more in white female-headed families in poverty, an increase of 43%. The number of poor families headed by a black woman rose by 23% (or half as much) from 1979 to 1987. Whites have comprised 58.5% of the *increase* in the total number of poor female-headed families between 1979 and 1987. Still, over half of black and Hispanic families headed by a woman were poor in 1987, twice the rate for whites.

TABLE 67

Increases in Poverty in Female-Headed Families, 1973–87

Year	All	White	Black	Hispanic
Percent Increase in Number				
1973–79	20.6%	13.4%	26.7%	42.1%
1979–87	37.5	43.0	29.1	85.0
Share of Total Increase				
1979–87	100.0%	58.5%	36.2%	25.7%

Table 68 dispels another widespread misconception that female-headed households are responsible for the overall increase in the poverty population. Persons belonging to a female-headed family accounted for 53.4% of the increase in the number of individuals in poverty between 1979 and 1987 (compared to 73.4% between 1973 and 1979). Recent increases in poverty among individuals have been among families headed by men to a much greater extent than in the 1970s.

TABLE 68

Increase in Poor Persons by Sex of Household Head, 1973–87

	Share of Total Increase		
Years	Female-Headed Households	Male-Headed Households	Total
1973–79	73.4%	26.7%	100.0%
1979–87	53.4	46.6	100.0

The Near Poor

In decades prior to the 1980s, the elderly had rates of poverty which were substantially higher than the rate for the overall population, as illustrated by the data in **Table 69**. Poverty among the elderly fell by half between 1969 and 1987. The major reason for this relative good fortune has been the extension of Social Security (Supplemental Security Income) and regular increases in benefits.

The precarious economic position of the elderly population is made clear, however, by the data in the last two columns of **Table 69**. More so than the rest of the population, the elderly are on the *brink of poverty,* with 8.1% receiving incomes only 25% or less over the poverty level. The people in this

TABLE 69

The Near Poor, 1969–86

Year	Poverty Rate: All	Poverty Rate: Elderly	Percentage of Families with Incomes within 25% above Poverty Level: All	Percentage of Families with Incomes within 25% above Poverty Level: Elderly
1969*	12.1%	25.3%	5.3%	9.9%
1973	11.9	18.6	3.9	8.2
1979	11.7	15.2	4.7	9.5
1987	13.5	12.2	4.6	8.1

* Data for earlier years not available.

group rely on Social Security payments for most of their incomes; as the data indicate, cuts in social security would mean vast increases in the number of elderly poor.

Regional Poverty: Going South

Table 70 shows the regional breakdown of the poverty population. Although the South continues to have the highest numbers and rates of poverty, the Midwest and the West saw the largest increases in rates of poverty between 1979 and 1987. The most obvious reasons for the high levels of poverty in the South relative to other regions are low wages, low levels of unionization, and higher rates of unemployment. The dramatic increases in poverty in the Midwest and the West can be attributed partially to the loss of well-paying jobs due to industrial decline, as well as the increases in unemployment and the increase in the bankruptcy rate for family farms in those regions.

TABLE 70

Poverty By Region

Year	Northeast	Midwest	South	West
Poverty Population (in thousands)				
1979	5,006	5,598	10,576	4,035
1987	5,476	7,499	13,287	6,285
Increase	470	1,901	2,711	2,250
Poverty Rate				
1979	10.3%	9.7%	14.9%	9.9%
1987	11.0	12.7	16.1	12.6
Increase in Poverty Rate				
	0.7%	3.0%	1.2%	2.7%

More Poverty by Any Measure

All the numbers reported above on the size of the poverty population reflect the official U.S. government definition of poverty, which is calculated on the basis of cash income. **Table 71** presents estimates of the size of the poverty population under definitions which include food, housing and other non-cash benefits. Including these benefits reduces the number of people considered poor. On the other hand, it results in a much faster *increase* in the poverty rate.

TABLE 71

Number of Persons in Poverty Using Different Definitions of Poverty, 1979 to 1986
(numbers in thousands)

	1979	1986	Increase	Percentage Change
Current Poverty Definition (Money Income Only)	26,072	32,370	6,298	24.2%
Including Food and Housing Subsidies As Income:				
Market Value Method	21,698	28,908	7,290	33.6%
Including Food, Housing, and Medical Benefits (Excluding Institutional Expenditures) As Income:				
Market Value Method	15,696	21,369	5,673	36.1%

The Poor Get Poorer

The following three tables show that as the rich got richer, the poor did indeed get poorer.

Table 72 shows that poor families have been falling further below the poverty threshold. The average amount by which incomes fell below the poverty line for both white and black families increased between 1973 and 1979 but increased much more between 1979 and 1987, especially for black families.

TABLE 72

Mean-Income Deficit of Families Below the Poverty Line*
(in 1986 dollars)

Year	Total	White	Black	Hispanic
1973	$4,033	$3,864	$4,378	N/A
1979	4,229	4,066	4,470	N/A
1987	4,635	4,357	5,179	$4,775
Percentage Change				
1973–79	4.9%	5.2%	2.1%	N/A
1979–87	9.6	7.2	15.9	N/A

* The income deficit is the amount by which income falls short of the poverty threshold.

FIGURE 18:
Depth of Poverty
Gap Between Income and Poverty Line

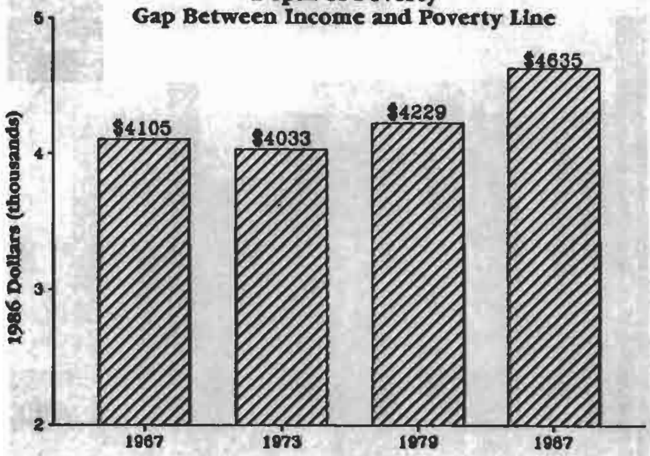


Table 73 shows the numbers of poor persons whose incomes are less than half of the poverty line; individuals in this segment of the poverty population would have to more than double their incomes in order to escape the official definition of poverty. Between 1979 and 1987, the number of

TABLE 73

Persons Below 50% of Poverty Line As a Percentage of All Poor Persons

Year	No. in Poverty (1,000s)	No. below 50% of poverty (1,000s)	Percentage of Poor Below 50% of Poverty
1979	26,072	8,340	32.0%
1987	32,546	12,759	39.2
Percentage Change			
1979–87	24.8%	53.0%	

people in this group — the "poorest of the poor" in America — increased by twice as much as the poverty population as a whole. As of 1987, 39.2% of all poor people had incomes no more than half the poverty threshold.

Table 74 shows the percentage of poor families by race whose incomes are below $5,000 a year in real terms. The percentage of poor black families with only $5,000 of yearly real income increased from roughly 30% in 1973 to 45% in 1987. The percentage of poor white and Hispanic families with only $5,000 also increased over this time period, although for whites the entire increase occurred between 1979 and 1987.

TABLE 74

Families with Incomes Below $5,000, As a Percentage of All Poor Families, by Race

Year	Total	Poor White Families	Poor Black Families	Poor Hispanic Families
1973	34.2%	36.5%	29.9%	N/A
1979	37.1	36.5	36.3	28.7%
1987	40.6	39.1	45.1	33.4

The Working Poor

People are forced to live in poverty for many reasons. Some believe that the personal failings of the poor are what causes poverty. Others point to causes over which the poor have no control — such as racism, insufficient economic growth, inadequate public education, lack of adequate health and social insurance programs and the social pressures on the institution of marriage. However, one assumption which most people share is that if poor people were able to hold jobs, they would not be in poverty.

In 1987, almost two million Americans worked at full-time, full-year jobs, but remained mired in poverty. As **Table 75** shows, this number has increased by 37.1% between 1979 and 1987.

TABLE 75

Poverty Rate for Full-Time, Year-Round Workers, Age 15 and over

Year	No. in Poverty	Percentage in Poverty
	(1,000s)	
1967	2,370	4.6%
1973	1,433	2.5
1979	1,365	2.1
1987	1,871	2.4
Percentage Change		
1979–87	37.1%	14.3%

Table 76 compares poverty rates for heads of households with different work experiences. Between 1979 and 1987, the increase in the poverty rate for household heads overall (19.8%) was almost identical to the increase in the poverty rate for heads of households who worked and only slightly greater than the 17.2% increase in the poverty rate among household heads who worked year-round. Poverty among heads of households, who work full-time and year-round increased by 8% between 1979 and 1987.

Although many people who are in poverty have some paid employment during the year, not all are able to find full-time work, and many experience lengthy spells of unemployment. **Table 77** shows the rate of poverty among workers according to employment status. Families of heads of households who experienced unemployment, or a period of involuntary part-time employment, are much more likely to be in poverty than those holding full-time,

TABLE 77

Poverty and Employment Status, 1986

Employment Status*	Poverty Rate
Full-time, full-year	2.7%
Unemployed	
1 to 14 weeks	15.3
15 or more weeks	29.6
Involuntary Part-Time	
1 to 15 weeks	16.5
15 weeks or more	22.3

* Heads of Households

TABLE 76

Poverty Rate for Household Heads By Work Experience

Year	All	Worked	Worked Year-Round	Worked Full-Time, Year-Round
1973	8.8%	5.5%	2.9%	2.5%
1979	9.1	5.6	2.9	2.5
1987	10.9	6.7	3.4	2.7
Percentage Change				
1979–87	19.8%	19.6%	17.2%	8.0%

TABLE 78

Role of Part-Time Spousal Earnings in Poverty Avoidance

	Currently in Poverty	Would Be In Poverty Without Spouses' Part-Time Earnings	Percentage Difference
	(1)	(2)	(3)
Race/Ethnicity of Family Head			
White	4.8%	8.5%	77%
Black	16.7	25.9	55
Hispanic	13.6	21.4	57
Education of Family Head			
0–11 years	12.2%	20.3%	66%
12 years	5.9	9.8	66
13–15 years	4.3	7.3	70
16+ years	1.4	4.2	300

full-year jobs. Those who are forced, involuntarily, into part-time employment have rates of poverty almost as high as those who have no job at all.

Table 78 compares current rates of poverty among groups of different races and levels of education with the rate which would exist if a spouse were not contributing earnings to the family's income with part-time work. Without question, the ability to send two adult earners into the paid labor force, even part-time, has been the crucial factor in poverty avoidance for many working families. An additional 9% of black families would have been poor had it not been for spousal earnings from part-time employment, and poverty among white families would be double its current rate without these spousal earnings. The earnings of spouses prevented poverty for an additional 10% of families headed by someone with a high school education or less. Since the earnings of spouses employed part-time play a role in poverty avoidance for so many families, it is likely that the earnings of spouses working full-time help even more families to avoid poverty.

The Minimum Wage and Poverty

Workers who are paid minimum wages or less are the group most likely to be among the "working poor." In addition to the more than five million workers whose hourly wage is at the minimum or lower, there were 1.7 million salaried workers whose pay in 1986 was below the minimum wage.

TABLE 79

Hourly Workers Who Earn Minimum Wage, or Less*, 1986

	No. of Workers (1,000s)	Percent of Minimum Wage Workforce
Males, over 16	1,744	34.5%
Females, over 16	3,317	65.6
Adults, over 19	3,211	63.5
Teenagers	1,848	36.5
Whites	4,198	83.0
Blacks	714	14.6
Hispanics**	464	9.2
Full-Time	1,737	34.3
Part-Time	3,323	65.7
Total	5,060	

* Excludes 1.7 million salaried workers whose pay per hour is at or below the minimum.

** Blacks, Whites, and Hispanics add to more than 100 percent because some Hispanics also are categorized as black.

As **Table 79** shows, the belief that teenagers dominate the minimum wage workforce is mistaken; 63.5% of those who receive minimum wages are adults. Nearly two-thirds of minimum wage workers are on part-time schedules, but there are more than 1.7 million full-time hourly workers who also receive the minimum wage. Two-thirds of the minimum wage workforce is female.

FIGURE 19:
Workers Earning Minimum Wage or Less

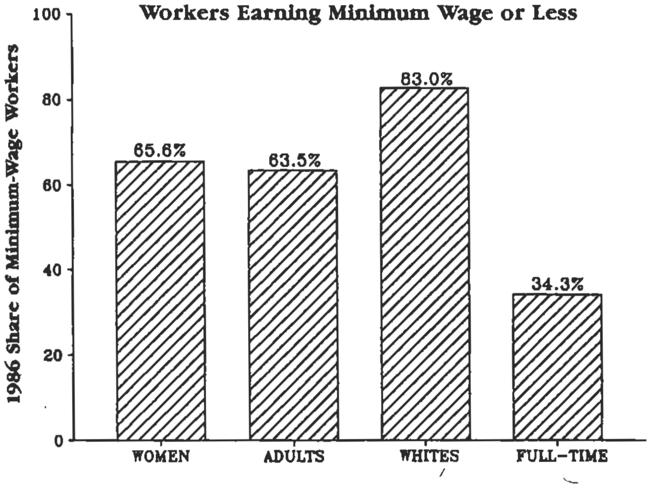


Table 80 shows the deterioration in the real value of the minimum wage. In 1967 and 1979 it was worth roughly half the average wage; today the minimum is just over one-third of the average hourly wage. The minimum wage level during the 1980s has been worth nearly $1 less per hour in purchasing power than it was in the 1960s.

TABLE 80

Value of the Minimum Wage, 1967–88

Year	Current Dollars	Constant Dollars (1988)	Percent of Average Wage
1967	$1.40	$4.98	52.2%
1973	1.60	4.28	40.6
1979	2.90	4.74	47.1
1988 est.	3.35	3.35	35.7
Averages			
1960s	$1.29	$4.76	52.2%
1970s	2.07	4.67	45.8
1980–88	3.32	3.88	41.0

In 1967, 1973, and 1979 a full-time, year-round job at the minimum wage was more or less sufficient to support a family of three above the poverty level. Today its value is 26.4% *below* the poverty line for a family of three, and even below the income necessary to keep a family of *two* out of poverty.

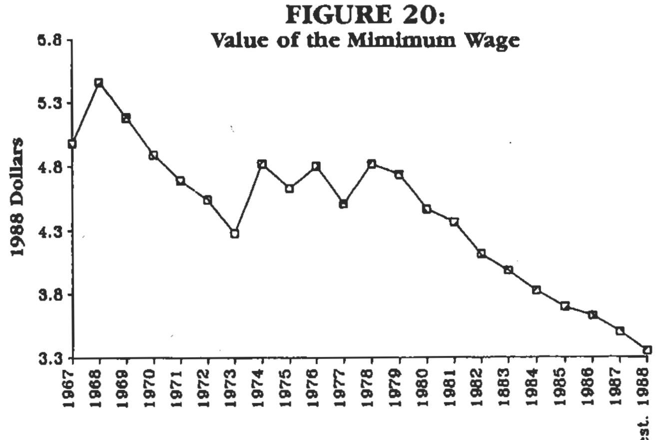
TABLE 81

Amount by Which Earnings of a Full-time Minimum Wage Worker are Above (Below) the Poverty Line, by Family Size

Year	Family of 3	Family of 2
1979	$249	$1,309
1984	(1,312)	209
1987	(2,101)	(441)

Since almost two-thirds of all workers paid at the minimum wage or below are adults (see **Table 79**), and most working adults have others who depend on them for economic support, the ability to support a family of three above poverty is a realistic benchmark for judging the adequacy of the minimum wage. By this standard, the minimum wage in 1987 fell short by at least $1 per hour.

FIGURE 20:
Value of the Mimimum Wage



The Fading American Dream

The deterioration of living standards of working Americans is not always adequately reflected in income and wealth statistics. For most people, the American Dream also implies a home of one's own, a car, a paid vacation, health insurance, and savings to help provide for a comfortable retirement. The evidence suggests that access to these basic goods and services is also slipping away from the average American worker.

Affordable Housing

Home-ownership has been the cornerstone of economic security for working Americans for generations. Typically, homes are purchased during young adulthood and paid off throughout one's working life. But as **Table 82** shows, in every group under the age of 54, home-ownership has declined between 1973 and 1987. In the 25-29 age group home-ownership has declined by 18%, while the rate for those between 30 and 34 years of age declined by 12%.

TABLE 82

Home-ownership Rate by Age of Household Head

Age	1973	1976	1980	1987	Percentage Change 1973–87
Under 25	23.4%	21.0%	21.3%	16.1%	−31.2
25–29	43.6	43.2	43.3	35.9	−17.7
30–34	60.2	62.4	61.1	53.2	−11.6
35–39	68.5	69.0	70.8	63.8	−6.9
40–44	72.9	73.9	74.2	70.6	−3.2
45–54	76.1	77.4	77.7	75.8	−0.4
55–64	75.7	77.2	79.3	80.8	6.7
65–74	71.3	72.7	75.2	78.1	9.5
75+	67.1	67.2	67.8	70.7	5.4
Total	64.4	64.8	65.6	64.0	−0.6

Home-ownership has not become less desirable, it has become less affordable. As **Table 83** shows, first-time buyers in 1987 had to be able to pay, on average, 32.4% of their incomes on housing in order to afford to own their homes; in 1967, this after tax "cash burden" was 22.2% of income. The "total burden" as a percent of income also has increased by 27% between 1967 and 1987. At the same time, renters also have been forced to pay a higher percentage of their incomes for housing which makes saving for a future home purchase more difficult. Real rents (measured in 1986 dollars) are at their highest level in two decades.

TABLE 83

Housing Cost as Percentage of Income
(1987 dollars)

	First Time Buyers		All Renters	
Year	Cash Burden*	Total Burden**	Contract Burden***	Gross Burden****
1967	22.2%	20.7%	21.6%	24.4%
1973	25.3	14.1	20.7	23.3
1979	37.0	9.5	22.1	25.8
1987	32.4	26.2	25.5	29.7

* First-time buyer cash burden is the sum of mortgage interest payments, fuel and utility costs, maintenance and repairs, real estate taxes, and insurance after subtracting the income tax benefits of home-ownership for married couples age 25-29.

** Total burden is "cash burden" plus the indirect cost of foregone profits from funds used as a downpayment, less the savings from house-price appreciation and equity build-up.

*** Contract rent is median rent.

**** Gross rent equals contract rent plus fuel, utilities, property taxes, and insurance.

Table 84 presents the disparities in average income between owners, all renters, and young renters. From 1967 through 1987, the difference in income between renters and home-owners has grown steadily, suggesting that inadequate income is the key obstacle facing renters who in earlier years might have been able to afford home-ownership.

TABLE 84

Annual Incomes of Families with Different Housing Statuses

Year	Total Owner	Total Renter	Young Renter	Average Income of Renter as a Percentage of Average Income of Owner
1967	$ 8,200	$ 5,300	$ 8,000	64.6%
1973	11,500	7,200	10,700	62.6
1979	18,300	10,000	15,200	54.6
1987	31,400	15,200	23,800	48.4

TABLE 85

Mortgage Delinquency Rates

Year	Ownership Rate	Mortgages 90+ Delinquent
1967	N/A	.28%
1973	64.4	.45
1979	65.2	.49
1987	64.0	.93

Even those who can afford to buy their own home are having more trouble keeping up the payments, as the rise in the rate of mortgage delinquency shows (**Table 85**).

Access to Health Care

Table 86 shows that in 1985, there were 34.8 million Americans without health insurance who were effectively without access to health care services for financial reasons. Nearly one-third (11.1 million) were children, and one half (17 million) were workers.

Table 87 is a more detailed breakdown of the health insurance status of various types of workers. Only 78.6% of full-time, full-year workers received health insurance from their own employers in 1986; the other 21.4% of full-time, full-year workers either were uninsured, received coverage from someone else's employer, or had to find and pay for health insurance coverage on their own. Part-time employees were even less likely to be covered by health insurance from their own employer. There was also a significant disparity between the rate of coverage for voluntary and involuntary part-time workers.

TABLE 86

Individuals without Health Insurance, 1985

Work Status	Millions	Percentage
Total Uninsured	34.8	17.4%
Workers	17.0	14.7
Family head	10.2	14.4
Other	6.8	15.3
Nonworkers	17.8	21.0
Children	11.1	19.7
Other	6.7	23.9

TABLE 87

Source of Health Insurance, 1986

	Own Employer	Someone Else's Employer	Other Non-Employer	No Coverage
Full-time, Full-year	78.6%	7.0%	6.3%	8.1%
Workers with 1 or more weeks involuntary part-time	34.8	17.3	17.4	30.6
Workers with 1 or more weeks voluntary part-time	26.2	34.3	21.4	18.1

Saving for the Future

In the face of lower earnings and declining family incomes, many households have had to go into debt in order to maintain a constant standard of living. Those who can still afford to save are saving less of their incomes. The results, shown in **Table 88**, are higher per-capita consumer debt, a lower savings rate, and an increase in the percentage of disposable income that must go to interest payments on installment debt.

Those with low incomes are not only less likely to be able to afford to save, but any savings they manage to keep are usually quite small. As **Table 89** shows, households with the least income are also the least likely to be covered by a pension plan through their employers. More than half of employed heads of households whose monthly income was under $900 in 1984, and more than one-third whose income was between $900 and $1,999 a month worked for an employer who offered no pension plan (1984 is the most recent year for which data is available).

Taxes

Since 1981, tax law changes twice have affected the amount of taxes Americans pay to the federal government. The changes have meant tax cuts for the rich, some tax increases for the poor, and have had little or no impact on the amount of taxes paid by the majority of middle-income Americans. **Table 91** shows that between 1977 and 1988, those in the poorest decile of the income distribution have had to pay a 1.6% higher rate in federal taxes. The richest decile now pay a rate which is 1.7% lower. The tax rate on the richest 1% was lowered by six

TABLE 88

Consumer Indebtedness

	1947	1967	1973	1979	1987
Interest Payments to Business by Consumer as Percentage of Disposable Personal Income	0.6%	2.2%	2.4%	2.5%	2.9%
Personal Savings as a Percentage of Disposable Income	3.1	8.0	9.4	6.8	3.7
Per-Capita Consumer Debt (1987 Dollars)	N/A	$1,944	$2,424	$2,550	$3,097

TABLE 89

Pension Plan Coverage of Employed Households By Monthly Income, 1984

Monthly Income	% Whose Employer has No Plan	% Not Covered by Employer's Plan	Total Without Pension Coverage
Under $900	53.2%	16.2%	69.4%
$900–1,999	36.2	12.3	48.5
$2,000–3,999	22.2	7.7	29.9
$4,000 or more	17.7	6.5	24.2
Total	29.4	9.9	39.3

Transportation

A shiny new car in the driveway has long been a symbol of the prosperity of the American middle class. But as incomes for most Americans have been either stagnant or falling, a new car has become less affordable, as shown in **Table 90**.

Between 1980 and 1987, the federal government's expenditures on grants to state and local government for urban mass transportation have declined by 45% — from $4.7 billion to $2.6 billion — undermining public transportation as well.

TABLE 90

Percentage of Median Family Income Needed for Auto Purchase

Year	Automobiles
1967	40.5%
1973	33.6
1979	34.8
1987	45.7

percentage points. And despite the general impression that there has been tax relief for the average American working family, the effective federal tax rate for the middle eight income deciles (the middle 80% of the population) has remained about the same.

TABLE 91

Percentage-Point Change in Effective Federal Tax Rates, 1977–88

Income Decile	Change in Tax Rate 1977–88
First	1.6%
Second	−0.4
Third	1.3
Fourth	0.6
Fifth	0.1
Sixth	−0.1
Seventh	−0.7
Eighth	0.0
Ninth	0.2
Tenth	−1.7
Top 5%	−2.6
Top 1%	−6.0

These tax law changes inaugurated the redistribution of income away from most poor and middle class families into the hands of the richest Americans, with the largest gains reserved for the top 1% of the population.

Sources

The following abbreviations shall be used throughout the sources listing.

ERP:	*Economic Report of the President: 1988*
P-60:	U.S. Census Bureau, Department of Commerce, Series P-60: *Money Income of Households, Persons, and Families in the United States,* and *Characteristics of the Low Income Population*
SCB:	*Survey of Current Business,* U.S. Department of Commerce
Employment and Earnings:	*Employment and Earnings,* U.S. Department of Labor, Bureau of Labor Statistics
NIPA:	*National Income and Product Accounts*
Poverty Tables:	Many of the data in the poverty tables were taken from the Center on Budget and Policy Priorities "1986 Poverty Graphs and Tables" which were based on data from the Commerce Department's P-60's series.
Deflation:	Unless otherwise noted, current dollar values were deflated to constant dollar values using the CPI-U.

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