

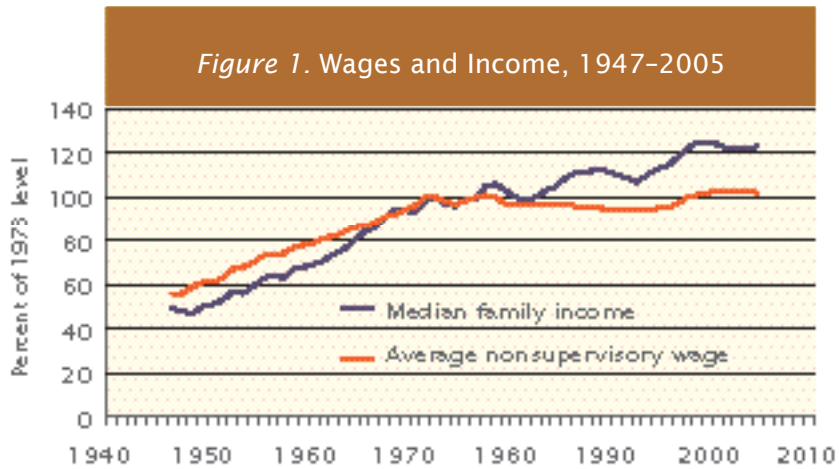
Going Nowhere

Workers' Wages since the Mid-1970s

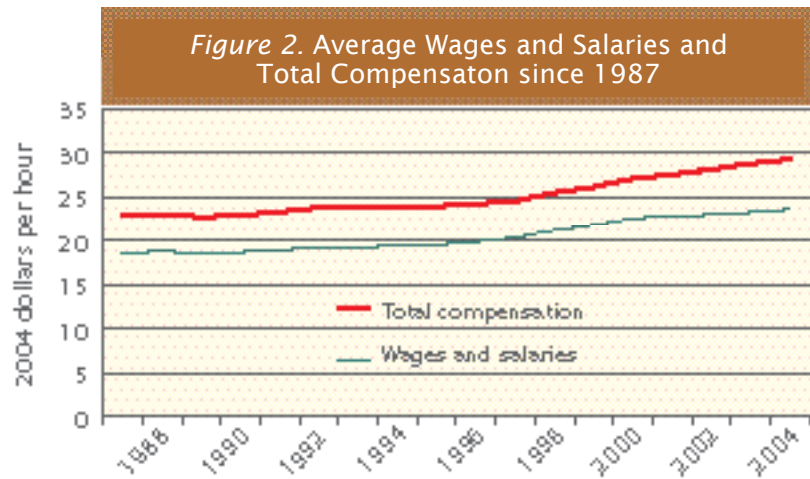
In the late 1990s, many observers hoped that we had finally broken free of the slow income growth that had bogged down the American middle class for more than two decades. Unfortunately, experience since 2000 suggests that the long period of stagnant wages is dragging on—and has been trending toward decline. In marked contrast to the 1947–74 period—when wages for almost all workers were rising steadily and faster than the inflation rate—average wages after the mid-1970s failed to grow consistently (see Figure 1, page 2). Household incomes continued to rise somewhat fitfully over that period, but only because family members were working more hours, and even this growth has plateaued. The broadly shared surge in incomes from 1996 to 2000 petered out almost as quickly as it had begun.

What is more, with health care costs rising rapidly, employers have controlled the growth of total compensation (which includes fringe benefits) by cutting back on employee health care coverage. Figure 2 (see page 2) shows that, as with average wages, total compensation levels are just slightly higher than they were fifteen years ago.

Reality Check

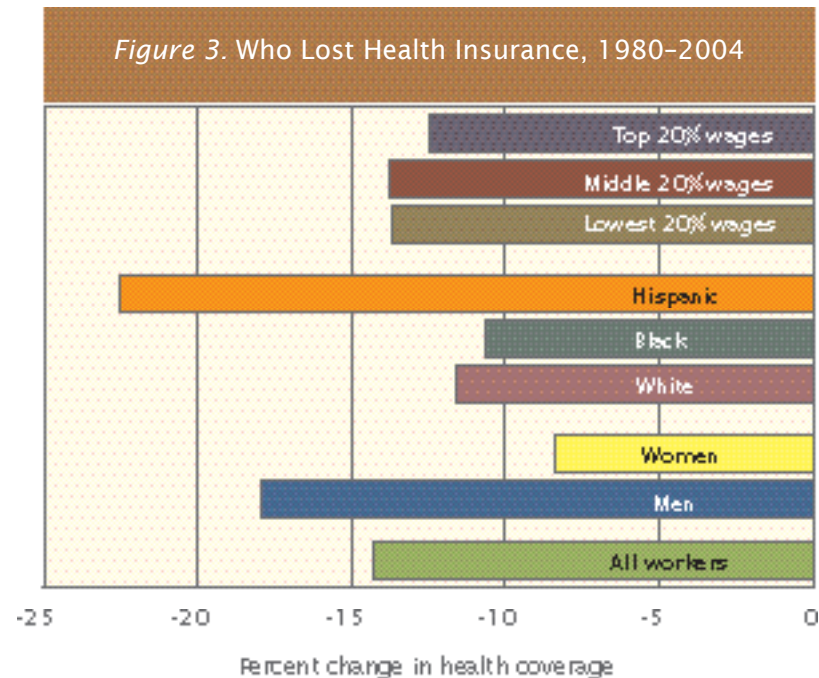


Source: Family income from Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Table F-12; wages from "Hourly and Weekly Earnings of Production and Nonsupervisory Workers, 1947-2005" (table), Economic Policy Institute, Washington, D.C.



Source: "Growth in Average Hourly Wages, Benefits, and Compensation, 1948-2004" (table), Economic Policy Institute, Washington, D.C.

The dollar value of average wages and benefits, which hardly changed, does not convey the extent to which the quality and coverage of health insurance benefits eroded. Figure 3 shows how health insurance coverage has declined for private sector employees between 1980 and 2004. Every group lost coverage, with 22 percent fewer Hispanic workers having employer-provided health care in 2004. Employers have held the total cost of fringe benefits in check by cutting back on the health care benefits they provided.¹



Source: "Change in Private Sector Employer-provided Health Insurance Coverage" (table), Economic Policy Institute, Washington, D.C.

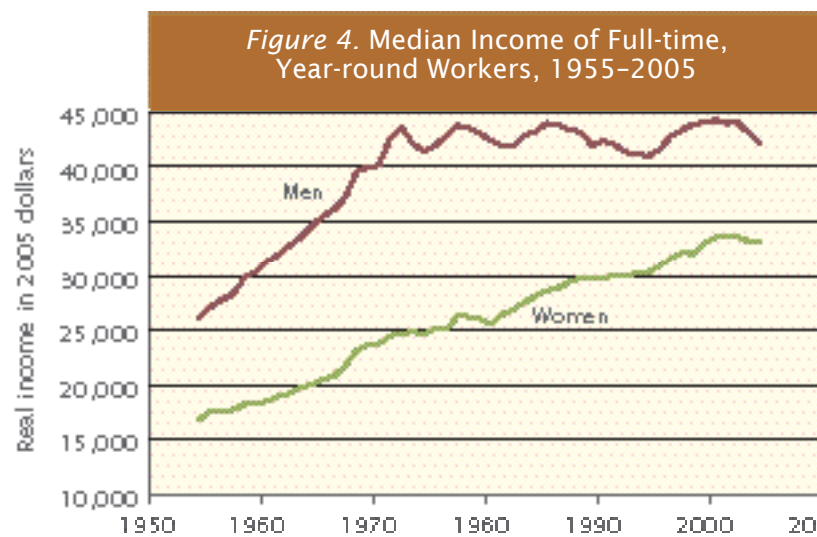
1. Private pension coverage also was reduced slightly over this period. Overall, 4.5 percent of workers lost pension coverage, but some groups lost more: 9.3 percent of men and 13 percent of Hispanics lost pension coverage. The only group to gain coverage was women, who saw their coverage increased by 2.6 percent. The quality of pensions has changed as well, with assured pensions (defined benefit plans) giving way to employer contributions to pension saving, especially through 401k arrangements (defined contribution plans). This has shifted the risk of market fluctuations onto workers from employers.

Winners and Losers

Average wages and total compensation by no means capture the whole story. The experiences of American workers have varied tremendously. Women have on the whole enjoyed larger increases in income than men while remaining well behind on average; further, both women and men with more education have enjoyed more rapid income growth than those with less schooling.

The Role of Gender

Wages for typical male and female workers have followed very different trends over the past three decades. For women, there was no sharp change in the 1970s;



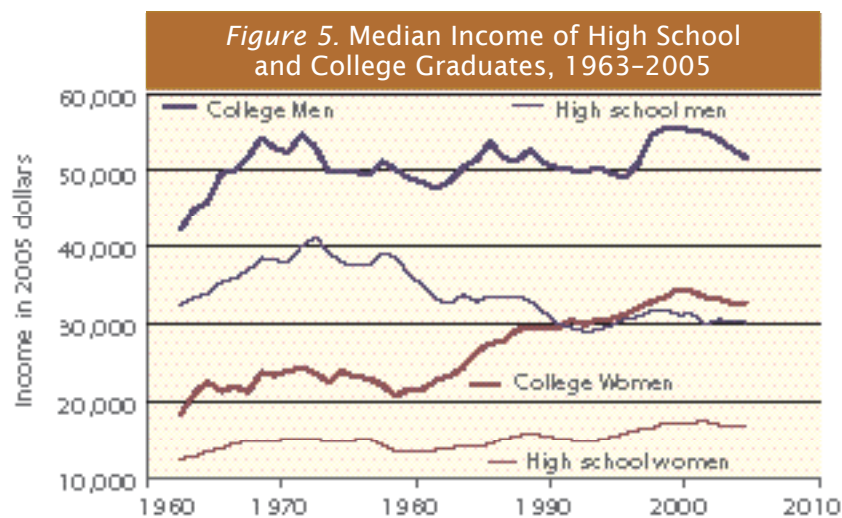
wages of female workers have been rising pretty steadily over the past four decades (see Figure 4). At the same time, women's earnings have increased in importance both within the family and for the entire economy. In 2005, 41 percent of the full-time, all-year workforce was female, nine percentage points higher than in 1976. While women were working and earning more, wage levels for males flattened out and even began to fall.

Source: Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Table P-36.

The Role of Education

Average wages may have been going nowhere, but the “earnings premium” for those with more education was changing rapidly, especially between 1980 and 1994. The gap in earnings between less educated and more educated workers grew sharply. Here again, the underlying pattern differs for men and women. For men, as Figure 5 shows, the payoff to education has grown mainly because the earnings of those with only a high school diploma have declined precipitously. The incomes of male college graduates look better only by comparison, remaining flat since the mid-1970s. As a result of those trends, the earnings premium for a college-educated man over his high school-educated counterpart climbed from about 30 percent in 1980 to about 63 percent in 2005.

For women, an even larger gap opened up. In this case, though, the separation widened at the same time as earnings were rising both for more educated and less educated women. The incomes of college-educated women rose much faster than the earnings of



Source: Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Table P-16 and Table P-17.

those with only a high school diploma. Between 1980 and 2005, the education premium for women increased from about 40 percent to 96 percent. But since 2000, the average earnings for college-educated men and women both have declined.

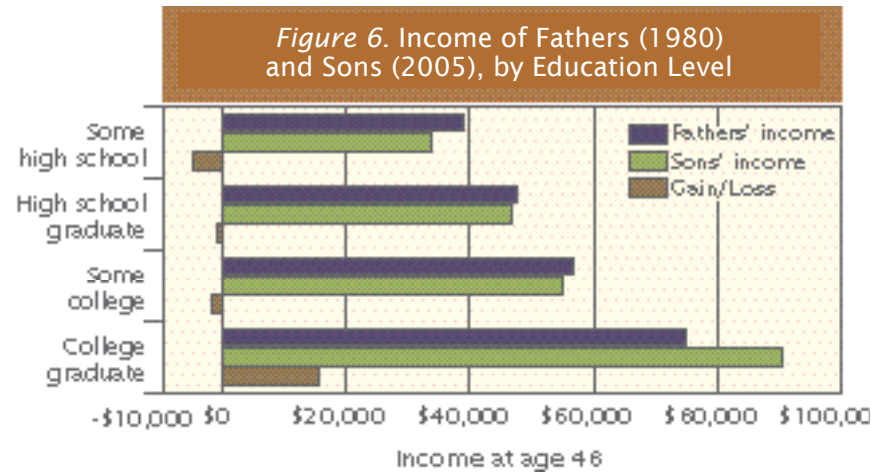
So, while wages stagnated overall, women—especially educated women—did better than other workers. Poorly educated men fared especially badly.

The Struggle to Match Parents' Earnings

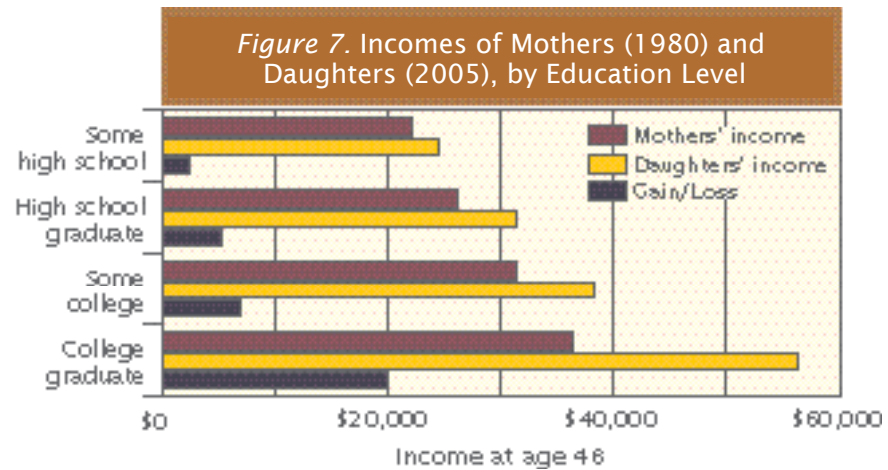
One way to understand how a generation is doing is to compare it to its parents' generation. By contrasting the inflation-corrected incomes of men and women in their prime earning years to those of the same age group about twenty-five years earlier, we get a more complete picture of changes in earnings over time. Figure 6 shows the average income for a man in the 45-to-54 age bracket in 2005 in comparison with the inflation-adjusted income of the same male in 1980. Figure 7 does the same for women.

Among males, those with some college or less have incomes below what their fathers with similar schooling earned at the same point in their careers. Men with bachelor's degrees are doing better than their fathers did with four years of college. Among women, incomes are higher regardless of educational level, with the size of the improvement increasing as the level of schooling grows.

Source: Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Table P-32 and P-34.



Source: Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Table P-32 and P-34.



Running on a Treadmill

In large part because Americans recognized the payoffs to education, each succeeding generation has sought more education than the one that preceded it. A high school diploma became the entry permit to the labor force, and college enrollment became almost mandatory for a claim on a middle-class income.

Table 1 shows how the educational attainment of mature workers (aged forty-five to fifty-four) in 2005 is far advanced from what it was in 1980.

*Table 1. Educational Attainment of Men and Women
Forty-five to Fifty-four Years Old
Working Full-time, Year-round, in 1980 and 2005*

	MEN			WOMEN		
	1980	2005	CHANGE	1980	2005	CHANGE
Middle school or less	12%	3%	-9%	7%	2%	-5%
Some high school	13%	6%	-7%	13%	4%	-9%
High school graduate	35%	31%	-4%	50%	30%	-20%
Some college	14%	17%	3%	14%	18%	4%
College graduate	13%	20%	7%	9%	20%	11%
Postgraduate study	11%	13%	2%	7%	12%	5%

Source: Historical Tables, *Current Population Survey*, Bureau of Labor Statistics, U.S. Department of Commerce, Tables P-32 and P-34. Note: educational questions in the census were changed after 1990. Thus, data from 1980 and 2005 are not completely comparable, but they do indicate a general trend.

Several features of this table are noteworthy:

- ▣ In 1980, the number of both men and women who had attended any college (38 percent of men, 30 percent of women) was approximately equal to the number of men and women who had not even finished high school (25 percent men, 20 percent of women).
- ▣ In 2005, the number of men and women who had attended any college (50 percent of men, 50 percent of women) was five to eight times the number of men and women who had not finished high school (9 percent of men, 6 percent of women).
- ▣ By 2005, the educational attainment of women aged forty-five to fifty-four was nearly identical to that of men. Among younger Americans, women's educational attainment now exceeds men's.

Conclusion

The efforts of workers to improve their prospects are remarkable. Over one generation, those who never attended college went from the great majority to a minority of workers. As wages were falling for men with relatively little education, men sought to increase their educational attainment. Women, on average, did even more to improve their educational attainment.

Unfortunately, that investment of time and money in education has not enabled workers to do any better than match their parents' income. For example, most men who have had a few years of college will earn less than their fathers did, even though they are better educated than their fathers were.

Restoring broadly shared prosperity in the United States akin to the pre-1970s era will require fundamental changes in public policy--changes that entail a more robust role for government than the laissez-faire approach that has dominated the past few decades. Universal health insurance, for example, would alleviate cost pressures on employers, make the medical system less wasteful, and enable the United States to compete more effectively against the other industrialized nations that all have some form of universal coverage. A greater investment in public infrastructure, such as rebuilding our deteriorating transportation systems, installing high-speed wireless services for everyone, and improving other essential public goods after years of neglect, could potentially boost productivity in the process. Upgrades in education and training, combined with more equitable tax policies, would help enable average Americans to improve their economic conditions over time. Without those kinds of investments, average American families will be likely to continue going nowhere economically.

Below please find Web references for data contained in figures and tables in this pamphlet.

Figure 1: <http://www.census.gov/hhes/income/histinc/f12.html>; <http://www.epinet.org/datazone/02/datazone2.xls>.

Figure 2: <http://www.epinet.org/datazone/02/datazone2.xls>.

Figure 3: <http://www.epinet.org/datazone/02/datazone2.xls>.

Figure 4: <http://www.census.gov/hhes/income/histinc/p36.html>.

Figure 5: <http://www.census.gov/hhes/income/histinc/p16.html>; <http://www.census.gov/hhes/income/histinc/p17.html>.

Figure 6: <http://www.census.gov/hhes/income/histinc/p34.html>; <http://www.census.gov/hhes/income/histinc/p32.html>.

Figure 7: <http://www.census.gov/hhes/income/histinc/p34.html>; <http://www.census.gov/hhes/income/histinc/p32.html>.

Table 1: <http://www.census.gov/hhes/income/histinc/p34.html>; <http://www.census.gov/hhes/income/histinc/p32.html>.

Prepared by Matt Homer, Elah Lanis,
Jonah Liebert, and Bernard Wasow.

For more information on this topic and others,
please visit our Web site at

<http://www.tcf.org>

THE CENTURY FOUNDATION

HEADQUARTERS:

41 East 70th Street
New York, New York 10021
212-535-4441

WASHINGTON, D.C., OFFICE:

1755 Massachusetts Avenue, N.W.
Washington, D.C. 20036
202-387-0400

Manufactured in the United States of America.
Copyright © 2008 by The Century Foundation, Inc. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of The Century Foundation.
Cover design and illustration: Claude Goodwin