



Economic Policy Institute

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RAISING AMERICA'S PAY

A summary of the initiative

Introduction

Income inequality has taken center stage among economists, policymakers, the media, and ordinary Americans, but the discussion around addressing inequality too frequently sidesteps a crucial component: the key to shared prosperity is to foster wage growth for the vast majority of Americans who rely on their paychecks to make ends meet. In fact, raising the pay for most Americans is the central economic challenge of our time—essential to ameliorating income inequality, boosting living standards for the broad middle-class, reducing poverty, and sustaining economic growth.

That is why the Economic Policy Institute (EPI) is launching Raising America's Pay, a multiyear research and public education initiative to make wage growth an urgent national policy.

Raising America's Pay will:

- **Highlight our nation's failure to provide broad-based wage growth** by documenting and explaining past and current patterns of pay and benefit growth and changes in job quality for workers by wage level, gender, race, education, and metropolitan area.
- **Research and explain the role of labor market policies and practices in suppressing pay for the vast majority of workers over the last three-and-a-half decades.** These include policy changes, failures to change policy, changes in business practices such as misclassifying workers as independent contractors, institutional changes such as declining unionization, and the subsequent shift of workplace norms.
- **Identify policies that will generate substantial broad-based wage growth,** beginning with raising the minimum wage, expanding access to overtime protection, and strengthening the ability of workers to collectively bargain.
- **Connect with key networks of civic engagement and community organizing groups** working on pay and job quality issues to support their campaigns.

As the premier research institute tracking trends in income, wages, and job quality, EPI is uniquely positioned to play a leading role in shifting the debate on this critical topic. Raising America's Pay will rely not only on EPI staff but will also incorporate the work of researchers and policy analysts at other research organizations, and will commission work by university-based economists, lawyers, sociologists, and other social scientists. An advisory board of eminent policymakers, academics, policy experts, and civic engagement leaders will provide feedback and oversee the work.

The economic problem

Middle-class Americans rely almost exclusively on wages earned from work to meet their economic needs. However, many are taking home smaller paychecks than they used to. Between 2002 and 2013, inflation-adjusted wages were stagnant or fell for the entire bottom 70 percent of wage earners. This extends even to those with college degrees.

This lost decade for wages comes on the heels of decades of inadequate pay growth for most workers; the median worker's wages and benefits grew just 7.9 percent between 1979 and 2013. This exceptionally slow pay growth is shocking considering that economic growth and productivity—up 64.9 percent in that same time period—were robust enough to support strong pay growth for all Americans. The break between productivity and pay means a disproportional

tionate share of income growth is going to corporate profits, the returns to financial assets, and the pay of those at the upper end of the pay scale.

In other words, economic growth is benefiting those at the top, not ordinary workers. Most Americans are treading water—despite working more productively and being better educated than ever. To rebuild and expand the middle class, broad-based wage growth must become our foremost economic priority.

The policy problem

Curbing inequality and raising living standards for all Americans requires that slow and unequal wage growth be viewed as a solvable problem by policymakers, activists, pundits, and voters. Currently, however, when wage stagnation is identified as a problem, it is presumed to stem from globalization or technology—factors it is assumed we either cannot or should not change. The conventional narrative, therefore, omits the many policy decisions and changes in norms that have suppressed pay over the last three-and-a-half decades.

Raising America's Pay acknowledges the profound impact of globalization, financialization, and excessive unemployment on wage growth and wage inequality, topics that EPI research has addressed and will continue to address with Raising America's Pay. But the initiative will also focus on the less-explored topics of eroded labor standards and institutions, changes in business practices, and changes in ideas about fairness in the labor market. Examples include the erosion in the buying power of the minimum wage, the decline of collective bargaining, widespread tolerance of workplace abuses such as wage theft, misclassifying workers as independent contractors, and unpaid overtime, and lessened access to courts for remedies. These practices undercut the ability of low- and middle-wage workers and, increasingly, college graduates, to get quality jobs that provide upward mobility, decent benefits, reasonable work hours, and economic security.

The opening for a national conversation on wage growth

The growing public discussion around income inequality, and the increased recognition of the problem of stagnant wages, have created an important opening for the Raising America's Pay initiative.

For example, in his most recent State of the Union address, President Obama noted multiple times that most workers' wages have been stagnant. He also called on business owners to raise employees' wages, implored Congress to "give America a raise" by increasing the minimum wage to \$10.10, and asserted that "the best measure of opportunity is access to a good job." Later, the president signed an executive order mandating that federal contractors pay federally funded employees at least \$10.10 an hour. This was followed by the president's commitment to pursue a change to overtime regulations that could potentially guarantee eligibility to 10 million workers. These actions have led to extensive media discussion of income inequality and the difficulties Americans face in obtaining a decent job with rising pay. Indeed, public figures as wide ranging as the president, Pope Francis and economist Thomas Piketty have brought inequality to the forefront of public debate.

Civic engagement and organizing efforts are also fueling interest in the wage problems of low-income households. Strikes and demonstrations by fast-food workers in hundreds of cities across the nation have attracted substantial media attention and stimulated the public's interest. Emerging civic-engagement efforts by the Center for Community Change

and its allies, and the launch of complementary efforts by groups such as Jobs with Justice, National People's Action, and the National Guestworker Alliance are further elevating the issue of low wages and creating an opportunity to explain trends and to identify policy levers to raise wages.

Stepping into the opening with research

Raising America's Pay will continue to raise the profile of wage issues in the public debate on income inequality, with a fact-based assessment of what has undercut wages, and analysis of policy levers that can be used to stimulate wage growth.

The initiative will focus on four key tasks:

1. Highlight and explain wage trends. Raising America's Pay will make wage growth more visible in the media and public discussions of income inequality, poverty, and social mobility. A steady stream of publications will document and highlight the ongoing pay and benefit problems workers face both nationally and locally.

2. Connect wages to income stagnation and inequality, and explain why raising wages is essential to a strong middle class. It may seem obvious that wage stagnation is behind income stagnation and inequality, but this connection is not automatically made in public policy discussions. The simple fact that low- and middle-class families get the vast majority of their income from wages and benefits earned at work means that pay growth is essential to improving middle-class living standards and reducing poverty. However, many policymakers ignore wage issues and focus by default on increasing transfer payments and tax credits to aid low-income families. Such policies are important but insufficient: If wage growth continues to deteriorate, then government assistance would need to become more progressive and expansive each year. Moreover, such policies do not address the widespread income problems caused by lagging wages, especially now that wages and wage-related parts of the safety net (e.g., the Earned Income Tax Credit) comprise 70 percent of the income of non-elderly low-income families.

3. Explain how eroded labor standards, changed business practices, weakened institutions and unions, and changing employment norms have undercut wage growth, and identify policy levers to jumpstart wage growth. It is critically important to go beyond unemployment, technological growth, skills, and globalization, and flesh out the cumulative impact of the following factors on stagnant and unequal wage trends, with an eye toward informing policies that would help ensure stronger and broader wage growth:

- The erosion of labor standards and the development of new business practices that diminish workers' earning power
- The role of shifting corporate forms (i.e., subcontracting, franchising, and the use of labor brokers) and other legal issues that impede wage growth and enforcement of labor violations
- Diminished access to courts, and weak enforcement of labor standards, which leaves employees increasingly powerless to redress problems at work
- The failure of today's labor standards to extend effective protections to the growing population of undocumented immigrant workers and guestworkers
- A weakened safety net, which limits workers' options and makes them less able to reject offers of jobs with unsafe or exploitative conditions or jobs with pay and conditions below current standards

- Persistent race, ethnic, and gender wage gaps and occupational segregation, all of which limit opportunity and suppress wages
- The erosion of collective bargaining and its adverse effect on both union and nonunion workers
- The shifting of the basic norms followed by both workers and their employers in setting wages

4. Connect to civic engagement efforts. There is a notable rise in on-the-ground organizing around wages and labor standards, ranging from efforts to raise the minimum wage to actions to counter wage theft, establish fair work hours, and protect other labor standards. Raising America's Pay will complement and reinforce these efforts by providing supports such as technical assistance, increased visibility, policy analysis, and an understandable economic narrative.