



ENTRY-LEVEL WORKERS' WAGES FELL IN LOST DECADE

BY LAWRENCE MISHEL

Young workers' labor market prospects are an apt barometer of the strength of the overall labor market: When the labor market is strong for workers, the prospects for young workers are very strong—and when the labor market is weak, their prospects are very weak. Data from the upcoming edition of EPI's *The State of Working America* affirm this general finding, as the wages of entry-level workers fared extremely poorly during the period of general wage stagnation that began during the business cycle that started in 2000. This pattern was also evident during the period of declining wages from 1973–1995, when young workers experienced the most dramatic erosion of wages overall. This pattern also manifested itself during the years of booming wages from 1995–2000, albeit in the opposite direction, as young workers experienced the fastest wage growth.

These patterns are shown in detail in **Table 1**, which shows wages by gender for entry-level high school and

college graduates (defined as those with one to seven years of experience). From 2000 to 2011, a period of disappointing overall wage growth, wages actually fell among every entry-level group regardless of education. Wage losses occurred for each group of entry-level workers between 2000 and 2007, as well as during the recessionary years between 2007 and 2011. This stands in sharp contrast to the extremely strong wage growth for each of these groups from 1995 to 2000. During this period of overall strong wage growth, wages rose roughly 10 percent for entry-level high school-educated men and women, and increased by 20.3 percent for entry-level college-educated men and 11.4 percent for entry-level college-educated women. These changes illustrate how the wages for entry-level workers vary considerably depending on whether the overall economy is experiencing strong wage growth, or wage stagnation.

The longer-term trends in the wages of entry-level high school-educated men and women are shown in **Figure A**.

TABLE 1

Hourly wages of entry-level workers by education, 1973–2011 (2011 dollars)

EDUCATION	HOURLY WAGE							PERCENT CHANGE				
	1973	1979	1989	1995	2000	2007	2011	1979–1989	1989–2000	2000–2007	2007–2011	1979–2011
High school*												
Men	\$15.92	\$15.64	\$12.59	\$11.67	\$12.82	\$12.70	\$11.68	-19.5%	1.8%	-0.9%	-8.0%	-25.3%
Women	\$11.66	\$11.56	\$10.30	\$9.96	\$10.93	\$10.23	\$9.92	-10.8%	6.1%	-6.4%	-3.1%	-14.2%
College**												
Men	\$21.11	\$20.61	\$21.07	\$19.51	\$23.47	\$22.88	\$21.68	2.2%	11.4%	-2.5%	-5.2%	5.2%
Women	\$17.69	\$16.30	\$18.34	\$17.95	\$20.00	\$19.67	\$18.80	12.5%	9.0%	-1.6%	-4.4%	15.4%

* Entry level wage measured as wage of those from 19 to 25 years of age.

** Entry level wage measured as wage of those from 23 to 29 years of age.

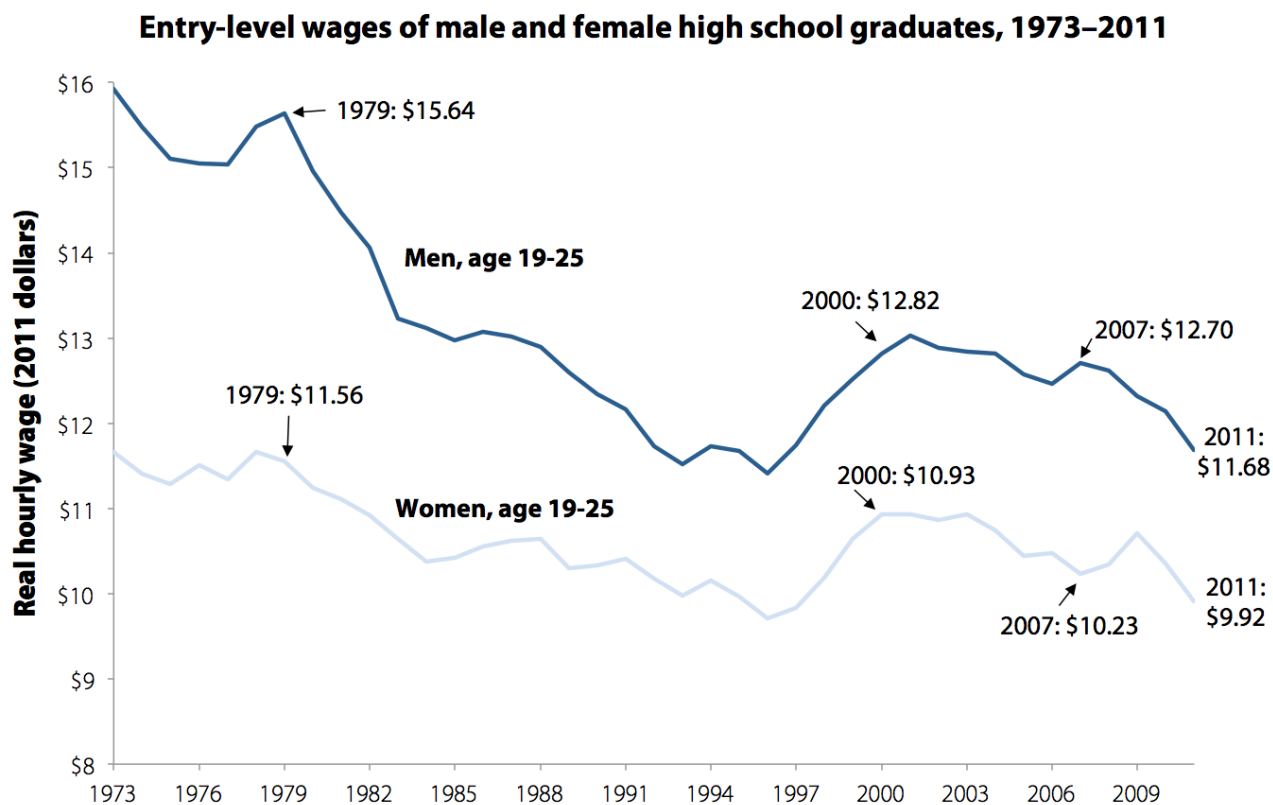
Source: Forthcoming Mishel, Bivens, Gould, and Shierholz, *State of Working America 2012-2013*; Economic Policy Institute

While the wage boom of the late 1990s carried over into the first few years of the 2000s for most workers, it ended in 2001 for these entry-level workers, and since then their wages have generally fallen (except for the year of negative inflation in 2009 for women and 2007 for men). Figure A also shows the dramatic deterioration of wages for entry-level high school-educated men from 1979 to 1996, an indicator of the loss of earning power among non-college-educated men and the correspondingly even larger loss for non-college-educated younger workers. In comparison, entry-level wages for women high school graduates have remained significantly below those for their male peers, yet their wages also fell substantially from 1979 to 1996. Consequently, despite the significant wage increases in the late 1990s, the entry-level wages for high school-educated men and women in 2011 were far below their 1979 or 1973 levels. For instance, the entry-level hourly wage of a young high school-educated man in 2011 was 25.3 percent less than that for the equivalent worker in 1979, a drop of nearly \$4.00 per hour (in 2011 dollars). Among women high school graduates, the entry-level wage fell 14.2 percent over this period, representing a decline of \$1.64 (in 2011 dollars). It is important to note that wages

in entry-level jobs held by high school-educated women are still far less than those for similar jobs held by their male counterparts in 2011, a gap of roughly 15 percent.

Figure B illustrates the longer-term trends for entry-level men and women college graduates. Entry-level wages fell among both women and men college graduates from 2000 to 2007, declining by 2.5 percent among men and 1.6 percent among women, and tumbled further in the recessionary years after 2007. This means that young college graduates who finished their education in the last five years or so are earning significantly less than their older brothers and sisters who graduated in the late 1990s. The poor wage growth in the last decade contrasts markedly with the strong period of rising wages for entry-level men college graduates from 1995 to 2000, during which time they increased 20.3 percent. In contrast, from 1979 to 1995, the entry-level hourly wage for men college graduates fell more than \$1. Thus, the period of falling wages since 2000 does not stand as the exception to the rule for young college-educated men; rather, it is the wage boom of the late 1990s that seems exceptional. In 2011, the hourly wage of entry-level college-educated men was

FIGURE A



Source: Forthcoming Mishel, Bivens, Gould, and Shierholz, *State of Working America 2012–2013*; Economic Policy Institute

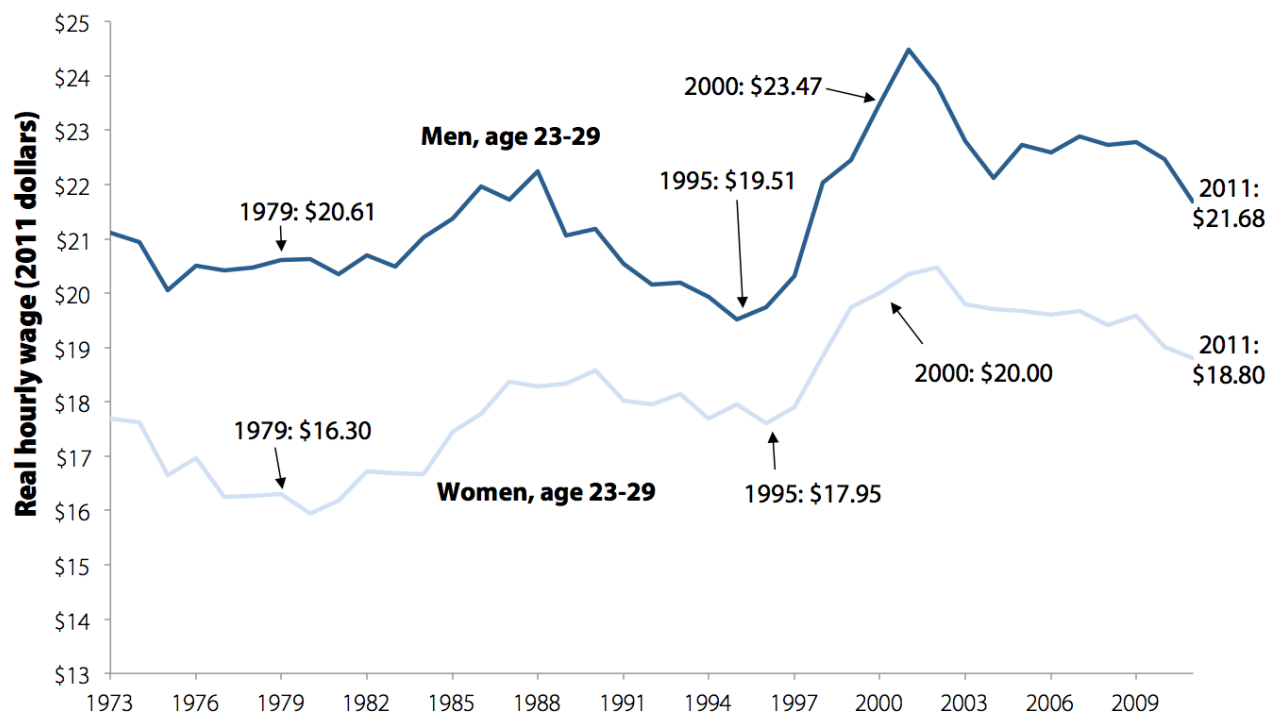
slightly more than \$1 higher than in 1979, a rise of only 5.2 percent over 32 years.

The wages of women college graduates have grown more strongly than the wages among any other group of women, and this strength is reflected in the long-term trend among entry-level women college graduates; their wages grew 15.4 percent, or \$2.50, from 1979 to 2011. In this light, the erosion of wages among entry-level women college graduates since 2000 stands out, with a decline of 1.6 percent from 2000 to 2007 and a decrease of 4.4 percent from 2007 to 2011.

In short, in the most recent decade, the most-educated workers (college graduates) with the newest skills (young college graduates) did not fare well at all; their wage opportunities fell even as overall productivity in the economy continued to soar.

FIGURE B

Entry-level wages of male and female college graduates, 1973–2011



Source: Forthcoming Mishel, Bivens, Gould, and Shierholz, *State of Working America 2012–2013*; Economic Policy Institute

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