

Waging Inequality in America

By Lawrence Mishel



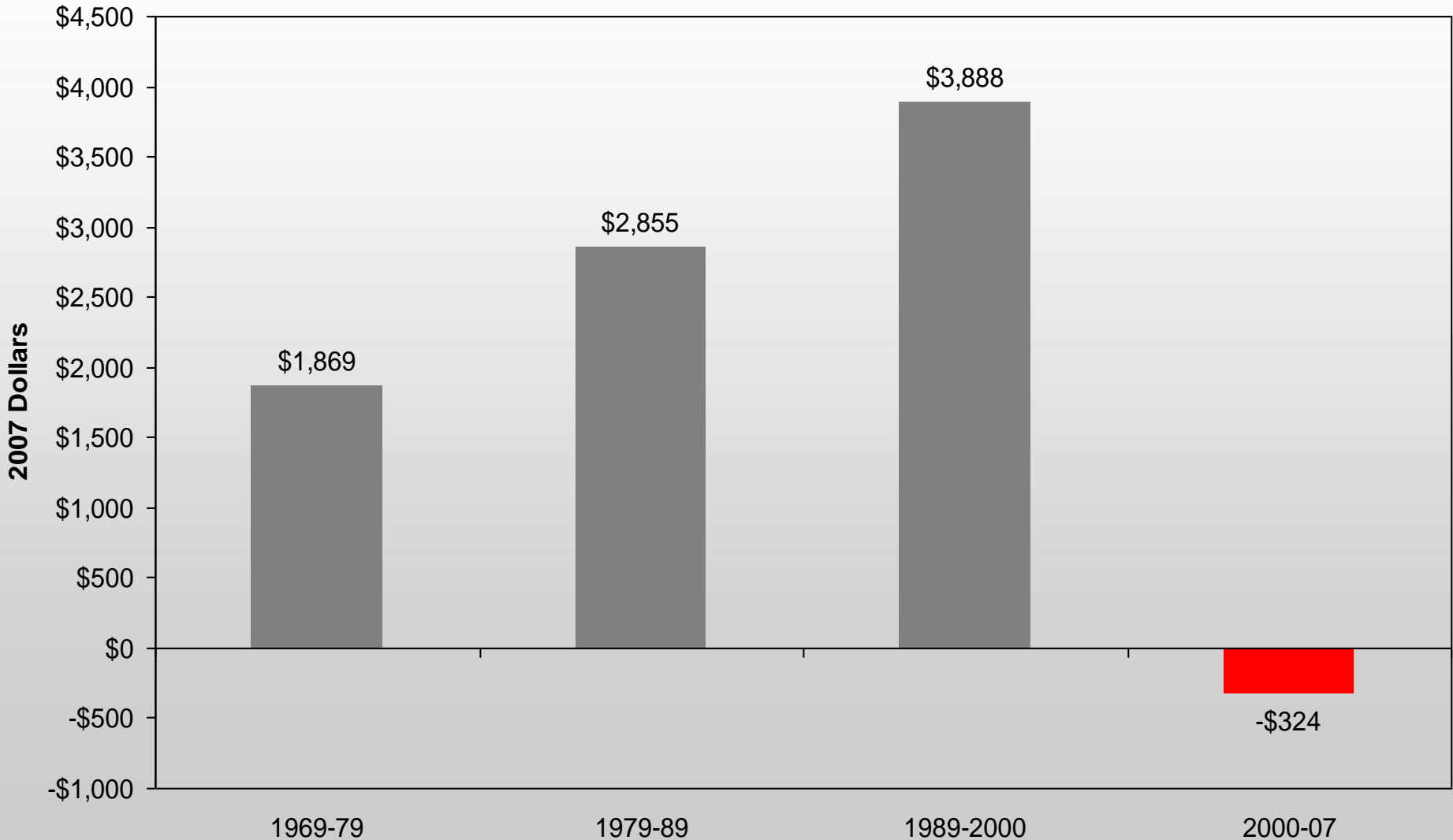
Economic Policy Institute

RESEARCH FOR BROADLY SHARED PROSPERITY

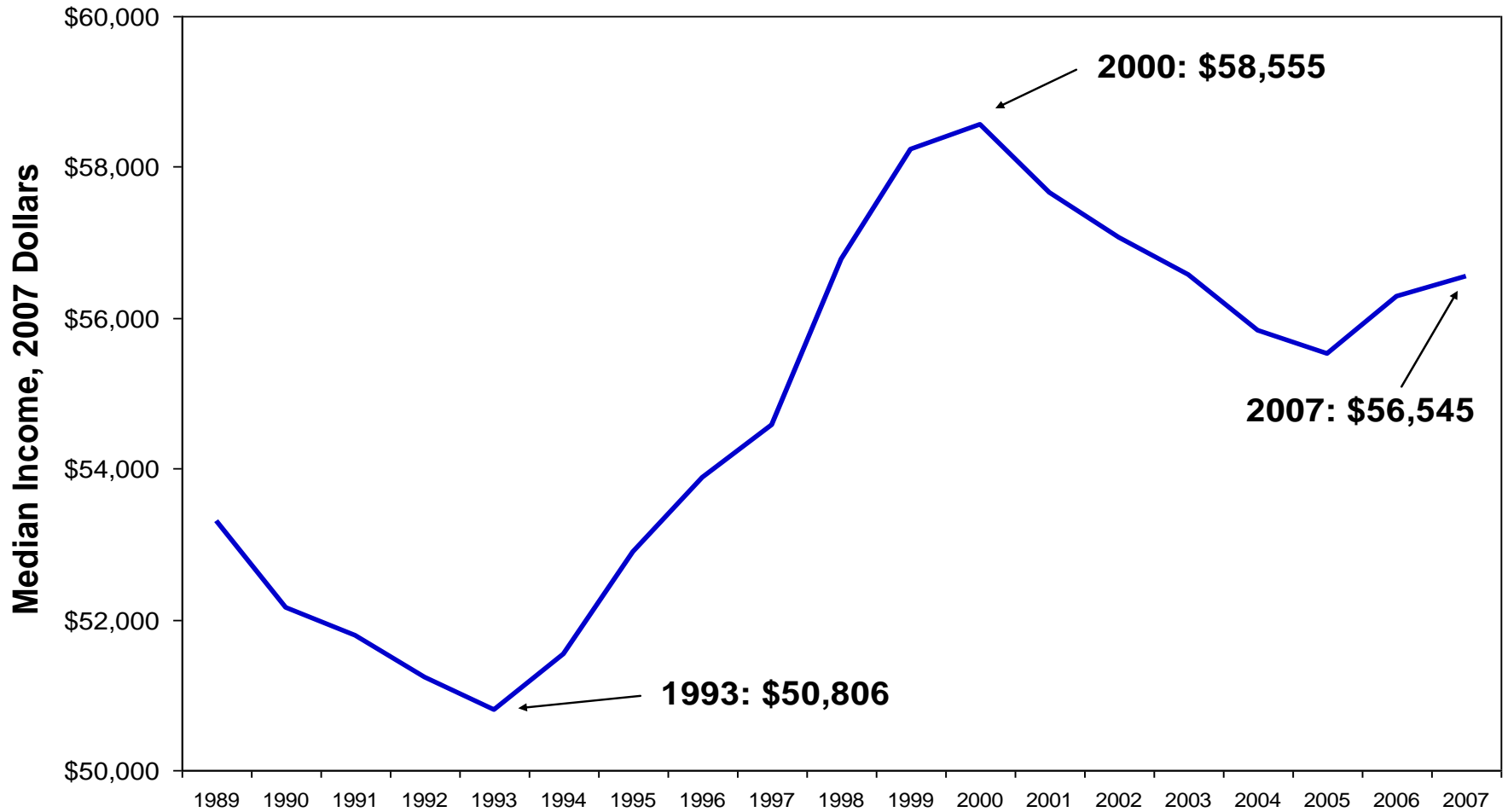
**The Middle Class
Income Squeeze:
Relentless, Persistent,
and Accelerating**

Family Incomes Did Poorly in the 2000s

Real Median Household Income Growth Across Peak Years

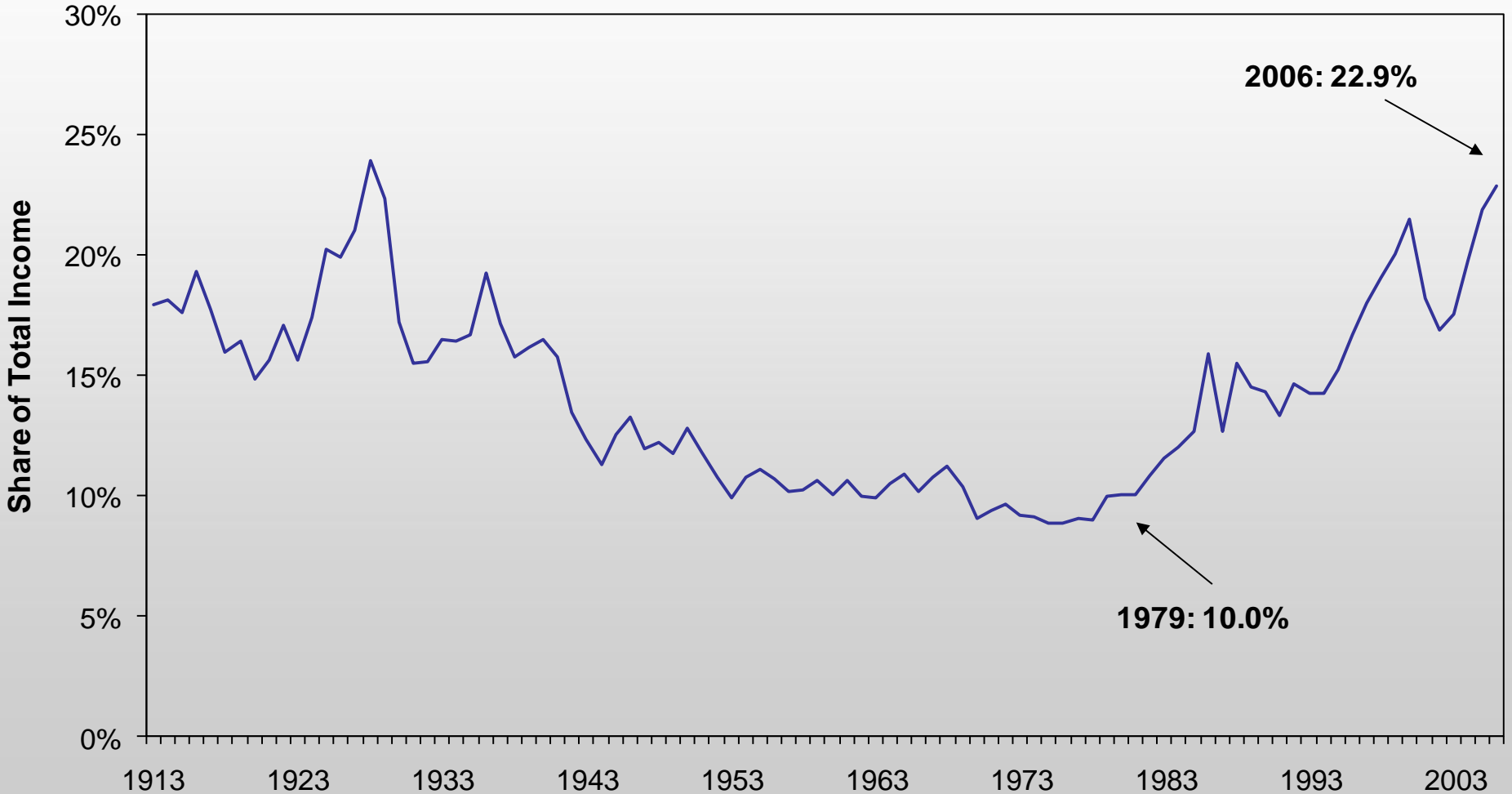


Real Median Income, Working-Age Households, 1989-2007



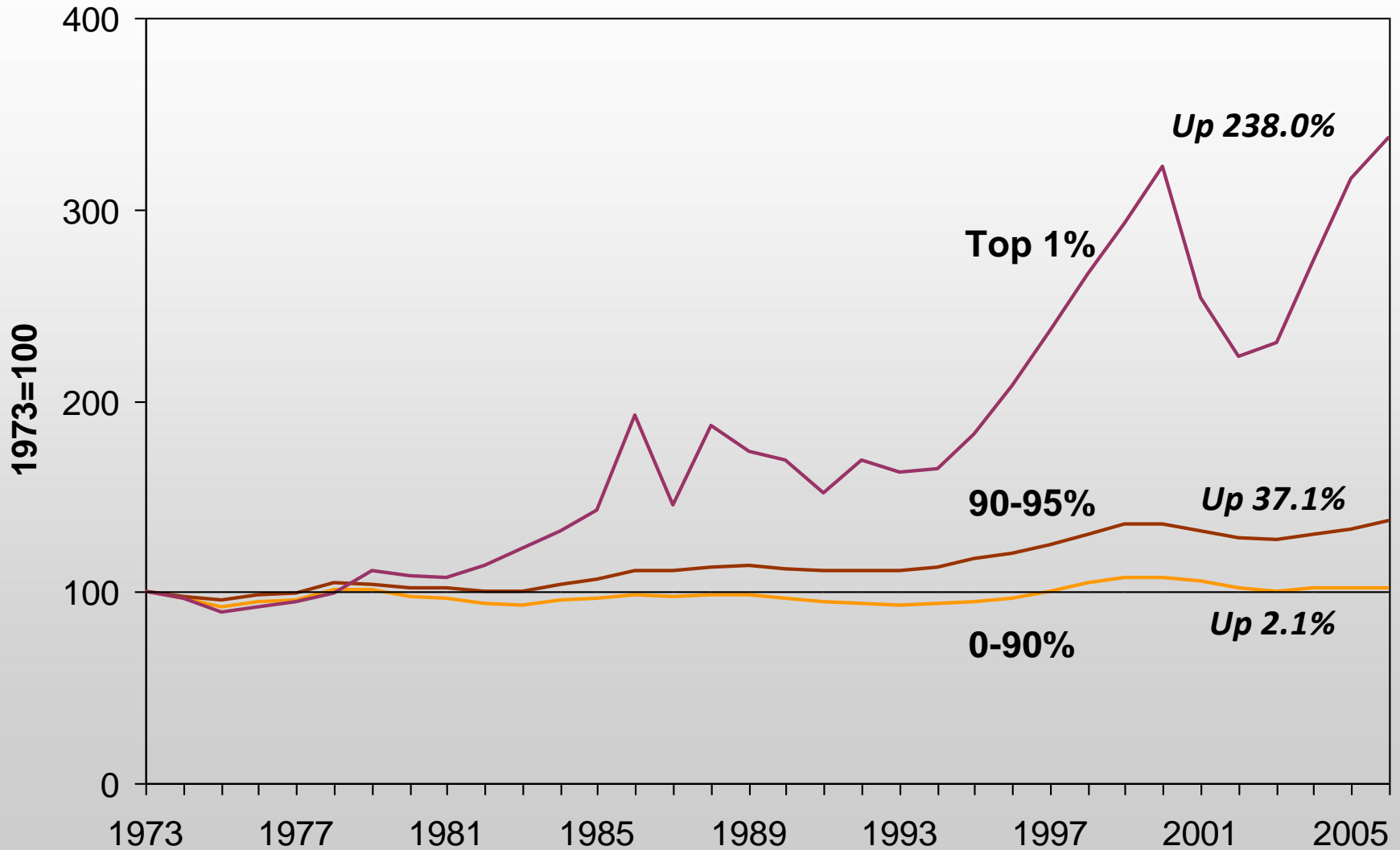
Source: Analysis of Census data

The top 1% has done very well, more than doubling their share of income from 1979 to 2006. The income of the top 1% grew to about 23%, or an average of \$1.3 million per household.



Disparate Income Growth

Household income growth, including capital gains, 1973-2006



Source: Authors' analysis of Piketty & Saez (2008)

Unbalanced Income Growth

Share of income growth by income group, 1989-2006

	Share of income growth, 1989-2006
Top 10 percent	90.9%
<i>Top 1.0%</i>	59.0%
Top 0.1%	35.6%
Remaining top 1%	23.6%
<i>Next 9%</i>	31.9%
Bottom 90 percent	9.1%

Source: Authors' analysis of Piketty and Saez (2008).

Generating Inequality

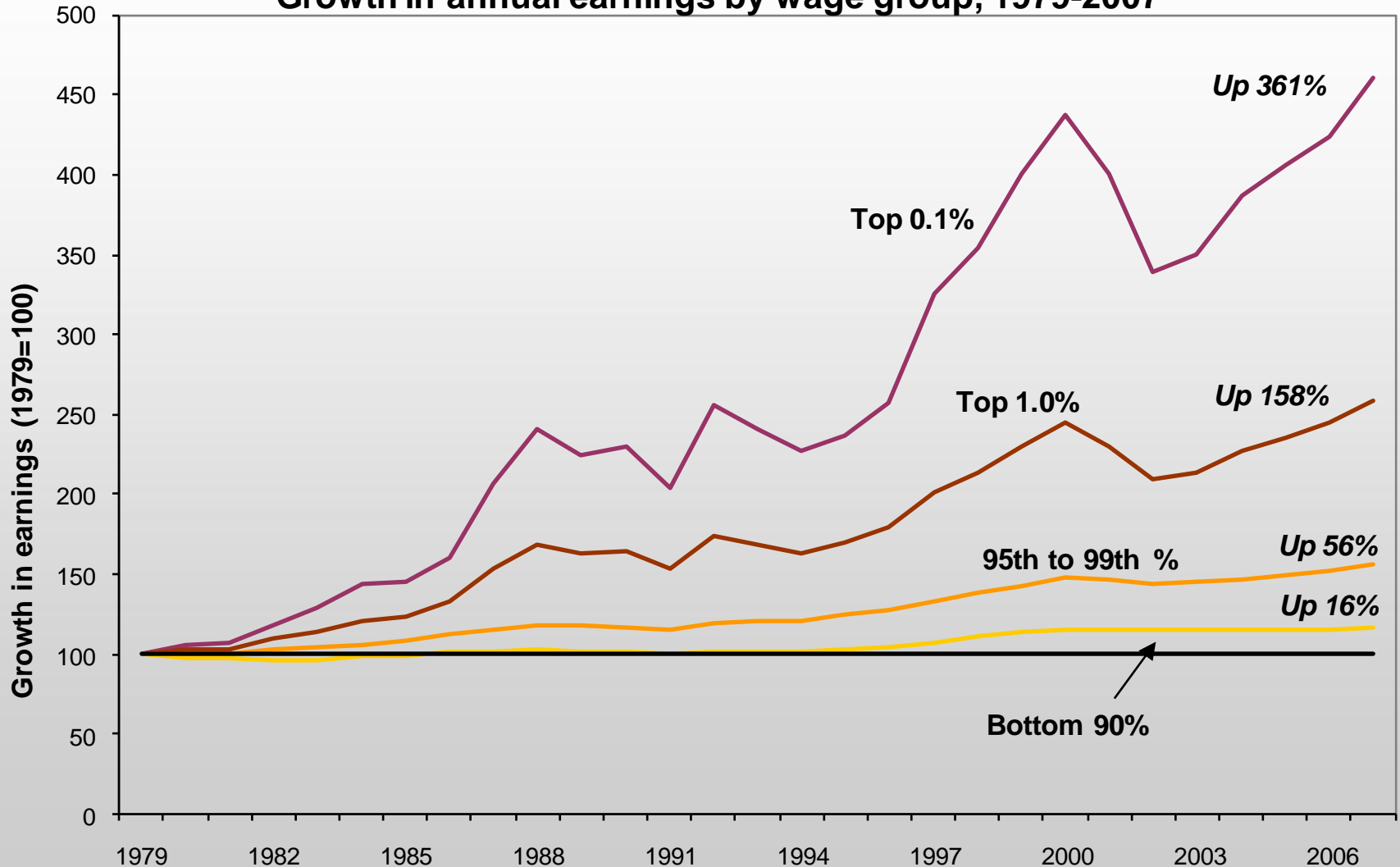
Moving upwards to the very top via:

1. Wage disparities
2. Expanded and concentrated capital income

Wage Disparities

Unbalanced Earnings Growth

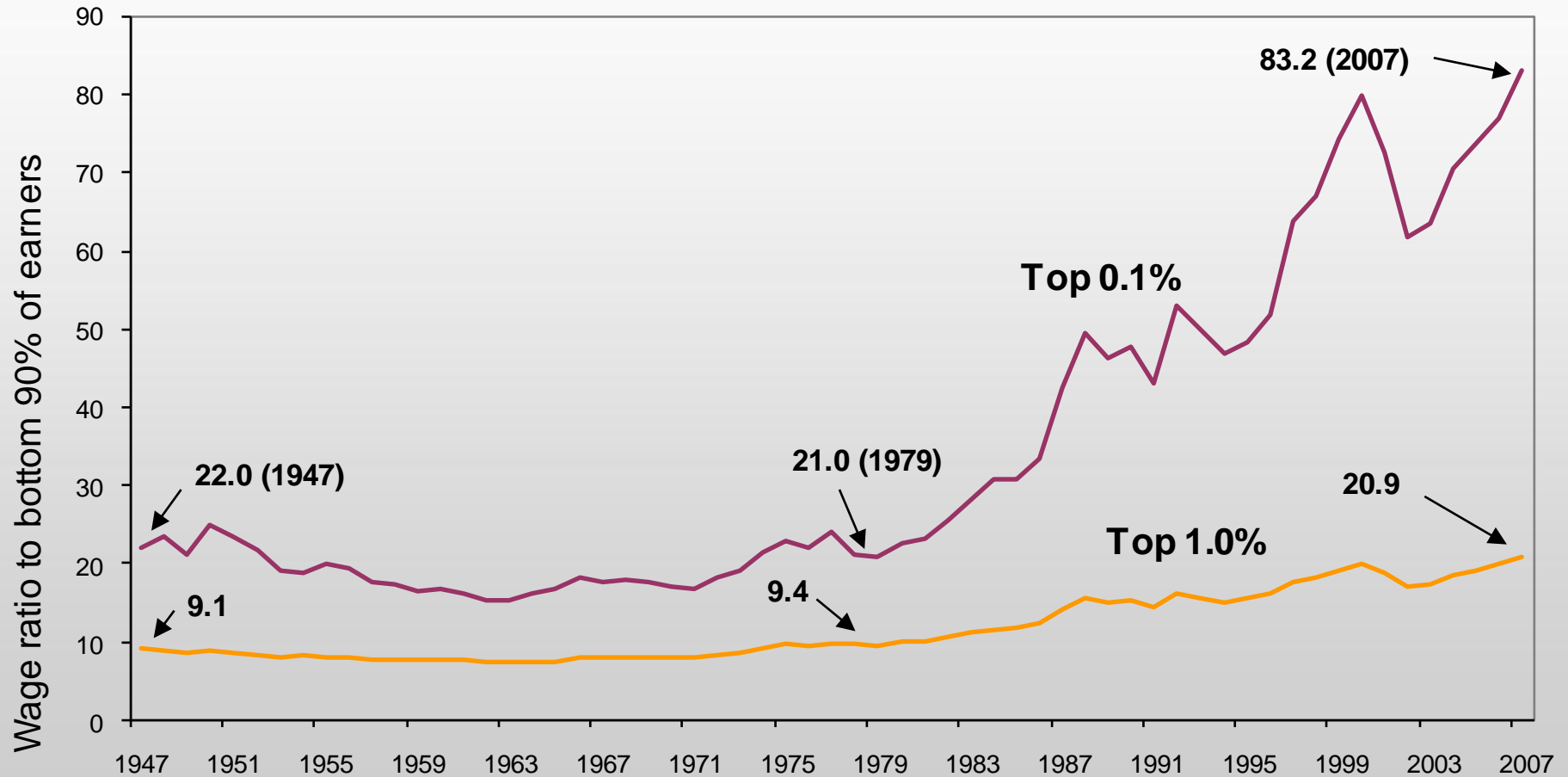
Growth in annual earnings by wage group, 1979-2007



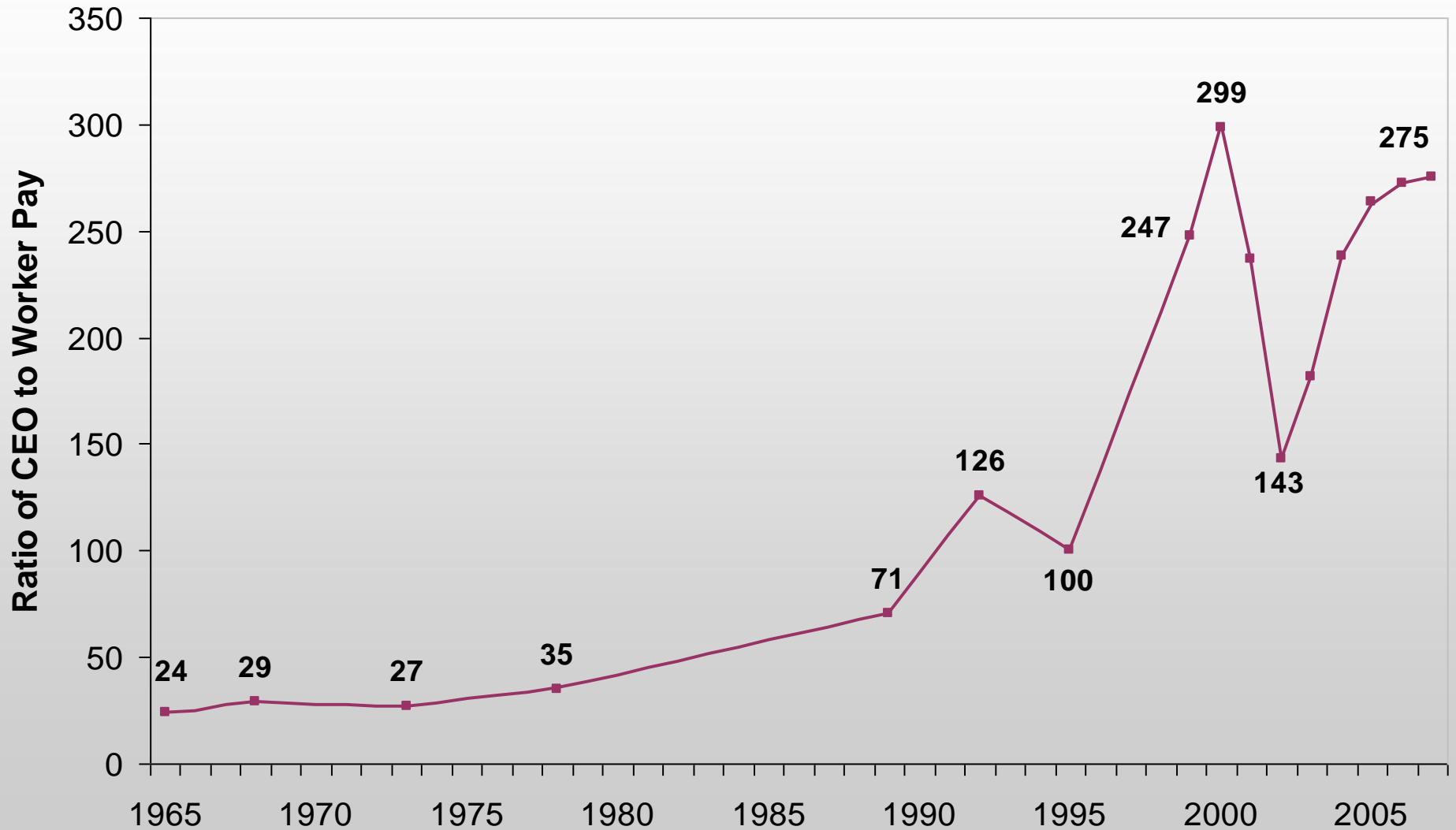
Source: Authors' analysis of Social Security wage data and Kopczuk, Saez and Song (2007).

Growing Wage Disparities

Ratio of wages of highest earners to those of bottom 90%, 1947-2007



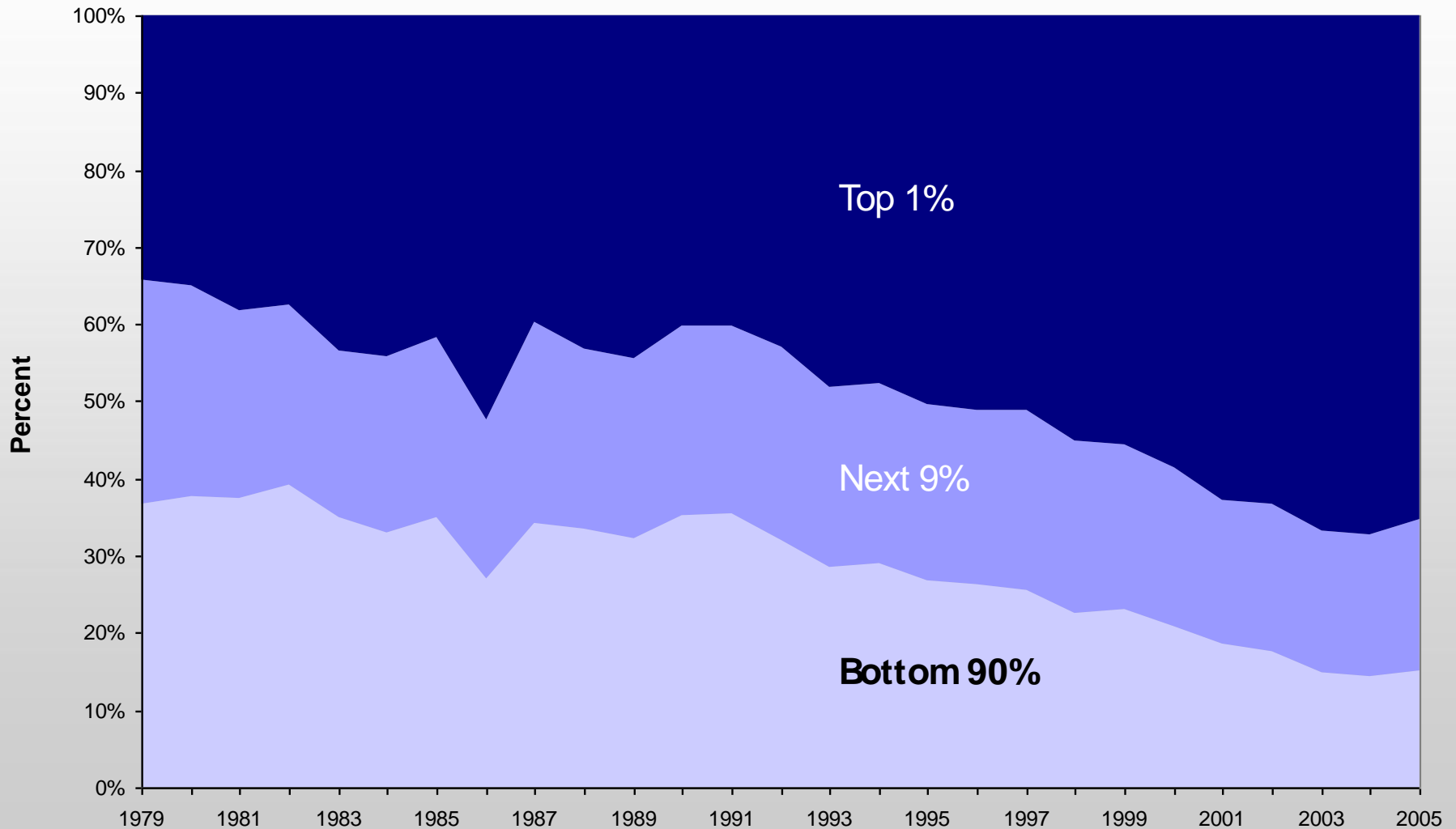
CEOs made on average 27 times as much as a typical worker in 1973, but they made 275 times as much in 2007.



Shift To and Among Capital Income

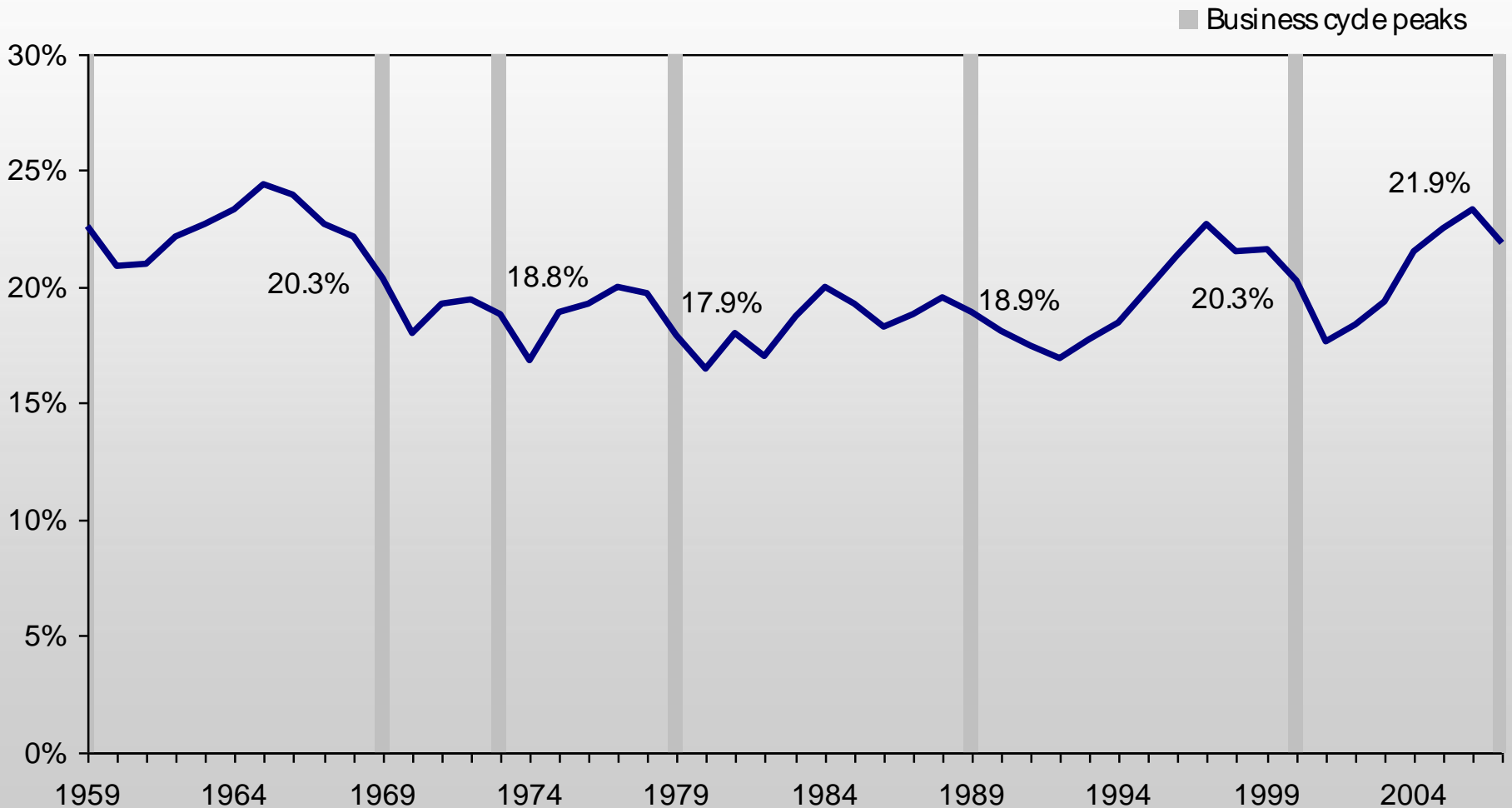
Capital income's share of total income and returns to capital are their highest in any of the last four recoveries

Capital income has become far more concentrated



Source: Authors' analysis of CBO data.

Capital shares in the corporate sector, 1959-2007



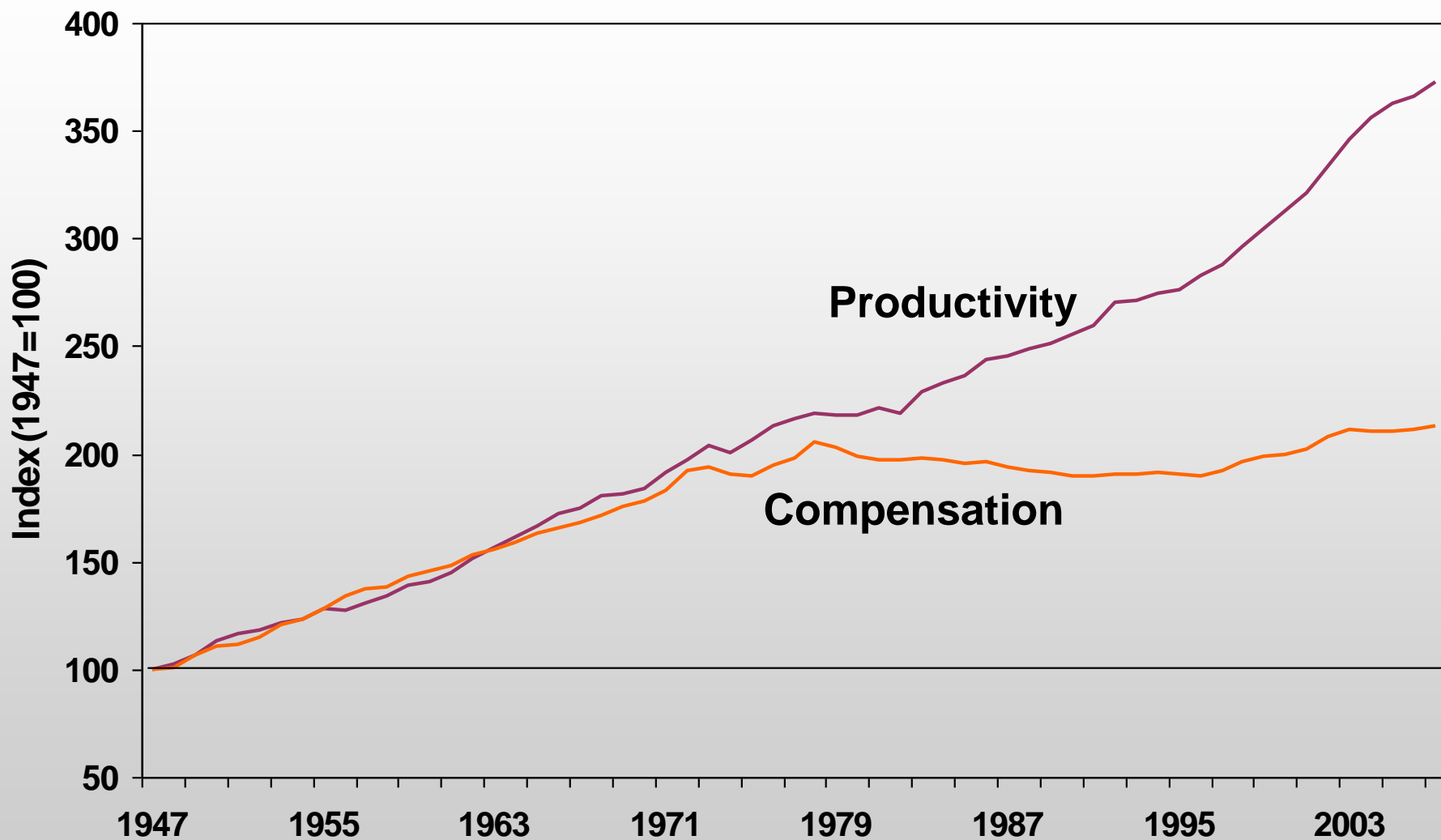
Source: Authors' analysis of NIPA data.

Consequences of Higher Returns:

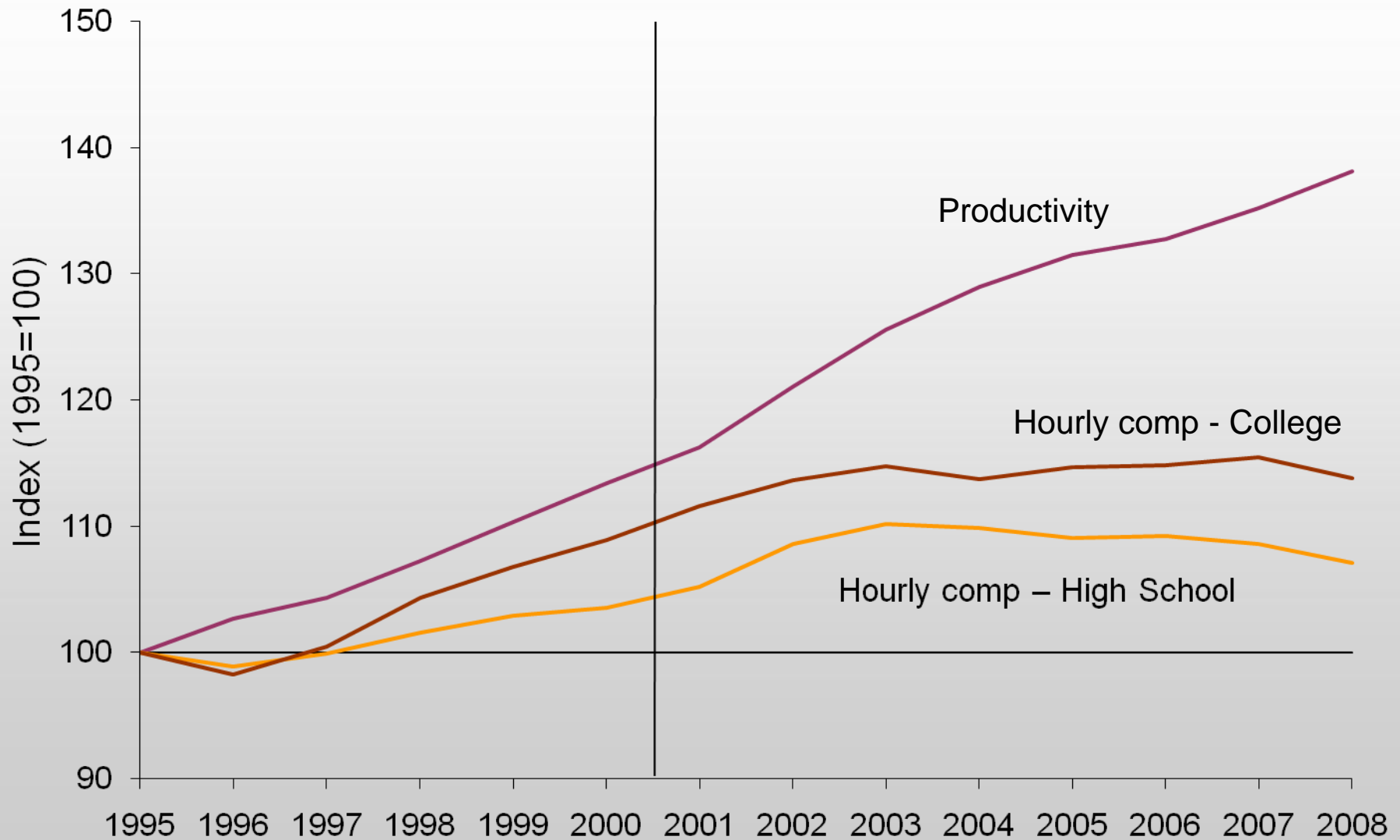
- 4.4% lower hourly compensation
- \$206 Billion annual transfer from labor to capital incomes
- Total loss of \$1,500 per worker

Productivity/Pay Disconnect

Typical Workers' Compensation Lags Productivity Growth

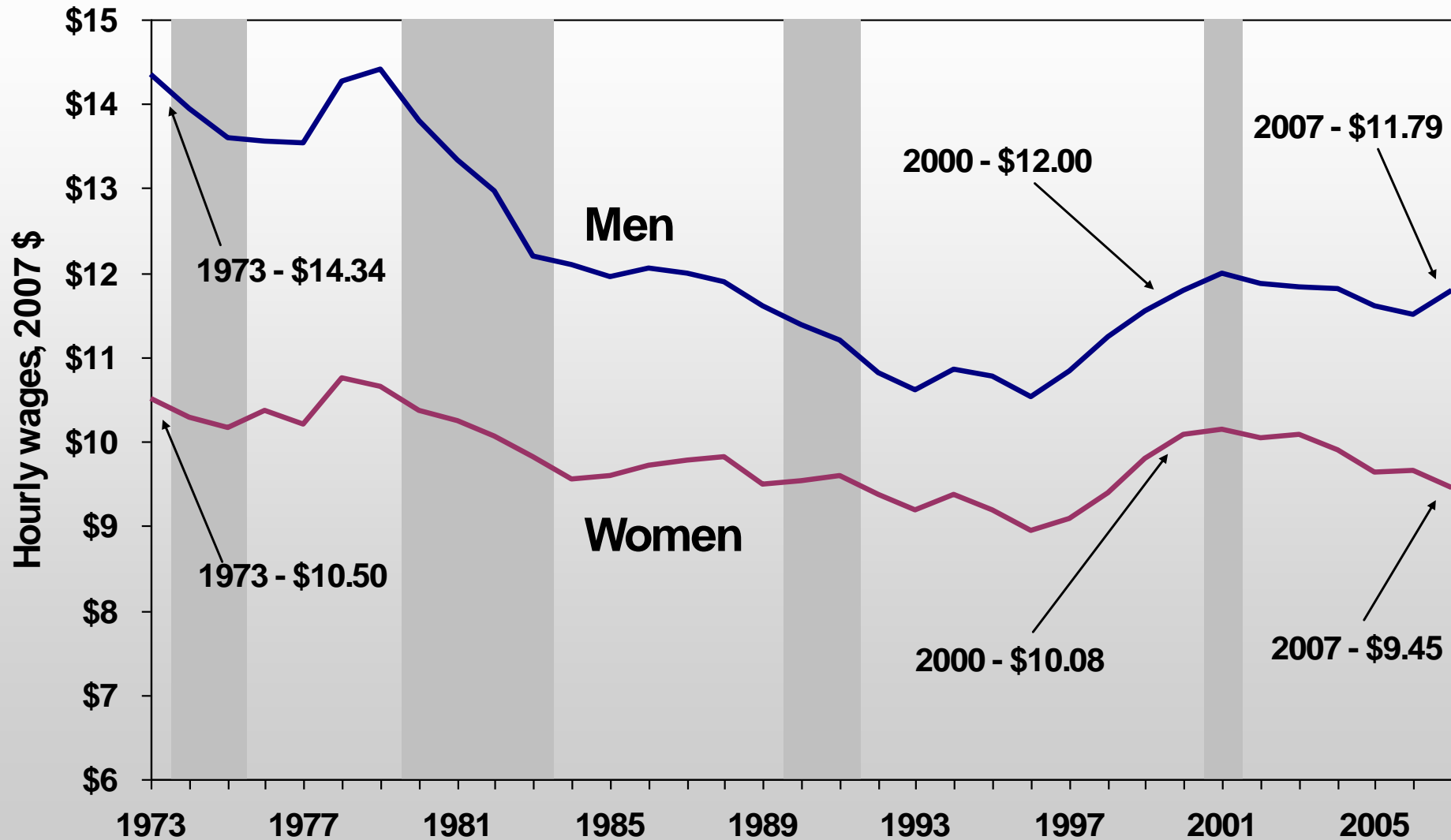


Productivity-Pay Gap Since 1995



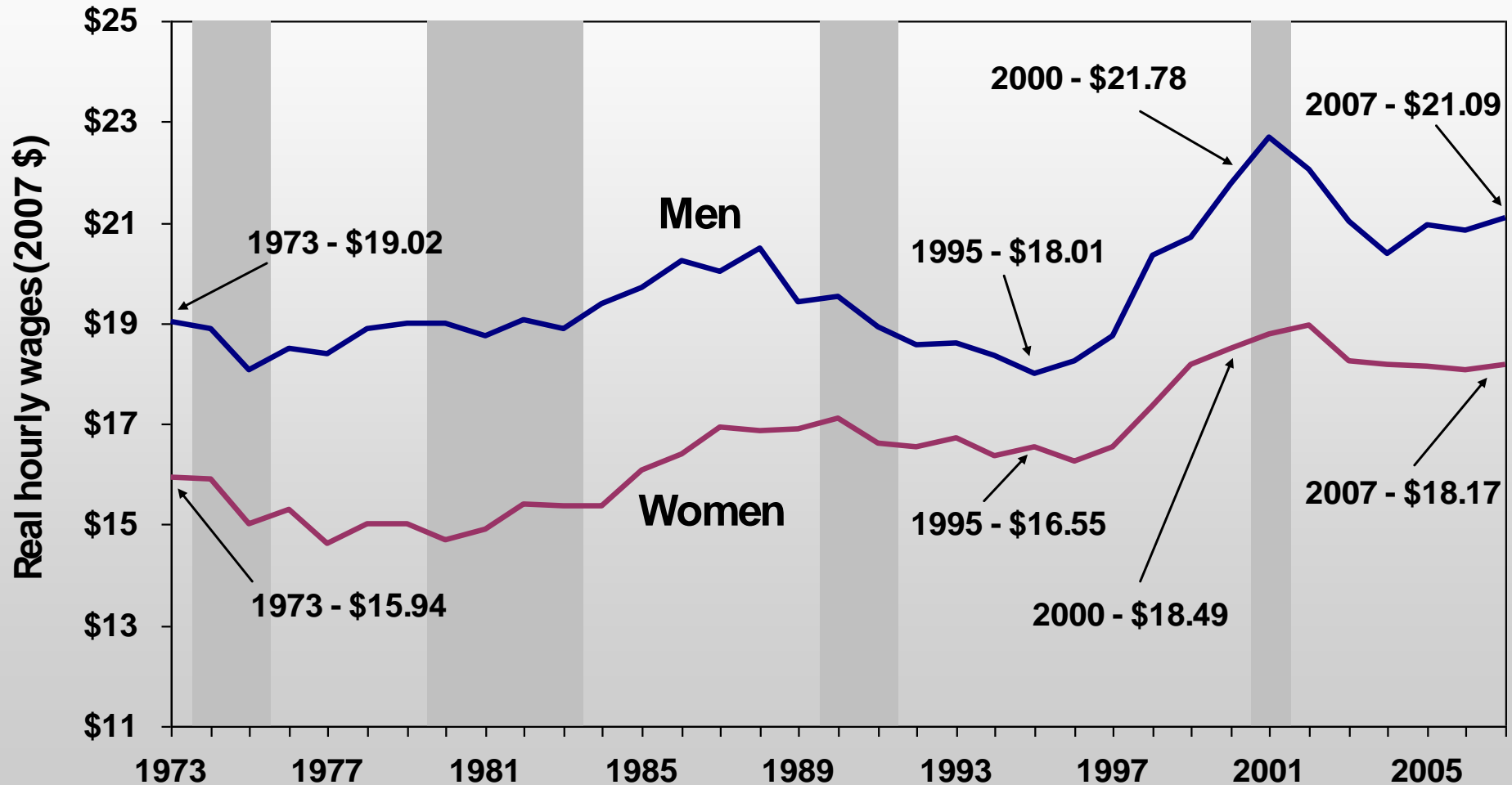
**MISSING:
Good Jobs
At Good Wages
With Benefits**

Young workers with high school degrees start out lower than their peers a generation ago

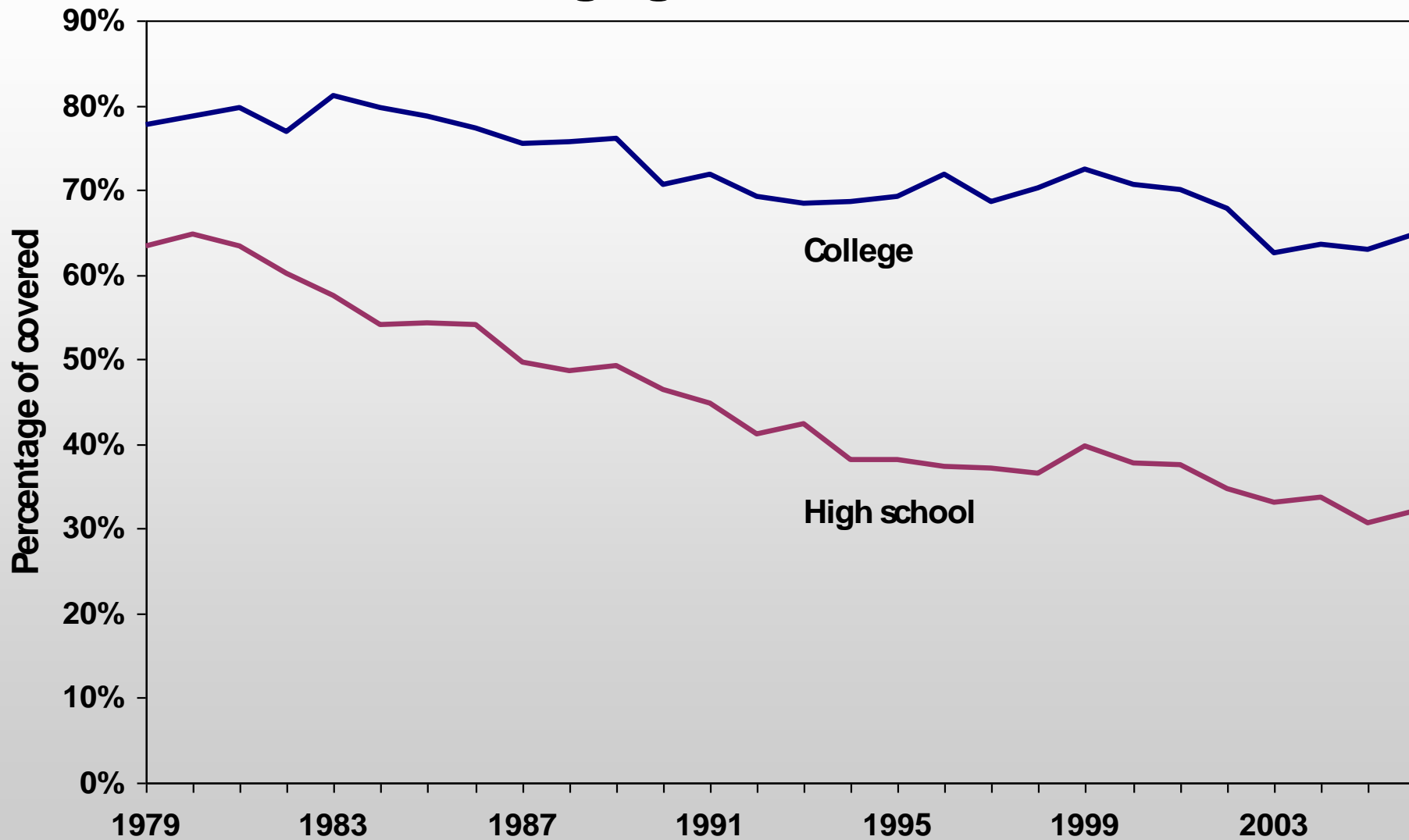


Source: Authors' analysis

Even young college grads are starting out lower than in 2000. The only real gains were made in the late 1990s.



Health insurance coverage for recent high school and college graduates, 1979-2006



Source: Authors' analysis of March CPS data.

Laissez-Faire Policies Undercut Good Jobs (mid-Carter onward)

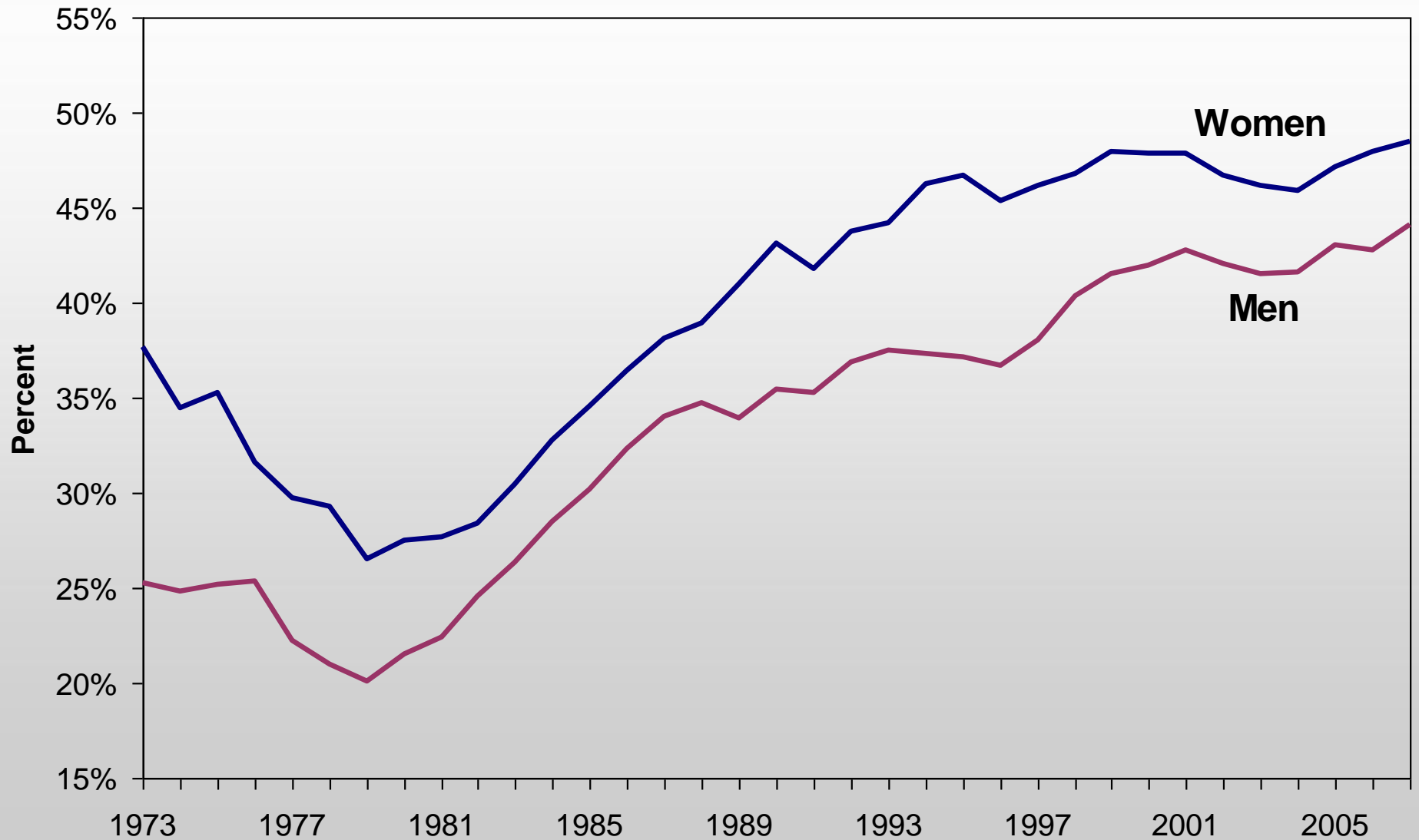
- Industry Deregulation
- Accelerated Globalization
- Privatization in Public Sector
- Weaken Unions
- Lower Minimum Wage and Weaken Labor Standards
- Weaken safety net
- High Unemployment/Underemployment

Good Jobs and High Wages
Seen as the Problem, not the Goal

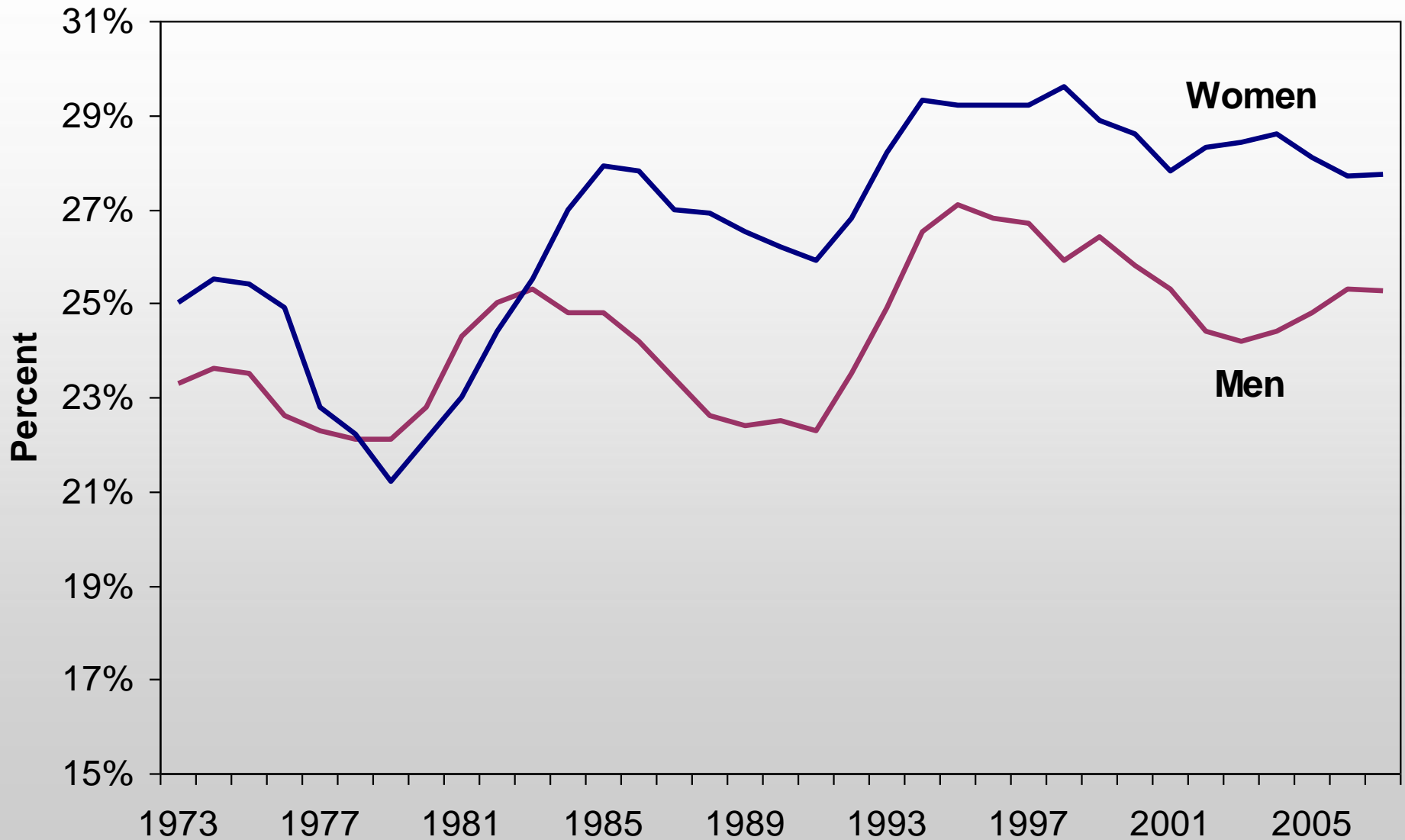
Two Things that do NOT Explain Wage Inequality:

- Technological Change ('skill biases')
- Skills Mismatch, Insufficient Skills

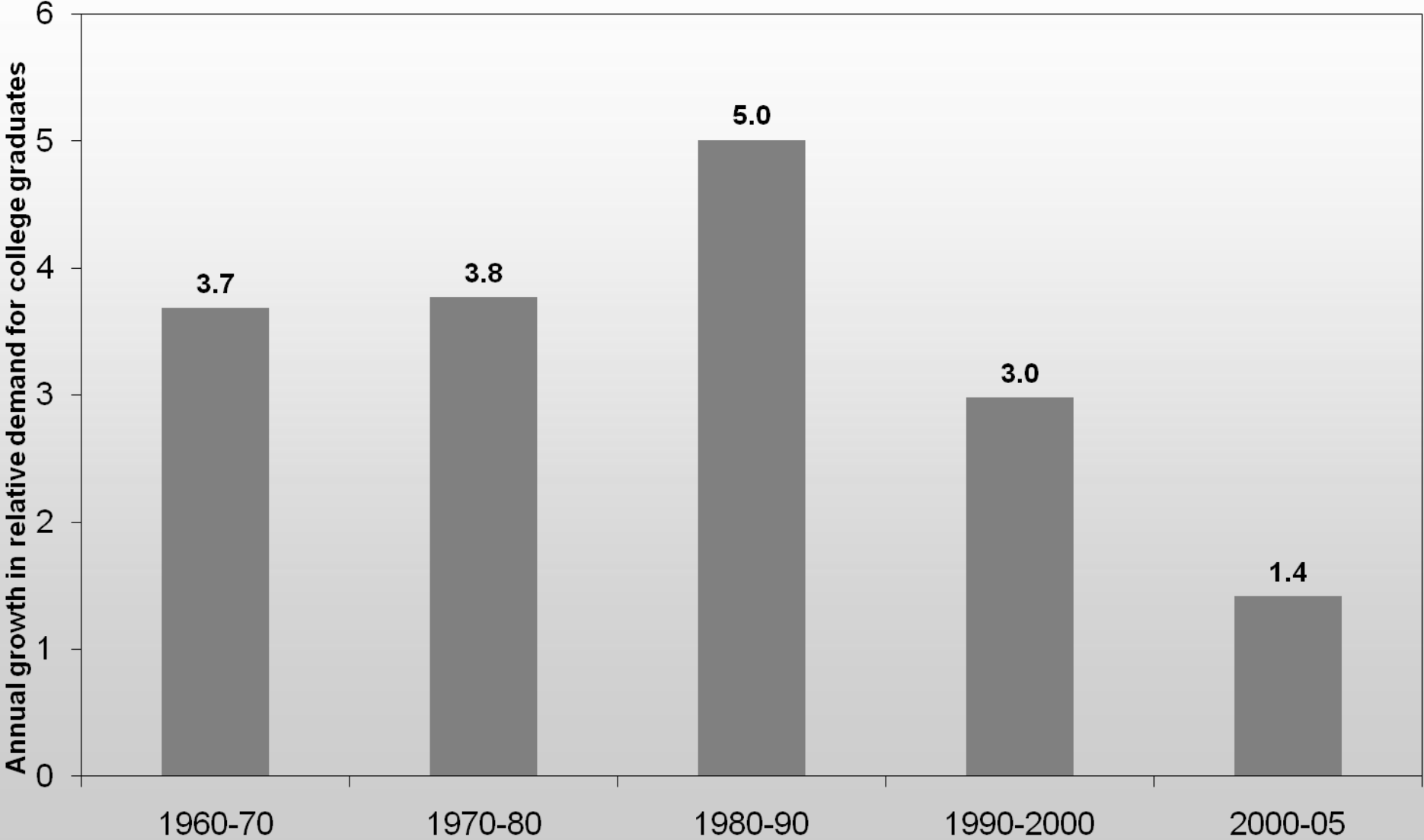
College/high school wage premium, 1973-2007



High school/less than high school wage premium, 1973-2007



Changes in the Demand for College Educated Workers, 1960 to 2005

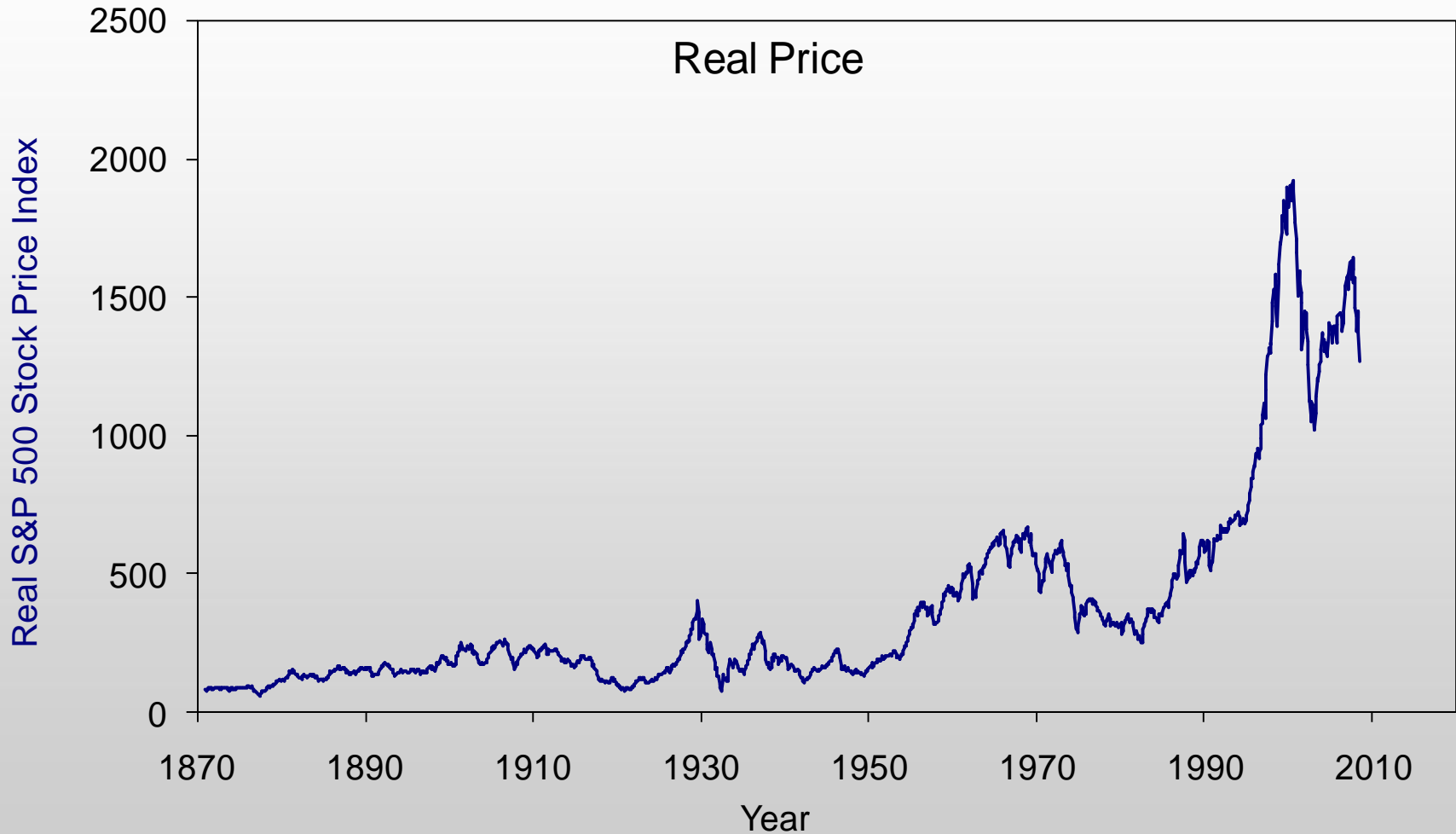


Source: Goldin & Katz

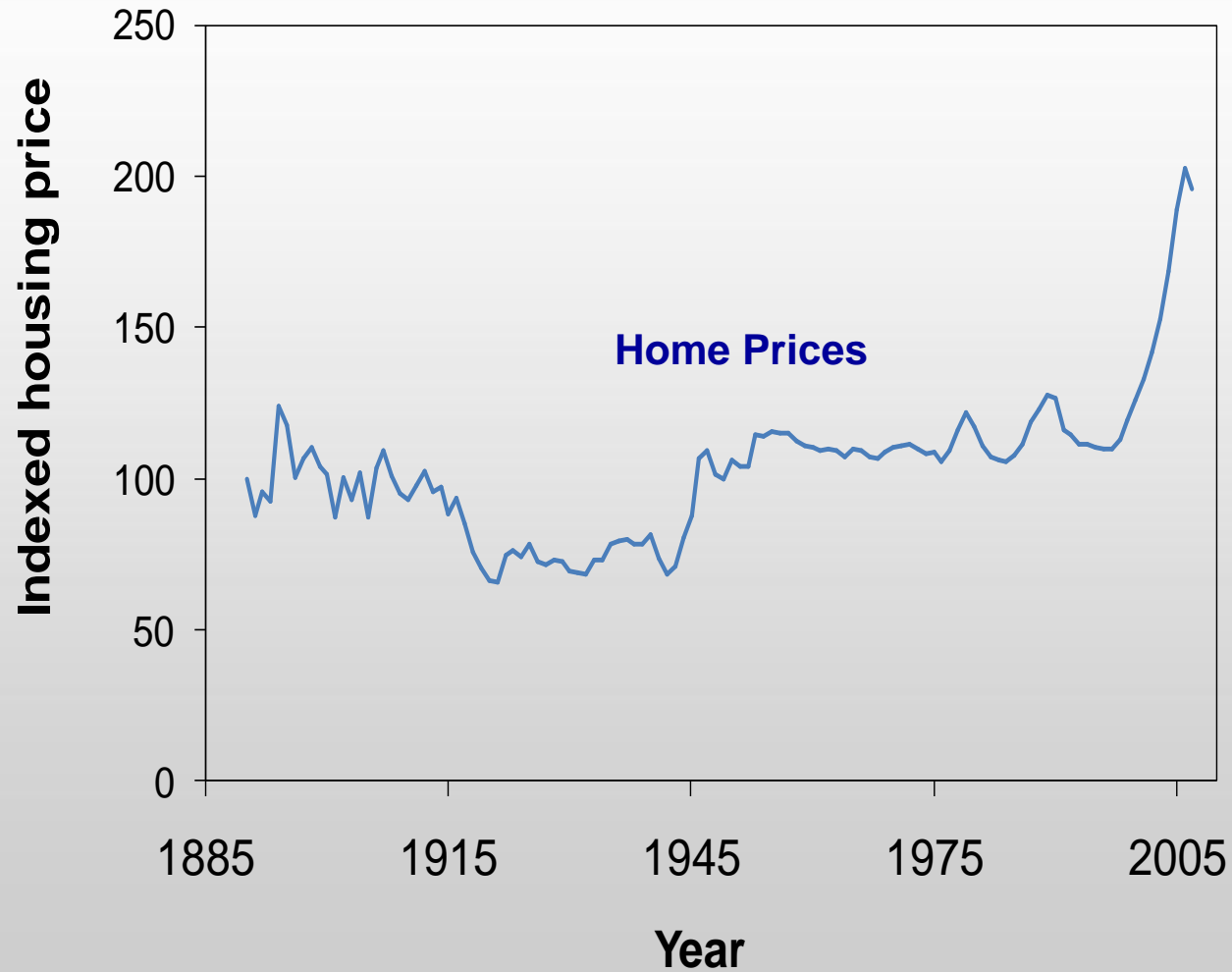
How?

The Bubble Economy

The Stock Bubble



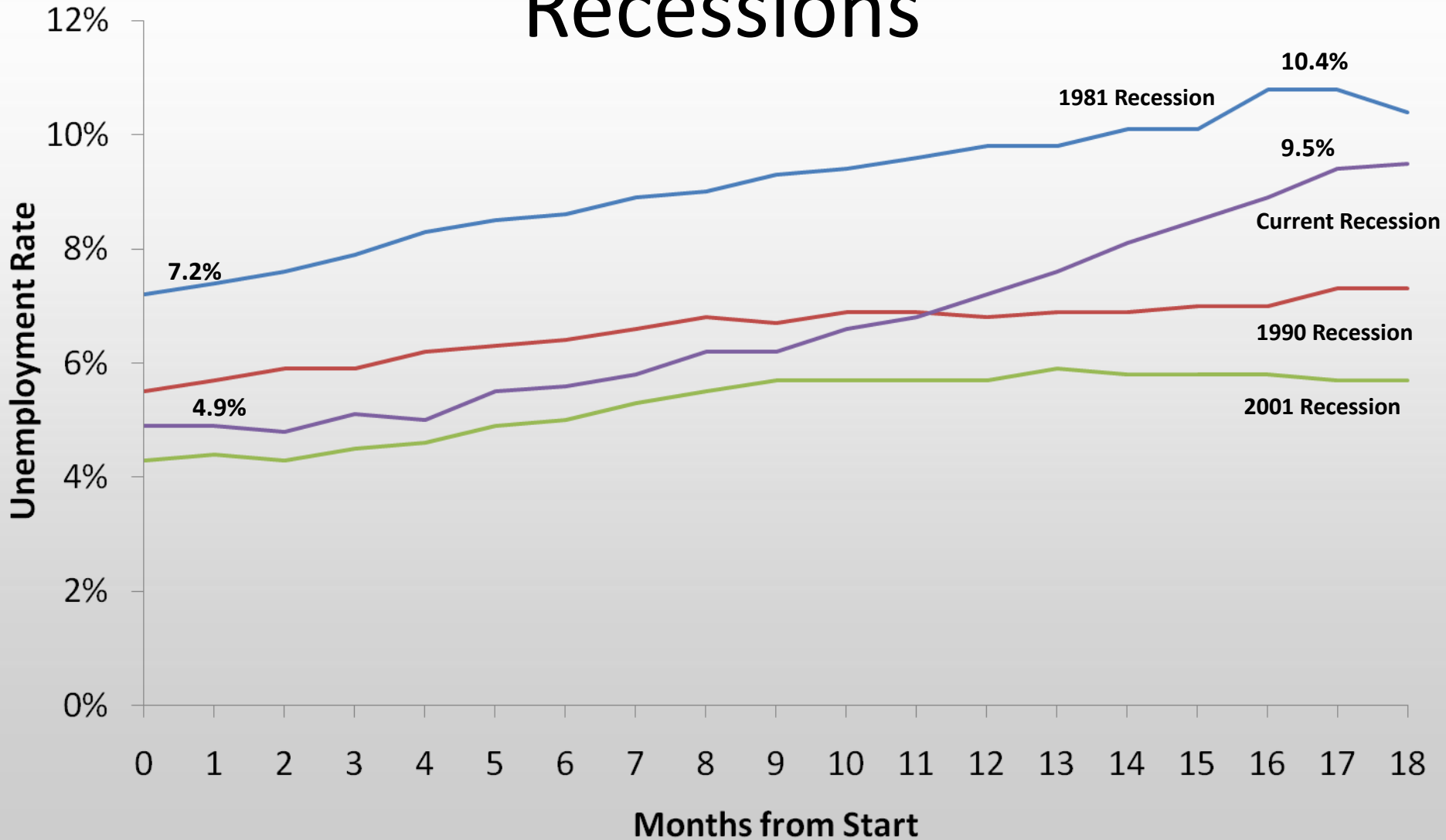
The Housing Bubble



And now...

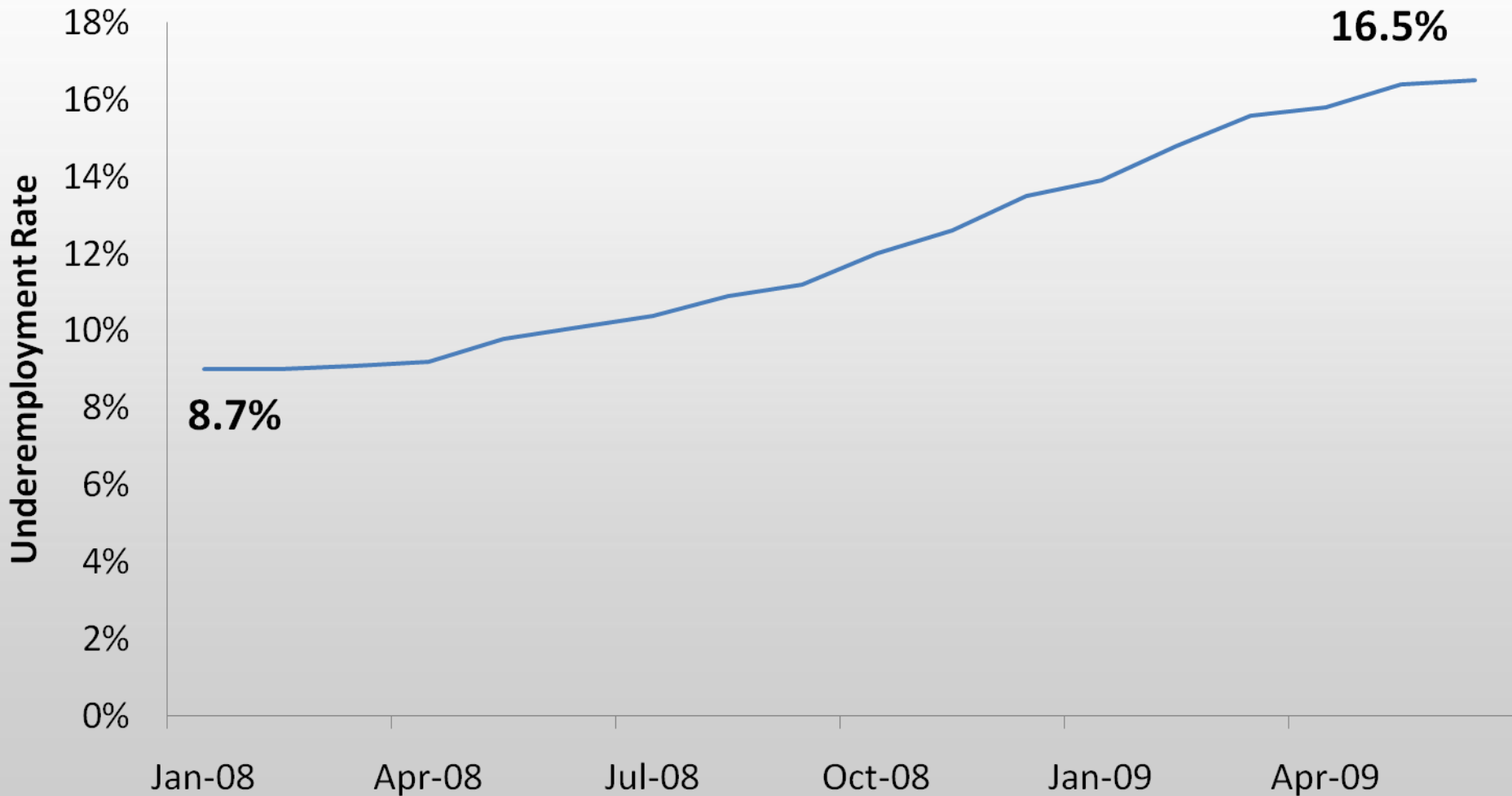


Unemployment: Current and Prior Recessions



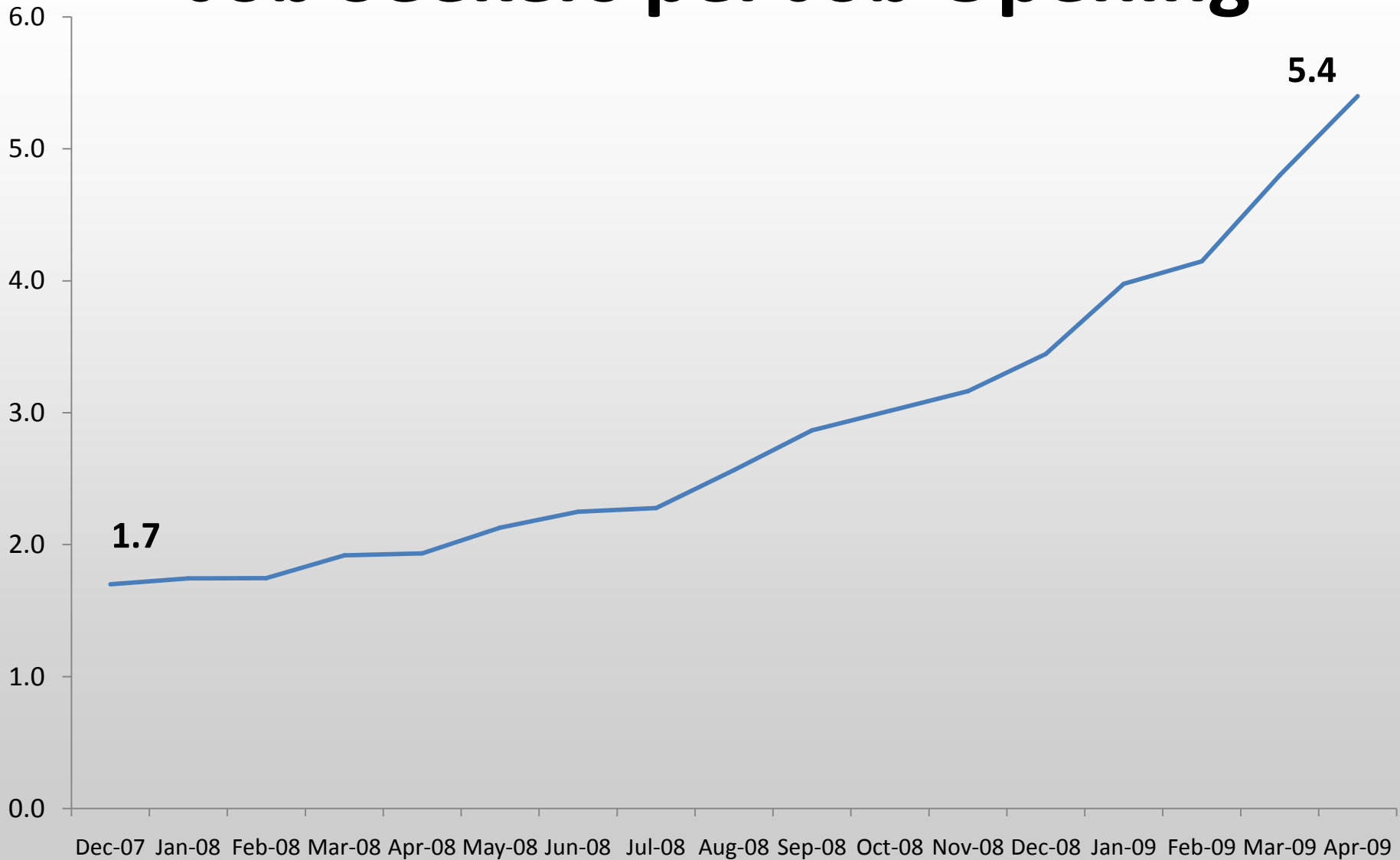
Source: Author's analysis of BLS data.

Underemployment Rate



Source: Author's analysis of BLS data.

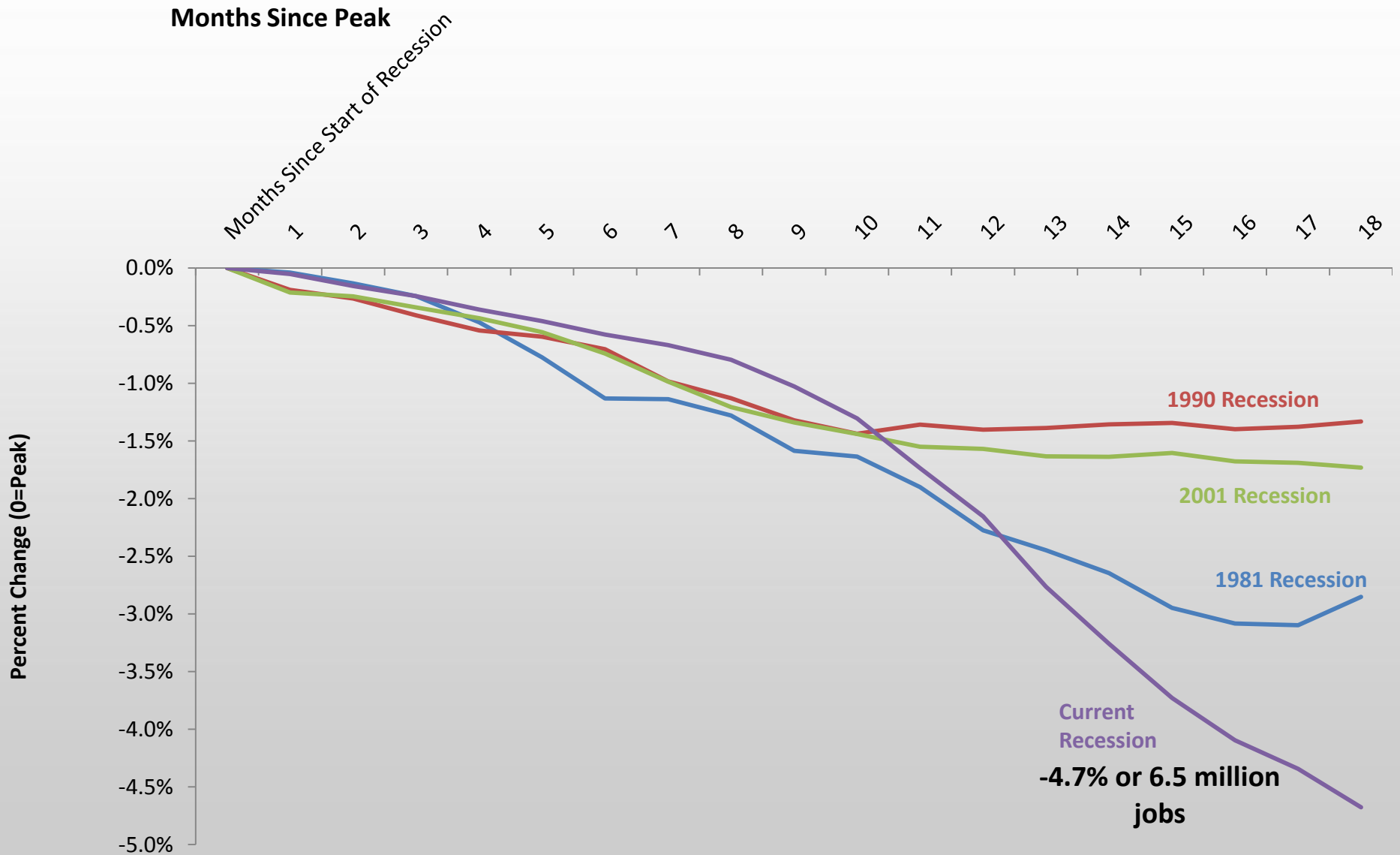
Job Seekers per Job Opening



Dec-07 Jan-08 Feb-08 Mar-08 Apr-08 May-08 Jun-08 Jul-08 Aug-08 Sep-08 Oct-08 Nov-08 Dec-08 Jan-09 Feb-09 Mar-09 Apr-09

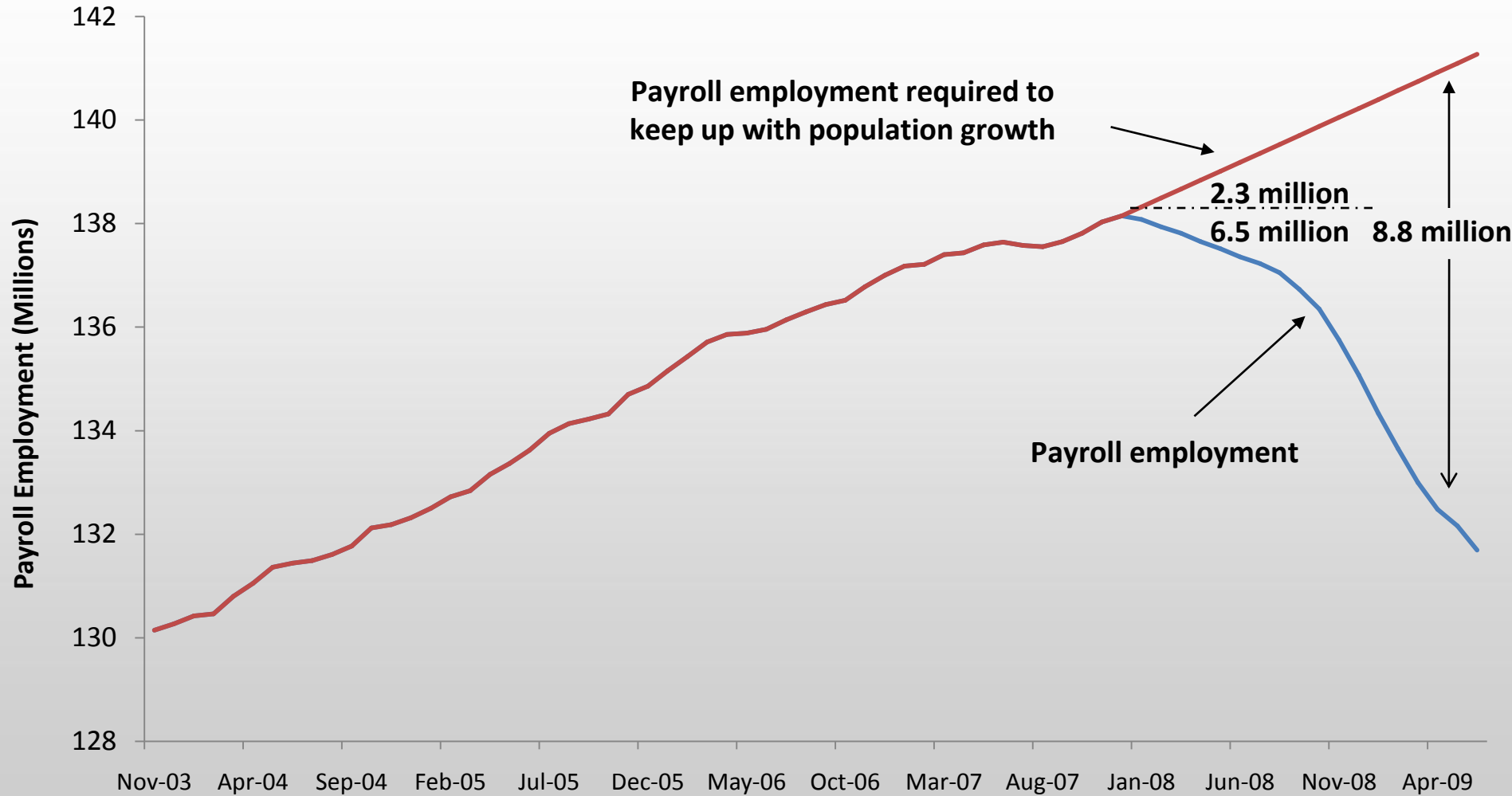
Source: Author's analysis of BLS data.

Job Losses by Recession



Current Recession
-4.7% or 6.5 million jobs

Falling short of our potential



Source: Author's analysis of BLS data.

Unemployment by Group

	1981 Recession			Current Recession		
	Start	After 18 Months	Change	Start	After 18 Months	Change
Total	7.2%	10.4%	3.2	4.9%	9.5%	4.6
Black	15.0%	21.2%	6.2	8.9%	14.7%	5.8
Hispanic	10.0%	15.3%	5.3	6.2%	12.2%	6.0
High School	5.3%	10.2%	4.9	4.6%	9.8%	5.2
College or more	2.7%	3.6%	0.9	2.1%	4.7%	2.6
Blue-collar	8.8%	16.9%	8.1	6.7%	14.0%	7.3
White-collar	4.2%	6.7%	2.5	3.0%	6.5%	3.5

Note: 1981 Recession unemployment by education data and unemployment by occupation data not seasonally adjusted.

Nominal Hourly and Weekly Earnings Growth, 2007-2009

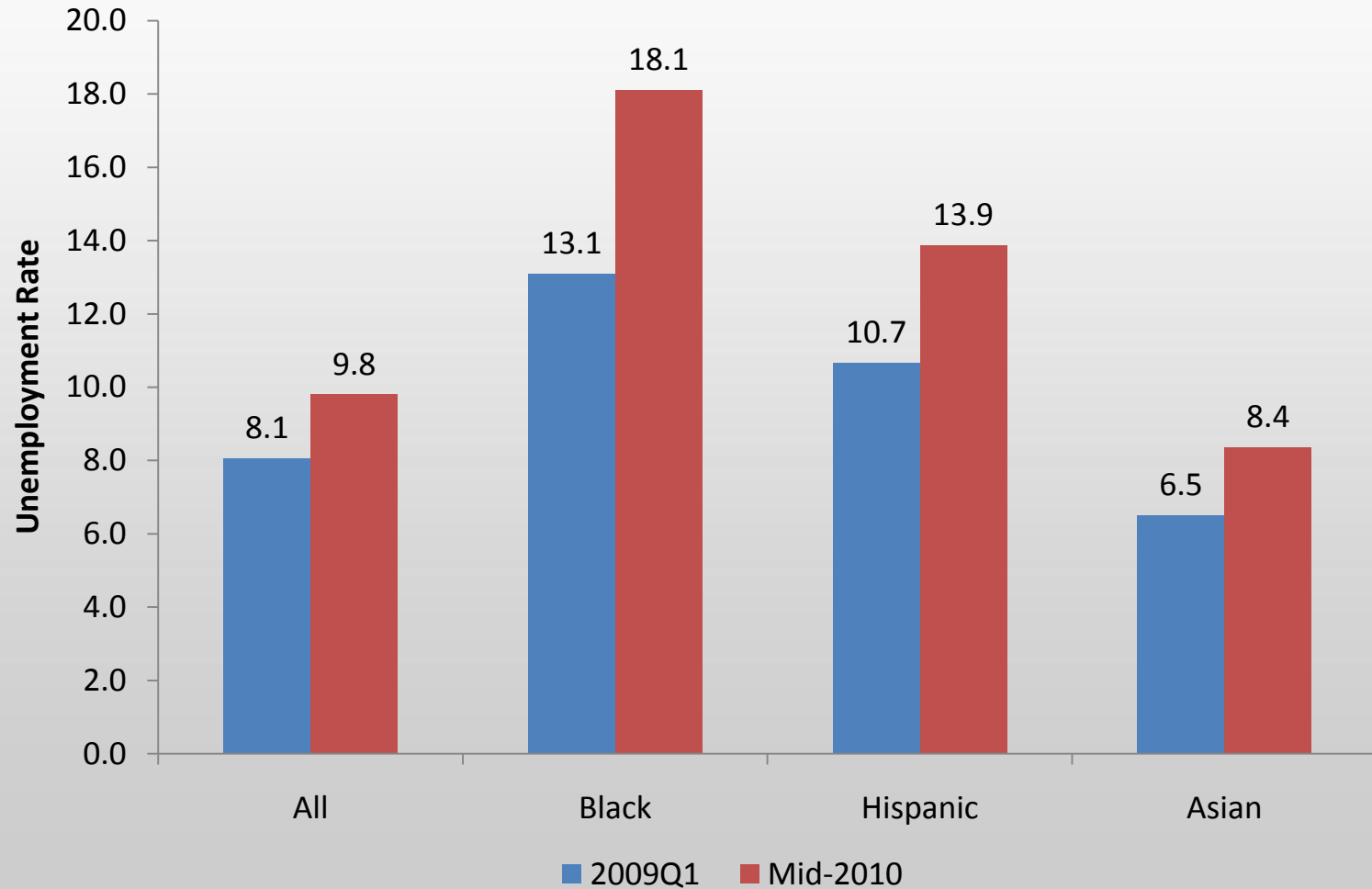


Source: Author's analysis of BLS data.

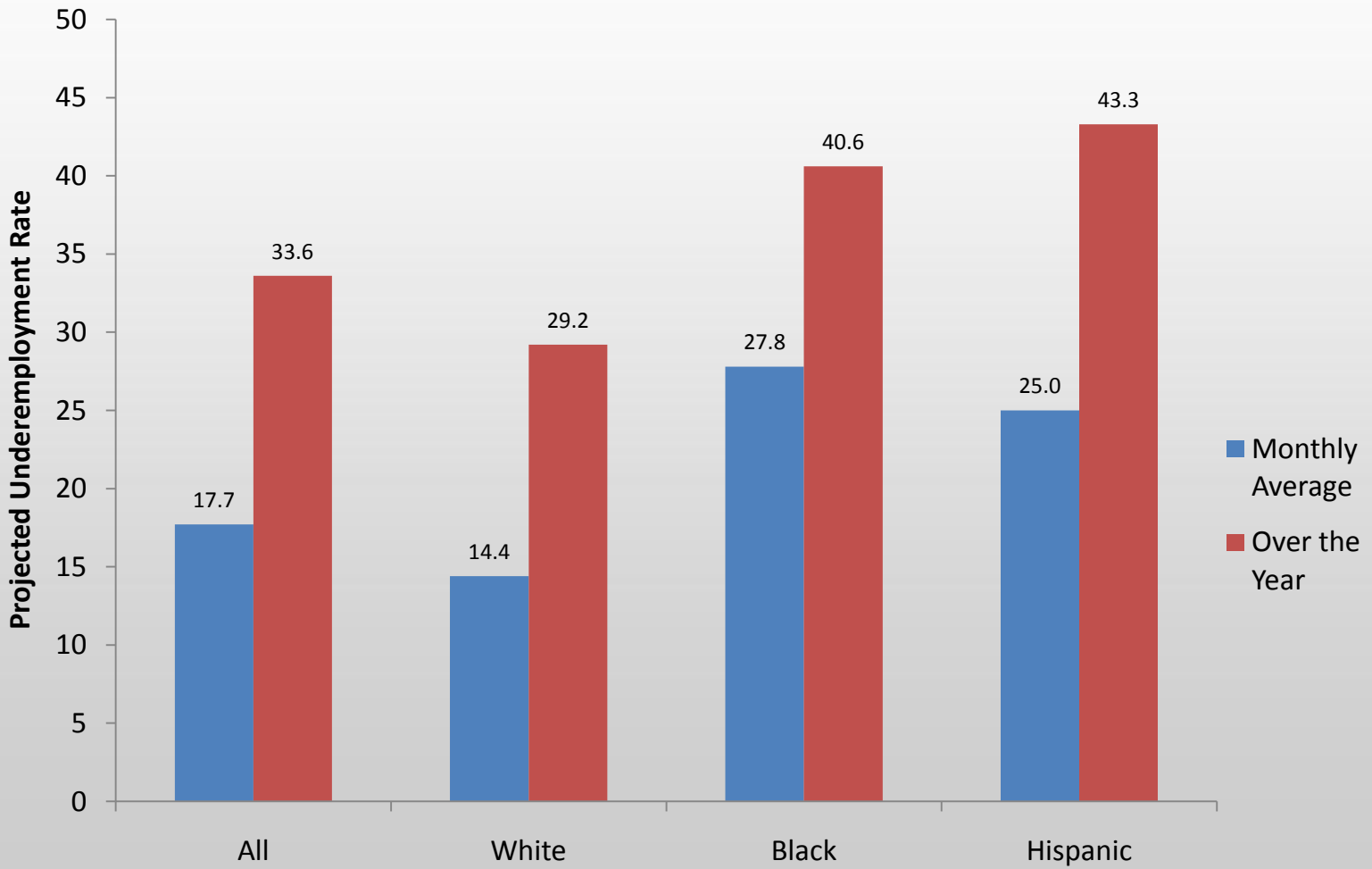
Note: 2007 and 2008 are Dec/Dec changes, 2009 is Jun/Dec

Where We Are Going

National Unemployment at Peak of 9.8%



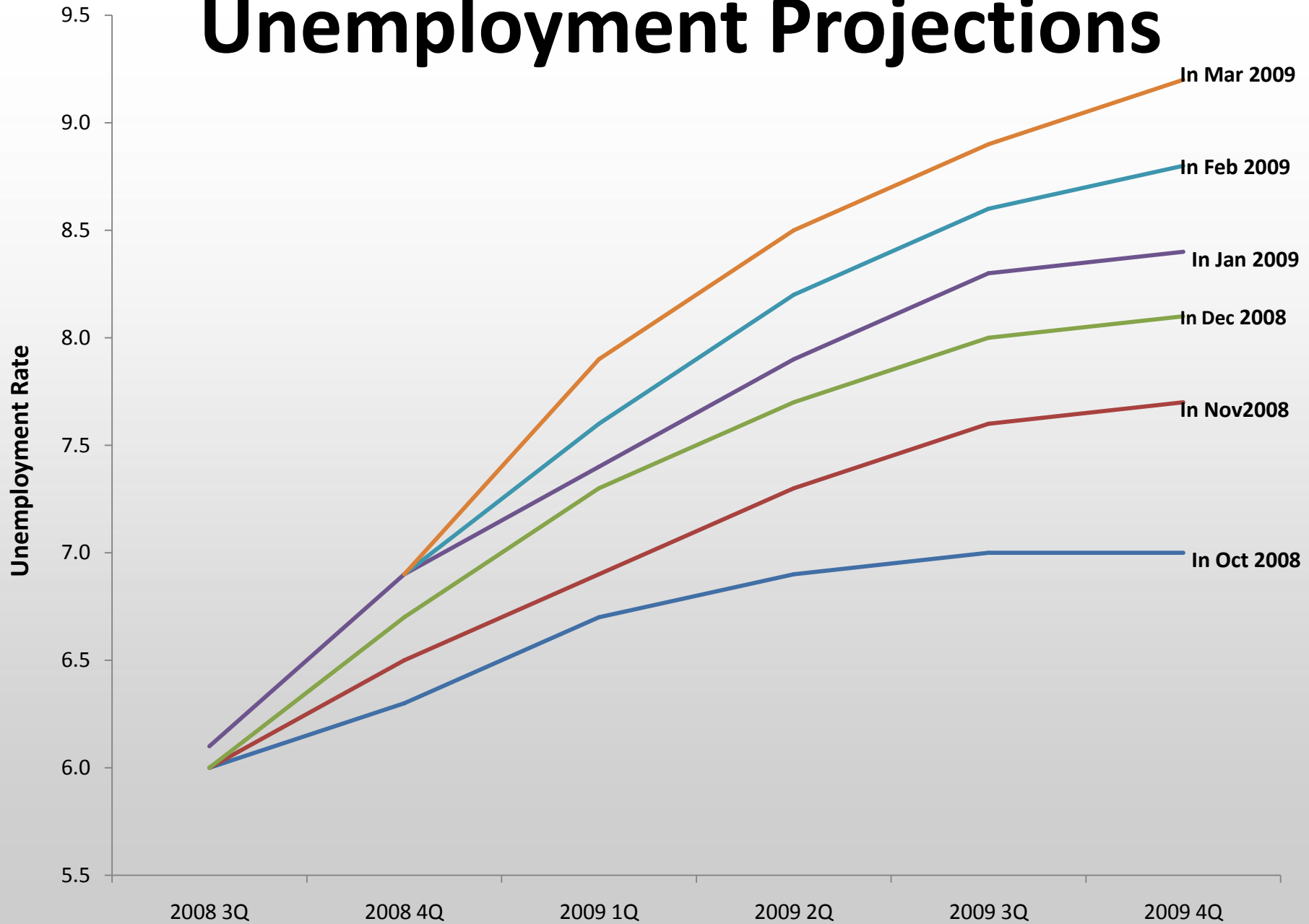
Underemployment, Monthly Average and Over the Year, at 9.8% unemployment



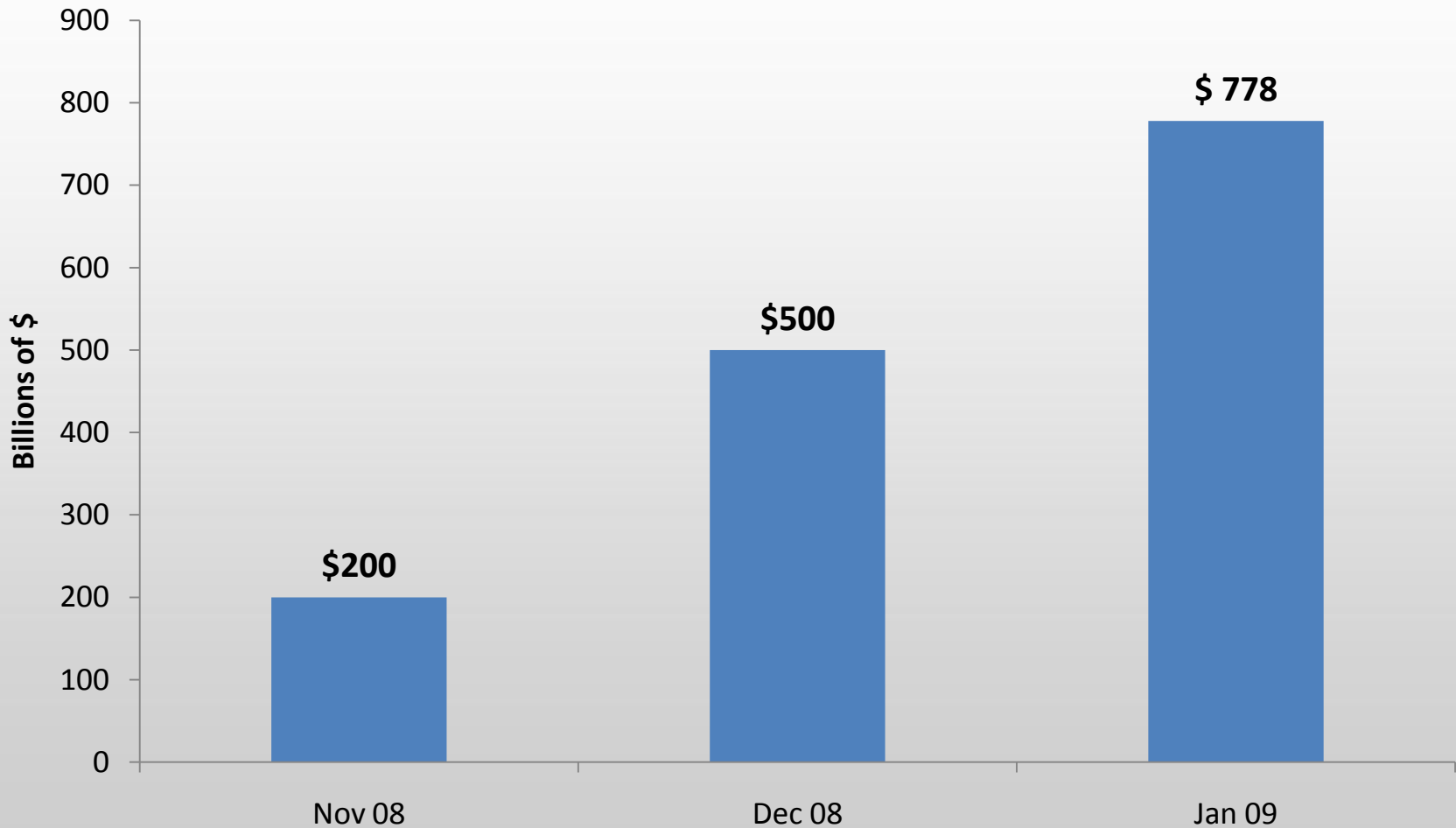
High Unemployment Rate Raises Poverty

	2007 Poverty rate	Poverty rate as result of higher unemployment	Change in poverty
All	12.5%	14.8%	2.3 pp
Adults (18-64)	10.9	14.5	3.6
All Children	18.0	27.3	9.3
Black Children	34.5	52.3	17.8
Elderly	9.7	9.7	0
Whites	19.5	19.5	0
Blacks	24.5	33.3	8.8
Hispanics	21.5	21.5	0
Single Mothers	37.0	48.3	11.3

Unemployment Projections

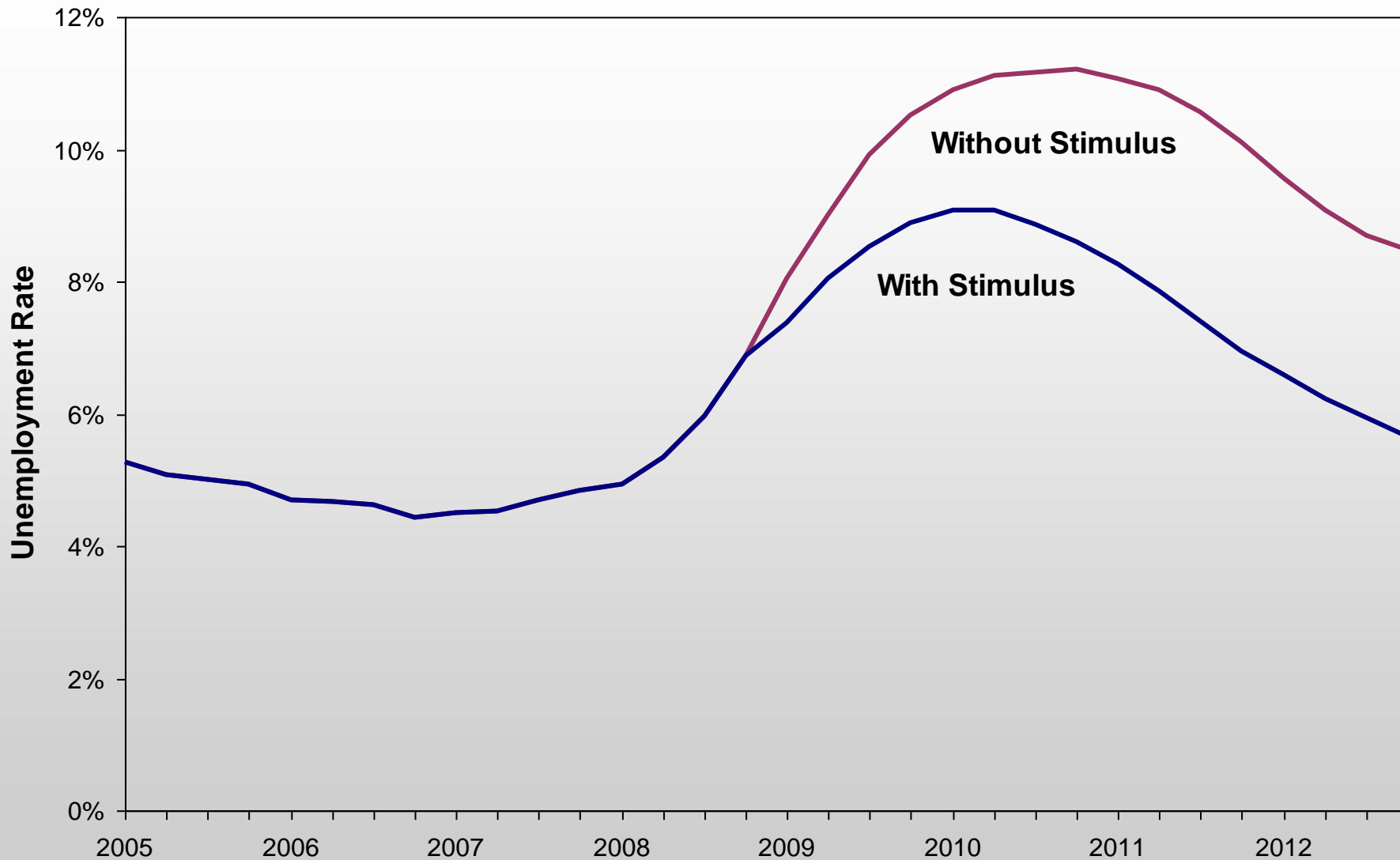


Predicted Size of Stimulus



Source: Blue Chip Forecasts

Unemployment Rate, With and Without Stimulus



Source: Economy.com forecasts



**The Economic Policy Institute
initiative for solutions that
match the scale of the
problems.**

The Agenda for Shared Prosperity

Facing the Immediate Crisis

- Strong Sustained Recovery

1. Public Investment.....

2. Social Supports, Targeted Jobs.....

3. Aid to States.....

- Financial Reregulation.....

- Housing.....

The Agenda for Shared Prosperity

Health Care

Retirement

Rewarding Work

Globalization

Balancing Work and Family

Energy: Renewable and Efficient

The Agenda for Shared Prosperity

Immigration Reform

Race and Ethnicity

Public Investment

Education

Poverty



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