



# FACTS & FIGURES

From the Economic Policy Institute

# Wages

The major development in the labor market in recent years has been the stunning divergence between rapidly rising productivity without a parallel rise in wages. Wages failed to rise for typical workers after 2001 even as half of the productivity growth of the 1995-2005 period occurred since then. Wage growth was pummeled by poor job creation and increased job shortages during the early 2000s recession and lackluster recovery.

## Productivity

*Productivity growth, which is the growth of the output of goods and services per hour worked, provides the basis for the growth of living standards.*

- ❖ Over the 1995-2005 period the output of goods and services per hour of work (productivity) grew a remarkable 33.4%; had pay followed, the wages for most working people would have risen correspondingly. There has been basically no wage improvement for typical workers since 2001, even though half the productivity growth from 1995 to 2005 occurred since then.

**Changes in Hourly and Annual Wages and Productivity, 1995-2005**



Source: Authors' analysis.

- ❖ From 1979 to 2005 there has been a giant-scale shift from wages to profits as profitability surged. Had pre-tax profitability in 2005 (11.9%) been at the 1979 level (9.6%) then hourly compensation could have been 5.0% higher.

## CEO Pay

- ❖ Over the 1992 to 2005 period the median CEO saw pay rise by 186.2%, while the median worker saw wages rise by just 7.2%. In 1965 U.S. CEOs in major companies earned 24 times more than an average worker; this ratio grew to 262 by 2005.

## Wages and Compensation

*Young workers' prospects are a barometer of the strength of the labor market.*

## Low and Minimum Wage

## Contact

- ❖ Wages fell among every entry-level group, both high school and college-educated workers and both men and women, in the period of sluggish wage growth since 2000. This contrasts to the extremely strong wage growth for each of these groups from 1995 to 2000, when wages rose roughly 10% for entry-level high school men and women and 20.9% for entry-level college men, 11.7% for college women.
- ❖ Over the 2000-04 period (2004 is the latest year of data we have in this series), annual wages declined by 0.3% annually, and hourly wages, in inflation-adjusted terms, fell by 0.1% annually.
- ❖ The typical, or median, workers' hourly wage was just 8.9% higher in 2005 than in 1979, with almost all of the growth (7.7%) occurring from 1995-2000. In contrast, productivity has grown by 67% since 1979.
- ❖ The process of globalization since the 1980s has been an important factor in slowing the growth rate of average wages and reducing the wage levels of workers with less than a college degree. The manufacturing trade deficit grew to \$586 billion in 2005, or to 4.6% of gross domestic product (GDP), from a position of balance in 1979.
- ❖ Less than half the workforce is covered by employer-provided pensions. Pension coverage receded in the 2000-04 period (the latest data), down to 45.5%, 2.8 and 5.1 percentage points less, respectively, than in 2000 and 1979.
- ❖ Holding all else constant, a rise in immigration increases the available labor supply in the United States and thus tends to reduce wages. Since the largest share of immigrants is found among those without a high school degree, it would be that group of native workers most affected by immigration.
- ❖ The share of workers earning poverty-level wages actually fell from 2000 to 2005, from 25.1% to 24.5%, this progress came in the first two years of that period and then partially reversed. Blacks were the only race/ethnic group to see a growth in poverty-level wage earners over the 2000-05 period.
- ❖ The federal minimum wage is now so low, \$5.15 (\$10,712 a year for a full-time worker), that 22 states and the District of Columbia have enacted minimum wages greater than the federally mandated level. This year alone eight states have raised their minimum wage. Fifty-eight percent of the national population now lives in states that have, or are about to have, minimum wages higher than the federal level
- ❖ Nancy Coleman, Karen Conner, Stephaan Harris: 202-775-8810 or [news@epi.org](mailto:news@epi.org)