Facts & Figures

State of Working America 2004/2005

Wages

As *The State of Working America 2004/2005* went to press, 31 months into the recovery, we remained over one million jobs below the last employment peak. This jobs deficit is the primary reason why, after over two-and-a-half years of consistent economic expansion -- one characterized by strong productivity growth -- many working families are either worse off or about where they were at the start of the recession in March 2001.

Overall Trends

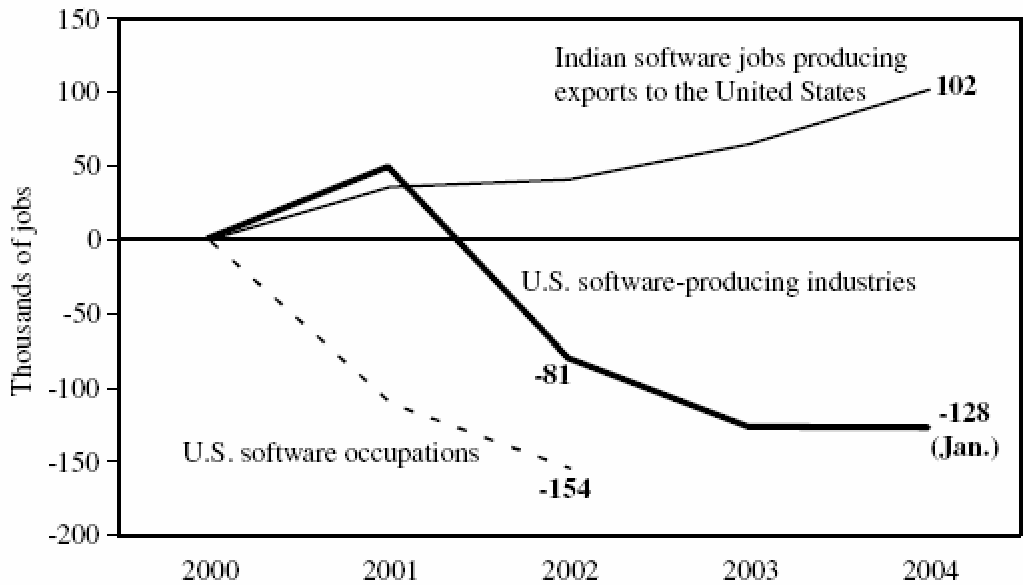
- The trends in average wage growth can be attributed to corresponding changes in productivity growth. Productivity accelerated in the mid-1990s, and its growth continued into the current recession, leading to historically high growth in average wages. But the income shift from labor to capital intensified from 2000 to 2003. As a result, the benefits of faster productivity growth went disproportionately to capital.
- Trends from 2000 to 2003 may signal a return to the 1980s pattern of across-the-board widening of wage inequality. The gap between those with wages at the 50th and 10th percentiles started growing again among women after 1999, and it stopped falling among men (except in 2003). The wage gap between the middle and the top (95th and 90th percentile to the 50th percentile) spiked upward sharply among men and grew moderately among women.
- Entry-level high school graduates' wage growth was stunted during the 2000-03 period of high unemployment. Entry-level college wages fell among men (down 3.5%) and women (down 1.2%) between 2000-03.
- In 2002, the occupational composition of jobs requires that 26.9% of the workforce have a college degree or more. This share will rise by only one percentage point to 27.9% by 2012.

Wage Inequality

- Significant shifts in the labor market, such as the severe drop in the minimum wage and de-unionization, can explain one-third of the growing wage inequality.
- The increasing globalization of the economy -- immigration, trade, and capital mobility -- and the employment shift toward lower-paying service industries (such as retail trade) and away from manufacturing can explain, in combination, another third of the total growth in wage inequality.

❖ Immigration has probably not been associated with growing wage inequality between high- and middle-wage earners, but may have put downward pressure on wages overall.

Changes in Software-Related Jobs Since 2000



Sources: EPI calculations of data from the Bureau of Labor Statistics and the National Association of Software and Service Companies (India); Bivens and Price (2004).

Health Insurance & Pensions

❖ Health insurance coverage eroded for all wage groups in the 2000-02 period. Over the longer period, 1979-2002, health insurance coverage declined sizably, and comparably, across the wage spectrum.

❖ Less than half the workforce is covered by employer-provided pensions. Pension coverage fell from 48.3% in 2000 to just 45.5% in 2002.

❖ In 2002, the highest wage workers were nearly five times as likely to have pension coverage as low-wage workers (71.2% vs. 15.0%).

Minimum Wage

❖ In 2003, the minimum wage was worth just 34% of what an average worker earned per hour, the lowest point for this ratio in 40 years. This ratio was about 50% in the late 1960s, about 45% in the mid-1970s and about 40% in the early 1990s.

CEO Pay

❖ From 1989 to 2000, the wage of the median chief executive officer grew 79.0%, and average compensation grew 342%. In 1965 CEOs made 24 times more than a typical worker; by 1989 the ratio had risen to 71-to-1, and by 2003 it was 185-to-1.

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