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RECESSION HITS WORKERS' PAYCHECKS Wage growth has collapsed

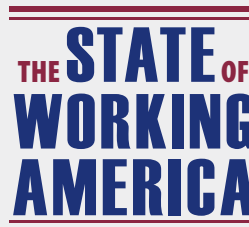
BY LAWRENCE MISHEL AND HEIDI SHIERHOLZ

Since the recession started in December 2007, a great deal of attention has been paid to the dramatic loss of jobs, decline in hiring, and the resulting high unemployment in the U.S. labor market. It is important to note, however, that the damaging effects of high unemployment are not just felt by the workers (and the families of workers) who have lost jobs. Workers who have kept their jobs or found new work during this downturn have also suffered from a broad-based collapse of wage growth over the last two years. And with unemployment expected to remain elevated for many years to come, we do not expect the suppression of wage growth to ease anytime soon.

This erosion of wage growth will only compound the deterioration of incomes and living standards that occurred over the course of the 2000-07 business cycle. Productivity growth far outpaced compensation in the 2000-07 business cycle, especially during that cycle's recovery (2002-07). Economists generally assume that faster productivity growth generates higher living standards through increased average compensation, but **Figure A** shows that from 1995 to 2007, the disconnect between productivity and compensation growth was dramatic, particularly during the 2002-07 recovery. From 2002 to 2007, productivity grew 11.0%, but the hourly compensation of the typical high-school- and college-educated worker actually fell. In other words, the disconnect between pay and productivity in the years leading up to the current downturn encompassed a broad swath of the workforce, with neither the median high school graduate nor the median college graduate capturing the benefit of the economy's productivity growth.

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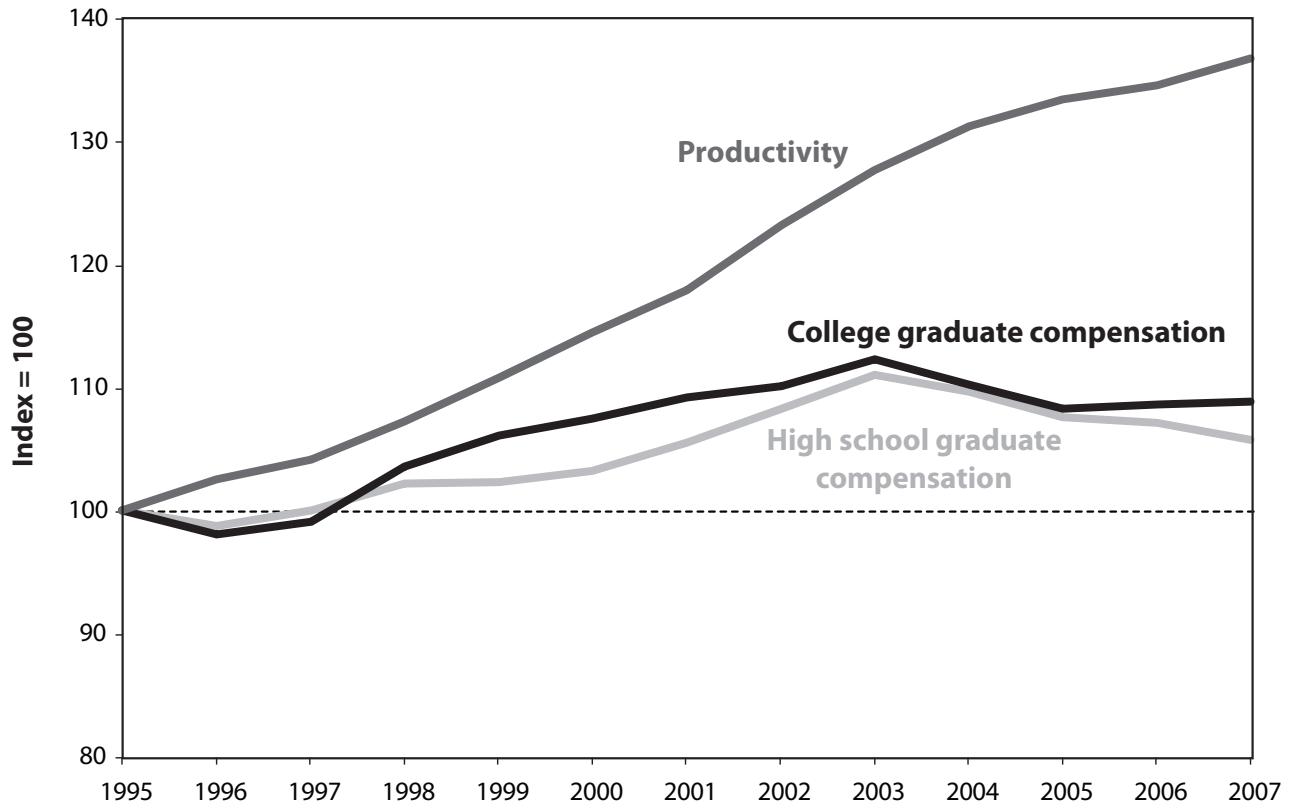


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FIGURE A

Productivity and median compensation growth , 1995-2007

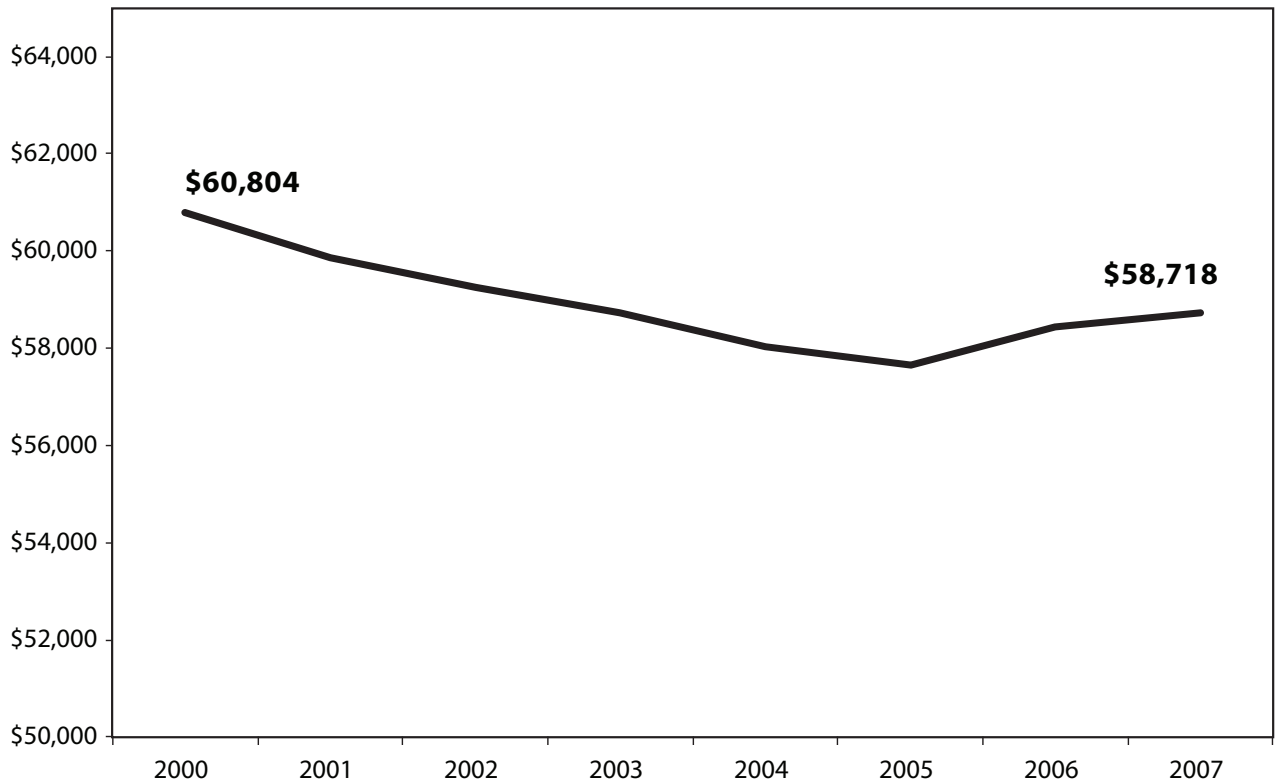


SOURCE: Bureau of Labor Statistics, and Bureau of Economic Analysis.

This decoupling of pay and productivity contributed to an actual decline in income for typical working families. As **Figure B** shows, the inflation-adjusted median income for working-age households declined by over \$2,000 between 2000 and 2007. This is the only business cycle on record in which the typical working family had less income at the end of a cycle than at the beginning. Furthermore, these results compound the damage done in prior decades. Income growth has disproportionately accrued to those at the very top of the scale, not just in the 2000-07 business cycle, but for most of the roughly 25 years preceding it. For example, over the 1989-2007 period, which includes a period of broad-based income growth in the late 1990s, about 56% of all income growth accrued to the upper 1% of households, with more than a third (34.6%) accruing to the top one-tenth of that

upper 1%. In contrast, the bottom 90% of households received about 16% of all the income growth. Not surprisingly, the share of income received by the upper 1% hit a peak of 23.5% in 2007 that was higher than in any year since the late 1920s, right before the Great Depression. Three decades of growing disparity laid the foundation for the current Great Recession.

But family incomes and living standards aren't the only things that suffer: poor wage growth will inevitably be a drag on the entire economic recovery. Severe wealth declines from the bursting of the housing bubble (and to a lesser extent the decline in the stock market), along with job losses and hours reductions all combined to dramatically reduce consumer spending. This in turn meant demand for goods and services plummeted, causing business to scale back investments and employment. To

FIGURE B**Median real income for working-age households (\$2008)**

SOURCE: EPI analysis of Census Bureau data.

secure robust and sustained growth, we will need households to steadily increase their consumption. In the prior three decades such consumption growth was maintained by increasing personal debt and, at various points, based on people feeling wealthier because of inflated stock and housing assets. That mechanism for growth eventually failed us, and we cannot rely on it in the future. Instead, we need consumption growth to be driven by *strong employment growth and higher real wages* for most workers. This will take vigorous policy interventions to restore us to low unemployment and reconnect wages to productivity growth. The current trend, unfortunately, is an implosion of wage growth, which will have an ongoing dampening effect on the economic recovery.

This report focuses on nominal (not inflation-adjusted) hourly and weekly wage trends, and reveals a dramatic slowdown in wage growth. Key findings include:

- Across all available employer-based surveys, the wage story is essentially the same. In the first year of the downturn, nominal hourly wage growth held up relatively well. After the first year, however, pay growth decelerated sharply. In the most recent data, hourly wages and compensation were growing at less than half the rate they were prior to the start of the recession.
- The deceleration of nominal wage growth is apparent in essentially all major occupational groups, including blue-collar, white-collar, and service occupations.
- An examination of growth in median weekly nominal wages shows the same dramatic deceleration over the course of the downturn. The deceleration is the most pronounced for men, for workers with low levels of education, and for Hispanic workers.

- Inflation has been particularly volatile over the last few years, making assessments of the trends in inflation-adjusted wages difficult. Real (i.e., inflation-adjusted) wages declined in the first year of the downturn, when inflation was unusually high, then rose in the second year of the downturn, as inflation was negative, and then declined again in the most recent year of the downturn as inflation, though modest, outpaced the much-decelerated nominal wage growth.

Nominal wage trends

Wages respond to the strength of the job market; wage growth is expected to accelerate during periods of tight labor markets (since employers often have to raise wages to get and keep the workers they need) and to decelerate in periods of weak labor markets (since the bargaining power of workers and job seekers is diminished due to the fact that there are too many job seekers and too few jobs). The latter is especially true in today's job market, with five unemployed workers for every job opening. It should be noted that wage trends usually do not change course quickly, and it can take a long time for labor market dynamics to noticeably affect them. In particular, wage growth does not immediately begin to falter when the labor market weakens. Unfortunately, this means that

once the weak labor market does affect wages, it can lead to an extended period of wage stagnation.

This paper focuses on wage trends in non-inflation adjusted terms, what economists call nominal wages. Of course, living standards are set by wages adjusted for inflation, that is, real wages. However, the recession's impact on real wage trends is driven by the effect increased unemployment has on both inflation and nominal wage growth, both of which diminish in a recession. It is useful to examine nominal wage trends separately because trends in inflation are volatile, shaped by many forces, such as oil prices, that are not directly related to labor market conditions. Inflation has been unusually variable in the last couple of years due to fluctuations in energy prices—from the second quarter of 2007 (2007Q2) to 2008Q2, energy prices increased by 19.4%, from 2008Q2 to 2009Q2, they decreased by 26.0%, and from 2009Q2 to 2010Q2, they increased by 11.7%. Thus, to assess the impact of the labor market on wages over this period, we will spend the majority of this paper looking at nominal wage growth. We separately examine real wage trends at the end of the paper.

In what follows, we track wage trends over the last four years, using both establishment-based and household-based data. To make full use of the most recent data

TABLE 1

Trends in hourly wages and compensation in employer-based surveys

Year*	Employment cost index		Productivity series	Establishment survey		Employer costs for employee compensation**		
	Private compensation	Private wages and salaries	Non-farm compensation	Private, all workers wages	Private, production and non-supervisory wages	Private compensation	Private wages	Private benefits
Pre-recession								
2007/2006	3.1%	3.4%	4.0%	3.7%	4.0%	3.1%	3.3%	2.2%
Recession								
(1) 2008/2007	3.1%	3.1%	3.5%	2.9%	3.7%	3.3%	3.2%	3.8%
(2) 2009/2008	1.5	1.6	2.4	2.9	3.1	2.4	2.4	2.3
(3) 2010/2009	1.8	1.6	1.0	1.8	2.3	1.5	1.2	2.7

* All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter.

** For last year, results use annualized growth rate from 2009:2 to 2010:1. Second quarter data are not yet available.

SOURCE: Bureau of Labor Statistics.

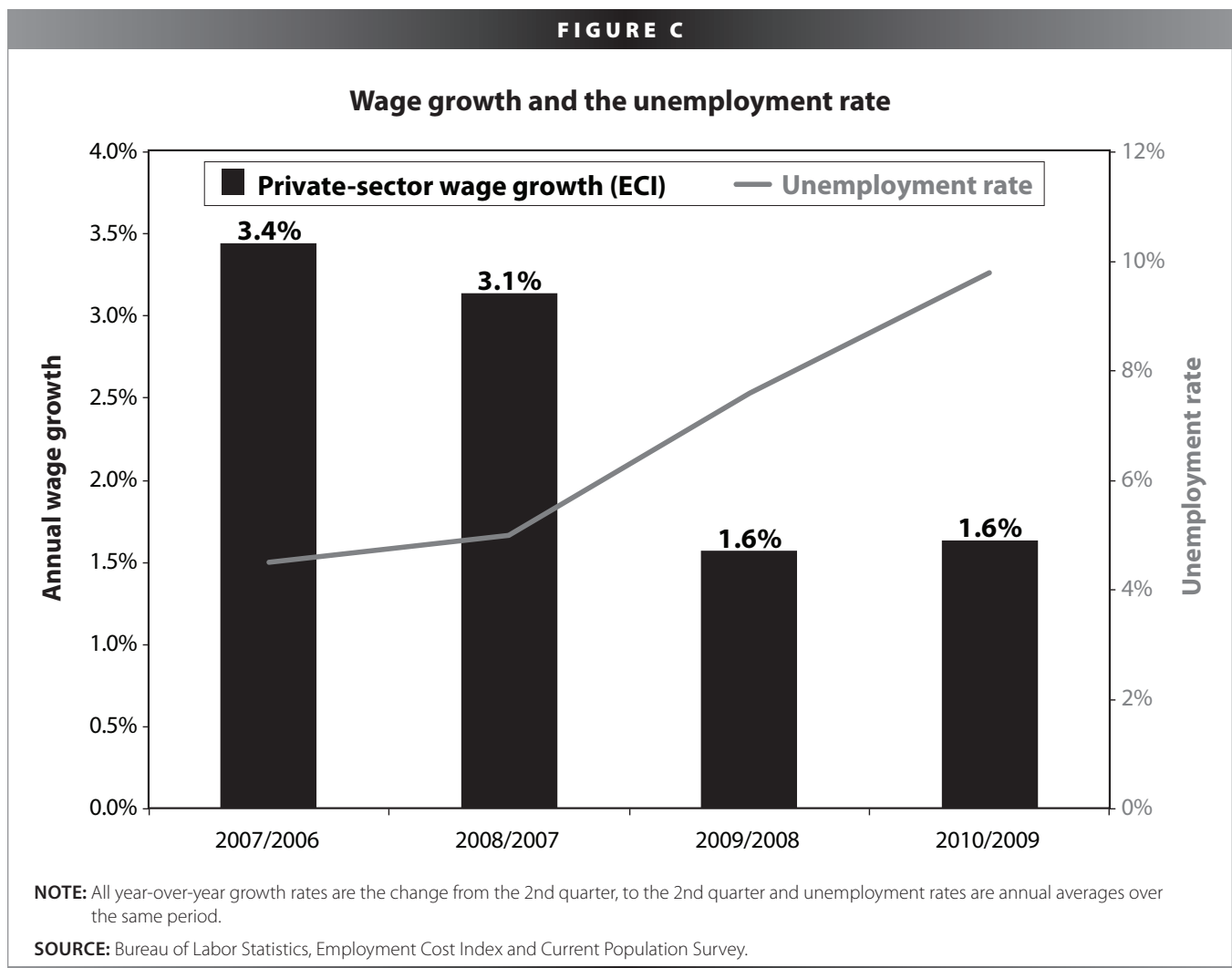
(the second quarter of 2010), we look at year-over-year changes from the second quarter of each year. Before the recession, unemployment was at its lowest level, 4.5%, in the second quarter of 2007 (2007Q2). To capture the year just prior to the downturn, we look at pay growth between 2006Q2 and 2007Q2. To capture the first year of the downturn, we look at pay growth between 2007Q2 and 2008Q2. Similarly, for the second year of the downturn, we look at pay growth between 2008Q2 and 2009Q2, and for the third (and most recent) year of the downturn, we look at pay growth between 2009Q2 and 2010Q2. Analyzing growth from second quarter to second quarter is also useful because it allows us to utilize some data (median weekly earnings of full-time workers) which are not seasonally adjusted and therefore require analysis in corresponding times of the year.

Trends in private-sector hourly wage growth

We first look at wage and compensation data drawn from all of the available surveys of employers, sometimes referred to as *establishment data*. All of the establishment-based series that provide up-to-date measures of wage and/or compensation trends at the national level are presented in **Table 1**.

Across all of the available establishment-based measures, the wage story is essentially the same. In the first year of the downturn, wage growth held up relatively well. We imagine this is due to the momentum in wage growth from the preceding recovery and the fact that unemployment only rose by 0.5 percentage points during that first recessionary year, from 4.5% to 5.0% (also see **Table 2** below). After the first year, however, pay growth

FIGURE C



decelerated sharply. In the Employment Cost Index (ECI), private-sector hourly wage growth dropped from the pre-recession annual growth rate of 3.4% to less than half that fast, 1.6%, by the third year of the downturn. This deceleration is illustrated in **Figure C**. Total hourly compensation (which includes growth in not just wages but also benefits) dropped from 3.1% to 1.8% over the same period. Hourly compensation in the non-farm business sector, as reported in the Bureau of Labor Statistics productivity statistics, shows a drop from the pre-recession growth rate of 4.0% to just 1.0% growth in the most recent year.

There are two measures of wage growth available from the establishment data series (the Current Establishment Survey, or CES) used to track payroll job growth each month: one for all workers and one for “production and non-supervisory workers” (who comprise 82% of payroll employment). Average private hourly earnings for all workers also slowed by half, from a pre-recession growth rate of 3.7% to 1.8% in the year ending the second quarter of 2010. The hourly earnings growth for production/nonsupervisory worker dropped from 4.0% to 2.3%. The Employer Costs for Employee Compensation (ECEC) program reports that hourly compensation dropped from a pre-recession growth of 3.1% to a 1.5% annualized rate in the most recent data.¹ The ECEC measure of wages

decelerated even more, falling from a pre-recession growth of 3.3% to just 1.2% in the last year.

Although the specific numbers vary, the story told from every available employer-based data source is that of substantial wage deceleration over the course of the downturn. This subdued wage growth can be expected to endure as high unemployment persists. Unemployment is expected to exceed 9% throughout 2011, and given the momentum of wage growth, it is reasonable to expect subdued wage growth for many years beyond 2011, especially since we will likely not return to pre-recession unemployment rates until 2015 or later.

The economic context

To provide some context for these wage trends, we present in **Table 2** the main economic factors (inflation, unemployment, and productivity) associated with wage growth. (Recall that these data are presented for ‘years’ which proceed from second quarter to second quarter, to accord with the wage trends presented in other tables.) First, note the volatility of inflation over this time period. Inflation was 2.7% prior to the recession but then varied from 4.3% to a negative 1.0% in the next two years. The second column shows the core inflation rate (which excludes food and energy) and demonstrates, when compared to the overall inflation rate, how energy inflation has driven the volatility

TABLE 2

Inflation, unemployment, and productivity trends

Year*	Inflation, CPI-U		Unemployment rate (average)*	Productivity, output/hour***
	All items	Core**		
Pre-recession				
2007/2006	2.7%	2.2%	4.5	0.9%
Recession				
(1) 2008/2007	4.3%	2.3%	5.0	1.9%
(2) 2009/2008	-1.0	1.8	7.6	2.5
(3) 2010/2009	1.8	1.0	9.8	3.9

* All year-over-year growth rates are the change from the 2nd quarter, to the 2nd quarter and unemployment rates are annual averages over the same period.

** Core inflation excludes energy and food items.

*** Non-farm business sector.

SOURCE: Bureau of Labor Statistics.

of inflation in recent years. For instance, core inflation grew just 2.3% in the first year of the recession while energy prices drove overall inflation to a 4.3% rate. Likewise, core inflation continued at a 1.8% rate in the second year while overall inflation went negative as the energy prices that escalated in the first year reversed themselves.

Unemployment grew a modest 0.5 percentage points in the first year of the recession, but grew 2.6 and 2.2 percentage points in the following two years, respectively. Productivity growth also accelerated over this time period, growing from an initial 1.9% rate early in the recession to a 3.9% rate most recently. Obviously, wage and compensation growth moved the opposite direction: as productivity accelerated, pay for workers actually decelerated.

Wage trends by occupation

Table 3 further breaks down wage growth by occupation using data drawn from the Employment Cost Index, whose aggregate trends were already discussed above. Barring sales and related occupations, each occupational group follows the overall trend of dramatically slowing wage growth over the recession. Over the last year, the occupations that suffered the most wage deceleration were

relatively lower-paid occupations: service occupations, dropping from 3.9% before the recession to 1.3% over the last year, and office and administrative support occupations, dropping from 3.4% to 1.4% over the same period. But that is not to suggest that higher-paid occupations have been exempt from wage deceleration during the downturn—management, professional, and related occupations dropped from 3.7% prior to the recession to 1.6% wage growth over the last year. Wage growth in sales and related occupations fluctuated strongly over the last two years; from 2008 to 2009, wages in this group declined by 1.8%, and rebounded to 3.2% growth over the last year. Most of this variation was due to the roughly 20% of workers in this occupational group who receive incentive pay, that is, those for whom some portion of their earnings is based on their sales or output. When these incentive-paid workers are excluded, the wage trends are more stable and resemble those of other occupations.

Trends in weekly wages by demographic group

This section further examines wage deceleration using data drawn from the Current Population Survey, which

TABLE 3

Wage trends by occupation

	Pre-recession 2007/2006*	Recession			Share of labor force (2009)
		(1) 2008/2007*	(2) 2009/2008*	(3) 2010/2009*	
All workers	3.3%	3.1%	1.6%	1.6%	100.0%
Blue collar					
<i>Production, transportation, and material moving</i>	2.6%	2.9%	1.9%	1.4%	12.0%
<i>Construction, maintenance, and natural resources</i>	3.2	3.7	1.8	1.6	10.3
Service occupations	3.9	3.3	2.2	1.3	17.8
White collar					
<i>Office and administrative support</i>	3.4	2.9	2.4	1.4	12.9
<i>Sales and related</i>	2.7	2.5	-1.8	3.2	11.2
<i>Sales and related, excluding incentive paid</i>	2.9	4.1	1.6	2.0	
<i>Management, professional, and related</i>	3.7	3.3	1.6	1.6	35.8

*All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter.

SOURCE: Bureau of Labor Statistics, Employment Cost Index and Current Population Survey.

TABLE 4

Trends in median weekly earnings by gender and education

	Recession			
	Pre-recession	(1)	(2)	(3)
	2007/2006*	2008/2007*	2009/2008*	2010/2009*
All				
All (age 25 and over)	4.3%	3.4%	1.3%	0.5%
<i>Less than high school</i>	4.8	2.0	3.6	-5.4
<i>High school</i>	1.0	3.9	1.6	-0.2
<i>Some college</i>	4.1	3.3	-1.1	2.5
<i>BA only</i>	4.8	-1.5	3.2	0.1
<i>Advanced degree</i>	0.2	6.4	2.6	0.7
Men				
All (age 25 and over)	4.6%	5.3%	1.2%	-1.3%
<i>Less than high school</i>	3.2	1.4	1.2	-3.6
<i>High school</i>	1.6	5.1	-0.1	0.0
<i>Some college</i>	5.3	2.8	-0.8	1.2
<i>BA only</i>	5.1	-0.4	3.9	-3.1
<i>Advanced degree</i>	-3.0	8.9	1.6	0.0
Women				
All (age 25 and over)	2.6%	5.2%	1.6%	3.7%
<i>Less than high school</i>	5.9	0.3	2.4	-2.6
<i>High school</i>	2.4	2.6	5.6	-1.5
<i>Some college</i>	1.3	4.5	-0.3	2.4
<i>BA only</i>	2.3	-1.4	2.1	4.3
<i>Advanced degree</i>	4.1	6.0	1.5	0.8
Unemployment rate, age 25 and over (average)				
All	3.5%	3.9%	6.4%	8.4%
<i>Men</i>	3.5	3.9	6.9	9.2
<i>Women</i>	3.6	3.9	5.7	7.4
<i>Less than high school</i>	6.7	7.7	12.1	15.1
<i>High school</i>	4.3	4.8	7.8	10.5
<i>Some college</i>	3.5	3.8	6.3	8.5
<i>BA only</i>	2.1	2.3	4.1	5.5
<i>Advanced degree</i>	1.6	1.8	2.9	3.7

* All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter and unemployment rates are annual averages over the same period.

SOURCE: EPI analysis of Bureau of Labor Statistics, Current Population Survey, Nominal median usual weekly earnings, Employed full time, age 25+.

collects data from households each month and provides the monthly unemployment rate. These data are based on information from the workers themselves, as opposed to employers. One advantage of such data is that it permits us to provide demographic breakdowns, including gender, education, and race/ethnicity. The data examined here are median weekly earnings of full-time workers from the Bureau of Labor Statistics. Since they are weekly earnings, they combine the impact of slower wage growth with fewer hours worked per week (as hours have been cut back during the downturn), therefore giving a clearer sense of the effect of the recession on workers' paychecks. However, because the data are restricted to full-time workers (people who work 35 hours per week or more), the effect of reduced hours on paychecks will be minimized in this analysis since, for example, if full-time workers see their hours cut to below 35 per week, they are no longer in the sample.

Table 4 shows median weekly earnings growth for full-time workers by education and gender. These data, as has been the case so far in this paper, are in nominal (i.e., non-inflation adjusted) terms. Furthermore, these data are calculated for workers age 25 and over, to avoid typical college-attendance years, for proper comparisons across educational categories. Finally, this table shows only growth rates (wage levels are given in **Appendix Table A1**).

Overall, the median weekly wages of full-time workers, as with the hourly wage and compensation series from Tables 1 and 3, show dramatic wage deceleration over the course of the recession: annual growth rates declined from the pre-recession rate of 4.3% to 3.4%, then to 1.3%, and finally to 0.5% over the first three years of the recession.

This deceleration has been more pronounced for men than for women, with men's wage growth dropping from 5.3% in the first year of the recession to -1.3% in the most recent data (an actual *decline* in nominal wage growth); women's wage growth dropped from 5.2% to 3.7% over the same period. The second half of the table shows unemployment rates over the same period, shedding some light on the gender differences. While both men and women have experienced substantial increases in unemployment over the recession, the increase for men has been much greater.

Workers with lower levels of education have been hit particularly hard, in regards to both unemployment and wages. The wages of men without a high school degree declined by 3.6% over the last year, while the wages of women without a high school degree declined by 2.6%. Workers with exactly a high school degree fared only slightly better, with men seeing no wage change over the last year and women seeing a decline of 1.5%. Workers with some college but no degree saw the strongest wage growth with men seeing 1.2% wage growth and women seeing 2.4% wage growth. The wage growth of workers with a bachelors degree but no advanced degree was split along gender lines, with men seeing a decline of 3.1% and women seeing an increase of 4.3% over the last year. In general, among men the deceleration of wage growth is overwhelming and extends across every education group. Among women the wage trends are more volatile and less uniform.

Table 5 shows median weekly earnings growth for full-time workers by race, ethnicity, and gender, also in nominal terms, for workers age 16 and over. This table shows growth rates (wage levels are given in **Appendix Table A2**). As above, the overall median weekly wages of full-time workers age 16 and over show dramatic deceleration over the course of the recession, with annual growth rates of 4.7%, 4.2%, 2.1%, and 0.8%, for 2007 through 2010, respectively. This deceleration is illustrated in **Figure D**.

These declines were the most dramatic for Hispanics, with the wage growth of Hispanic workers dropping from 6.8% in the first year of the recession to -3.3% in the most recent data, while the wage growth of white workers dropped from 3.5% to 0.3%, and the wages of black workers dropped from 5.2% to 2.5% over the same period. It should be noted that while blacks have seen deceleration since the start of the downturn, the pick-up of wage growth for black workers from the second year of the recession (at 0.2%) to the third year (at 2.5%) is counter-intuitive. This is likely the result of using an inherently volatile measure, both because of a relatively smaller sample size (which is comprised of blacks in one quarter) and a volatile metric (trends in medians are inherently jumpy because the underlying data are lumpy, clustered in similar vales such as even dollar amounts,

TABLE 5

Trends in median weekly earnings by gender and race/ethnicity

	Pre-recession 2007/2006*	Recession		
		(1)	(2)	(3)
		2008/2007*	2009/2008*	2010/2009*
Median weekly earnings growth				
All	4.7%	4.2%	2.1%	0.8%
<i>Male</i>	4.4	4.8	1.9	-0.6
<i>Female</i>	2.4	4.4	2.8	3.1
White				
All	5.2%	3.5%	2.2%	0.3%
<i>Male</i>	4.0	5.6	1.8	-0.5
<i>Female</i>	3.0	4.5	2.8	2.4
Black				
All	5.2%	5.2%	0.2%	2.5%
<i>Male</i>	4.2	3.0	0.8	1.9
<i>Female</i>	2.0	9.0	-0.2	3.2
Hispanic				
All	3.7%	6.8%	1.9%	-3.3%
<i>Male</i>	3.8	8.8	1.1	-5.7
<i>Female</i>	8.3	5.1	3.4	0.6
Unemployment rate, age 16 and over (average)				
All	4.5%	5.0%	7.6%	9.8%
<i>Male</i>	4.6	5.1	8.4	10.8
<i>Female</i>	4.5	4.8	6.8	8.6
White	4.0%	4.4%	6.9%	8.9%
Black	8.5%	8.7%	12.6%	15.8%
Hispanic	5.3%	6.3%	9.9%	12.7%

* All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter, and unemployment rates are annual averages over the same period.

SOURCE: EPI analysis of Bureau of Labor Statistics, Current Population Survey, Nominal median usual weekly earnings, Employed full time, age 16+.

which requires a smoothing algorithm that is sometimes not successful). Nevertheless, for blacks overall and for black men there is a clear deceleration of wage growth over the last four years.

Men in each race/ethnicity category saw less wage growth than women: over the last year, the wages of white men declined by 0.5%, while those of white women increased by 2.4%; the wages of black men grew by

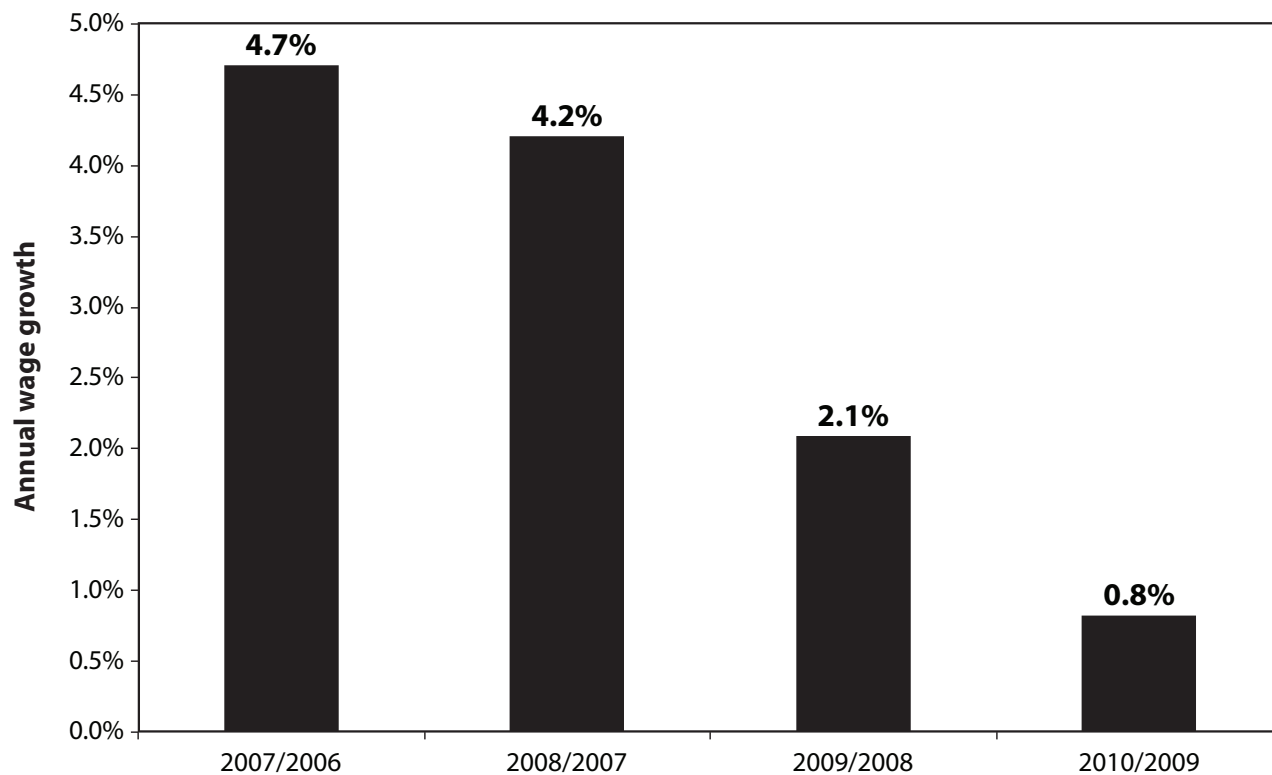
1.9%, while those of black women increased by 3.2%; the wages of Hispanic men declined by 5.7%, while the wages of Hispanic women grew by 0.6%.

Real wages

An examination of real (i.e., inflation-adjusted) wages is important in assessing the effect of the weak labor market on living standards. However, as reviewed above, inflation

FIGURE D

Nominal median weekly earnings growth for full-time workers (age 16+)



NOTE: All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter.

SOURCE: Bureau of Labor Statistics, Current Population Survey.

has been particularly volatile over the last few years, making assessments of the trends in inflation-adjusted wages difficult.

Table 6 shows real wage growth for several of the wage series from Tables 1, 4, and 5. We repeat the inflation trends in the first column to reinforce the volatile nature of those trends. In the first year of the recession, when inflation was 4.3% because of escalating energy prices, real wages fell. In the ECI, for example, real hourly wages decline by 1.1% over this period, and real median weekly wages of full-time workers declined by 0.1%. In the second year of the recession the story reversed because inflation reversed itself, actually falling by 1.0% (negative inflation means that real wages grow even if nominal wages don't grow at all). So, despite decelerating nominal wage growth, real hourly wages

as reported by the ECI grew 2.6% over this period, and median usual weekly wages of full-time workers grew 3.1%. Over the last year, inflation has been modest but positive (1.8%), outpacing the much-decelerated nominal wage growth, so real wages were negative in most of the series. Real hourly wages as reported by the ECI declined 0.1% over this period, while the real median weekly wages of full-time workers declined by 0.9%. We imagine that these trends will continue for several more years as nominal wages grow even more slowly and inflation continues at subdued rate, but greater than the growth of wages.

Conclusion

This report documents that both hourly and weekly wage growth has slowed substantially for a broad array

TABLE 6

Trends in real wage growth

	Pre-recession	Recession		
	2007/2006*	(1) 2008/2007*	(2) 2009/2008*	(3) 2010/2009*
Inflation				
<i>CPI-U</i>	2.7%	4.3%	-1.0%	1.8%
Private hourly wages				
ECI				
<i>Wages and salaries</i>	0.6%	-1.1%	2.6%	-0.1%
Establishment Survey				
<i>All workers wages</i>	1.0%	-1.3%	3.9%	0.0%
ECEC**				
<i>Private wages</i>	0.6%	-1.1%	3.4%	-1.4%
Median usual weekly wages of full-time workers				
All	2.0%	-0.1%	3.1%	-0.9%
<i>Men</i>	1.6	0.5	2.9	-2.3
<i>Women</i>	-0.3	0.1	3.9	1.3
Education (age 25 and older)				
<i>Less than high school</i>	2.0%	-2.2%	4.6%	-7.0%
<i>High school</i>	-1.6	-0.4	2.6	-1.9
<i>Some college</i>	1.4	-1.0	-0.1	0.7
<i>BA only</i>	2.0	-5.5	4.2	-1.6
<i>Advanced degree</i>	-2.4	2.0	3.6	-1.1
Race/ethnicity				
<i>White</i>	2.4%	-0.8%	3.2%	-1.5%
<i>Black</i>	2.5	0.8	1.2	0.7
<i>Hispanic</i>	1.0	2.4	2.9	-5.0

* All year-over-year growth rates are the change from the 2nd quarter to the 2nd quarter.

** For last year, results use annualized growth rate from 2009:2 to 2010:1. Second quarter data are not yet.

SOURCE: Bureau of Labor Statistics.

of workers. The primary policy concern is the need for government action to generate faster job growth. This should include providing additional supports to families hit by unemployment (which not only helps these families weather the downturn but also boosts spending), fiscal relief to state governments (which creates and preserves both government and private-sector jobs), additional infrastructure spending, and direct job creation efforts.

A second key policy concern is the need to address the long-term disconnect between wages and productivity. Figure A demonstrates this disconnect for recent years, but this phenomenon—the failure of workers' wages and living standards to be closely linked to productivity growth—has been evident for roughly 35 years. One key policy would be to restore the minimum wage to half of the average wage and maintain that as a labor

standard moving ahead (Shierholz 2009). Reestablishing a robust system of collective bargaining, thus increasing labor's influence in the effort to ensure that the wealth of the country is broadly shared, is also of primary importance. The threat of a filibuster has blocked the Employee Free Choice Act (EFCA), but a great deal can be done without congressional action, including strong enforcement of labor laws, such as wage and hour standards and laws prohibiting the classification of permanent workers as temporary or contract workers, and giving preference in government contracts to employers with good labor practices while avoiding those with abusive practices. Concrete policy ideas like these are outlined in an upcoming special report in the October issue of *The American Prospect*. As Robert Kuttner says in the introduction to the report, "A lot is possible without

EFCA. The enforcement and contracting initiatives... would help energize collective bargaining by rewarding companies that have good labor relations. Unless this is done, low-road companies will have an unfair cost advantage, and companies that pay decently and that don't bust unions will either lose market share, go out of business, or join the low road." Enforcement and contracting initiatives are the kinds of policy ideas that will combat the rising income inequality (and stagnant income for most families) that has plagued the U.S. economy for more than three decades, and such policies could help establish the basis for robust economic growth for all families moving forward.

— *Research assistance was provided by Andrew Green.*

Appendix

TABLE A 1

Median weekly earnings by gender and education

	Second quarter data				
	2006	2007	2008	2009	2010
All					
All (age 25 and over)	\$705	\$735	\$760	\$770	\$774
<i>Less than high school</i>	420	440	449	465	440
<i>High school</i>	591	597	620	630	629
<i>Some college</i>	676	704	727	719	737
<i>BA only</i>	968	1,014	999	1,031	1,032
<i>Advanced degree</i>	1,217	1,220	1,298	1,332	1,341
Men					
All (age 25 and over)	\$783	\$819	\$862	\$872	\$861
<i>Less than high school</i>	475	490	497	503	485
<i>High school</i>	669	680	715	714	714
<i>Some college</i>	779	820	843	836	846
<i>BA only</i>	1,112	1,169	1,164	1,209	1,171
<i>Advanced degree</i>	1,440	1,397	1,521	1,546	1,546
Women					
All (age 25 and over)	\$619	\$635	\$668	\$679	\$704
<i>Less than high school</i>	356	377	378	387	377
<i>High school</i>	496	508	521	550	542
<i>Some college</i>	597	605	632	630	645
<i>BA only</i>	856	876	864	882	920
<i>Advanced degree</i>	1,026	1,068	1,132	1,149	1,158

NOTE: All data are for the second quarter of given year.

SOURCE: Bureau of Labor Statistics, Current Population Survey NSA- Nominal median usual weekly earnings, employed full time.

TABLE A 2**Median weekly earnings by gender and race/ethnicity**

	Second quarter data				
	2006	2007	2008	2009	2010
All					
All	\$659	\$690	\$719	\$734	\$740
<i>Male</i>	731	763	800	815	810
<i>Female</i>	593	607	634	652	672
White					
All	\$678	\$713	\$738	\$754	\$756
<i>Male</i>	753	783	827	842	838
<i>Female</i>	602	620	648	666	682
Black					
All	\$534	\$562	\$591	\$592	\$607
<i>Male</i>	573	597	615	620	632
<i>Female</i>	511	521	568	567	585
Hispanic					
All	\$485	\$503	\$537	\$547	\$529
<i>Male</i>	504	523	569	575	542
<i>Female</i>	434	470	494	511	514

NOTE: All data are for the second quarter of given year. NSA- Median usual weekly earnings, Employed full time, Wage and salary workers, age 16+, nominal.

SOURCE: Bureau of Labor Statistics.

Endnotes

1. Because the most recent data in this series are for the first quarter of 2010 we report the nine-month change at an annualized rate.

References

Shierholz, Heidi. 2009. *Fix it and forget it: index the minimum wage to growth in average wages*. Washington, D.C.: Economic Policy Institute.