



# **Making Work Pay – How Raising Wages is Key to Boosting Living Standards**

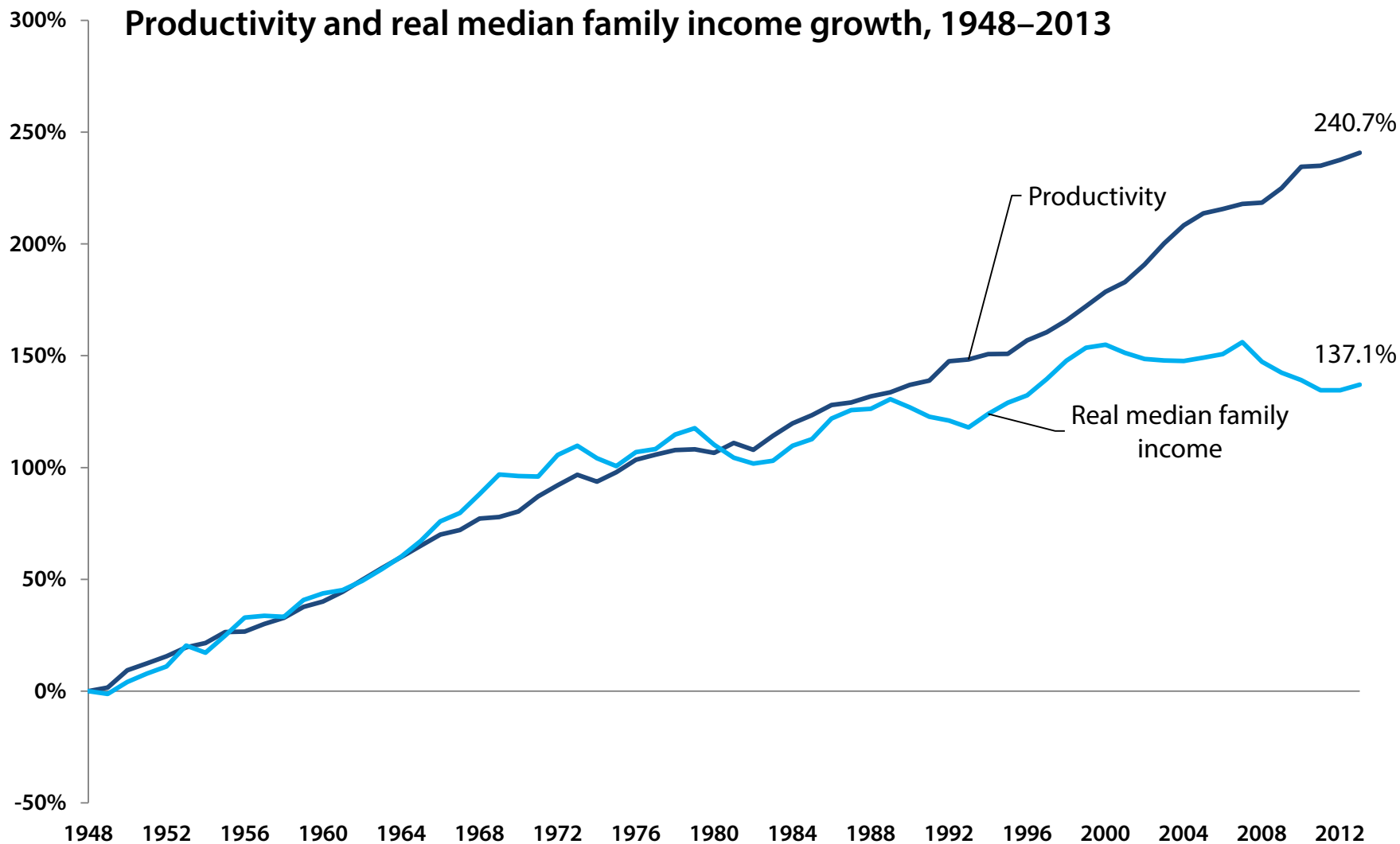
**January 7, 2016  
Atlanta, GA**

**David Cooper**  
Economic Policy Institute



# The benefits of increased productivity over the last 40 years have not gone to the middle class

Productivity and real median family income growth, 1948–2013

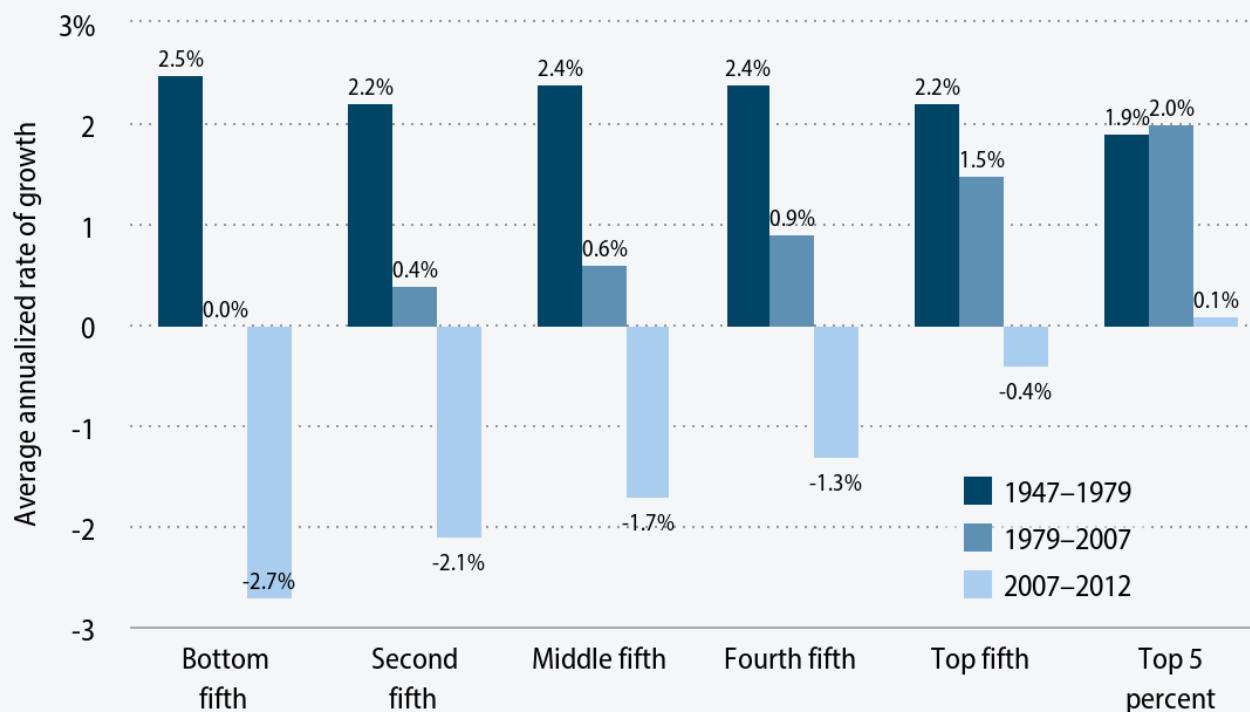


Source: EP's analysis of Current Population Survey Annual Social and Economic Supplement *Historical Income Tables*, (Table F-



# Growing together, then growing apart

Average annual family income growth, by income group, 1947–2012



**Note:** Data are for money income.

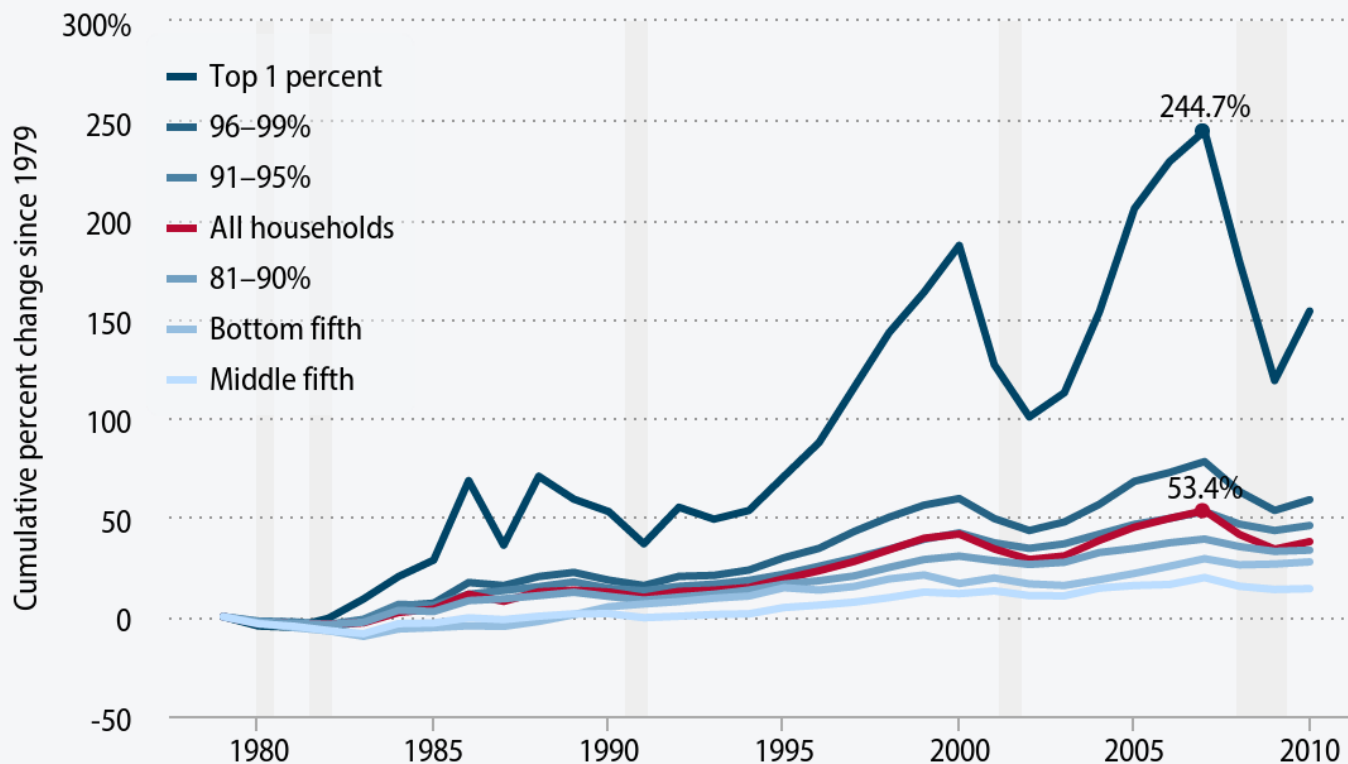
**Source:** EPI analysis of Current Population Survey Annual Social and Economic Supplement *Historical Income Tables* (Table F-3)

**Updated from:** Figure 2C in *The State of Working America, 12th Edition* (Mishel et al. 2012), an Economic Policy Institute book published by Cornell University Press in 2012



# Where did all that productivity growth go?

Change in average real annual household income, by income group, 1979–2010



**Note:** Data are for comprehensive income. Shaded areas denote recessions. To be consistent with other income and earnings measures in this paper, we use the CPI-U-RS to deflate this series, instead of the personal consumption expenditures deflator used by CBO.

**Source:** Authors' analysis of Congressional Budget Office (2013)



# Meager earnings growth for most Americans



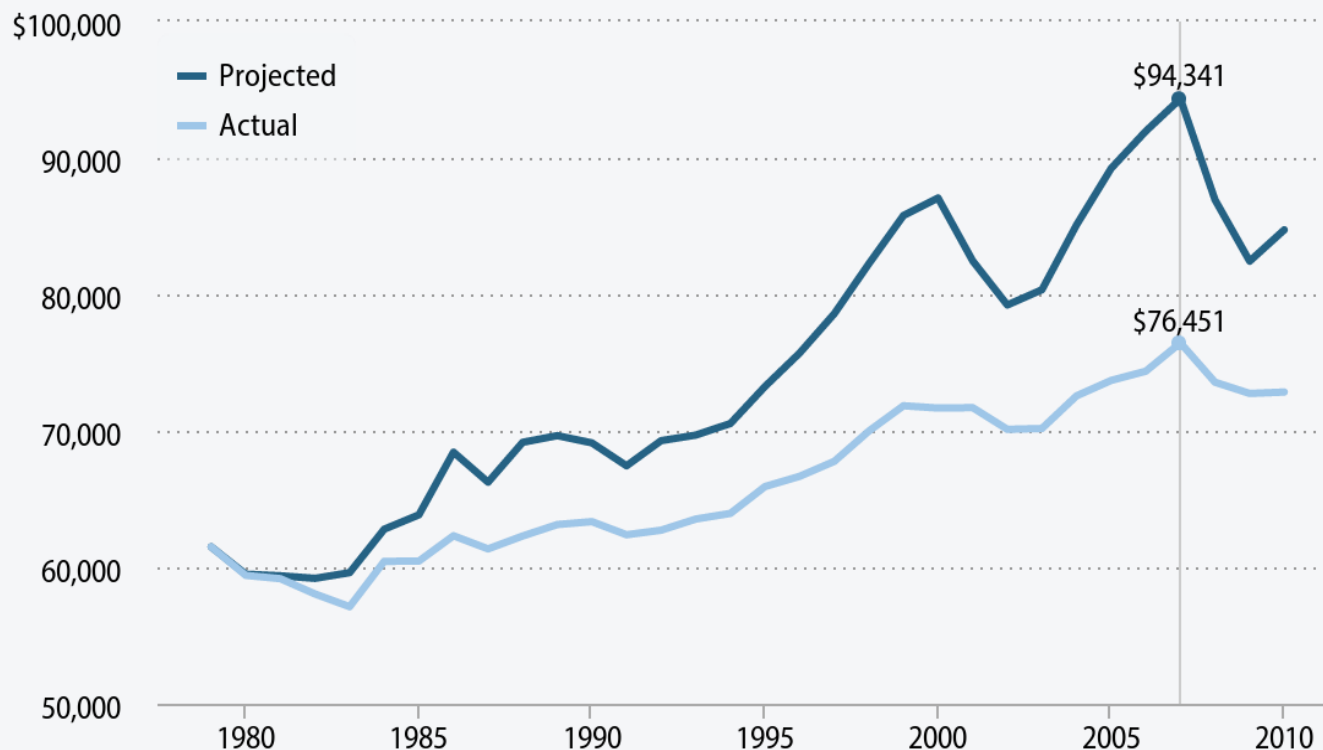


Rising inequality, driven by stagnant wages, has stifled improvements in living standards for most of the last *generation* of Americans, and stymied our ability to make progress in reducing poverty.



# The “inequality tax”

**Household income of the broad middle class, actual and projected assuming it grew at overall average rate, 1979–2010**



**Note:** Data show average income of 20th–80th percentile.

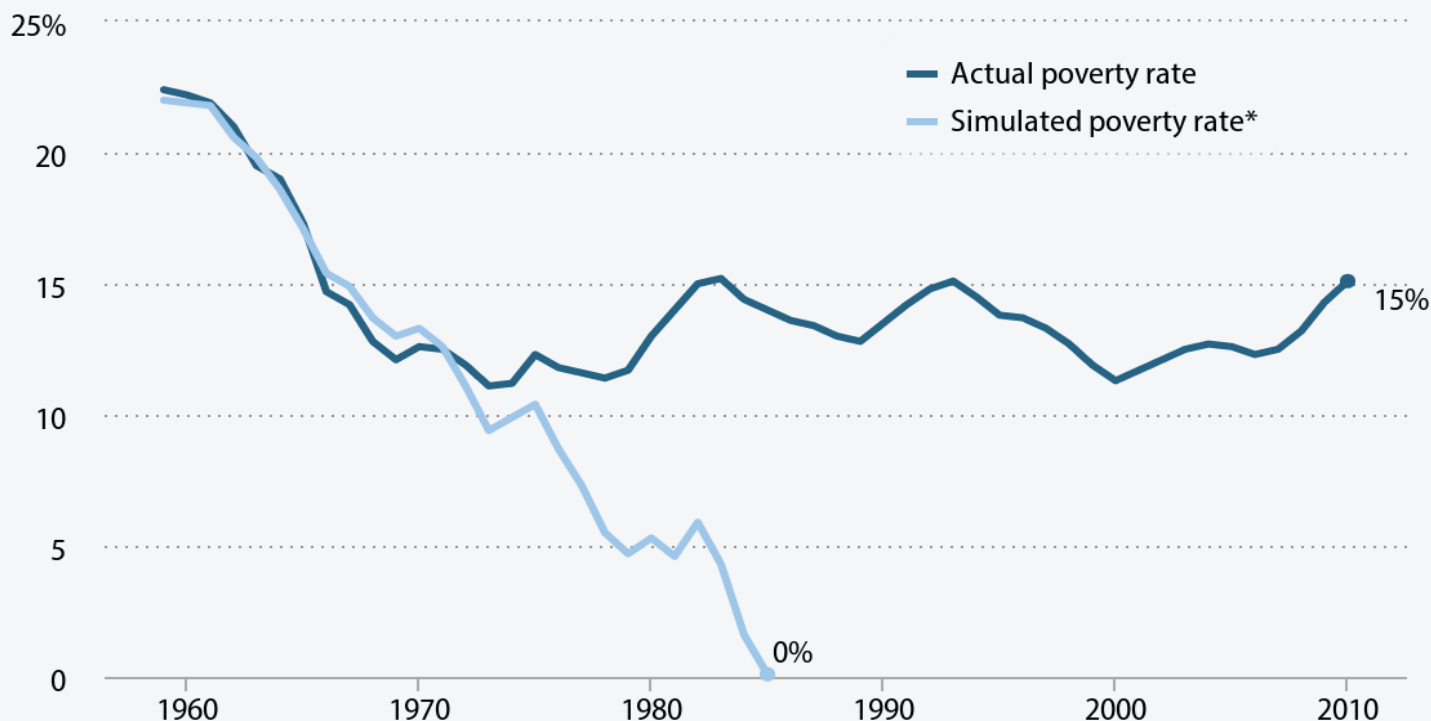
**Source:** EPI analysis of Congressional Budget Office (2013)

**Reproduced from:** Figure I in Bivens et al. (2014)



# Progress against poverty stalled

Poverty rate, actual and simulated,\* 1959–2012



\* Simulated poverty rate is based on a model of the statistical relationship between growth in per capita GDP and poverty that prevailed between 1959 and 1973.

**Source:** Authors' analysis of Current Population Survey Annual Social and Economic Supplement Historical Poverty Tables (Tables 2 and 4), Bureau of Economic Analysis National Income Product Accounts (Table 7.1), and Danziger and Gottschalk (1995)

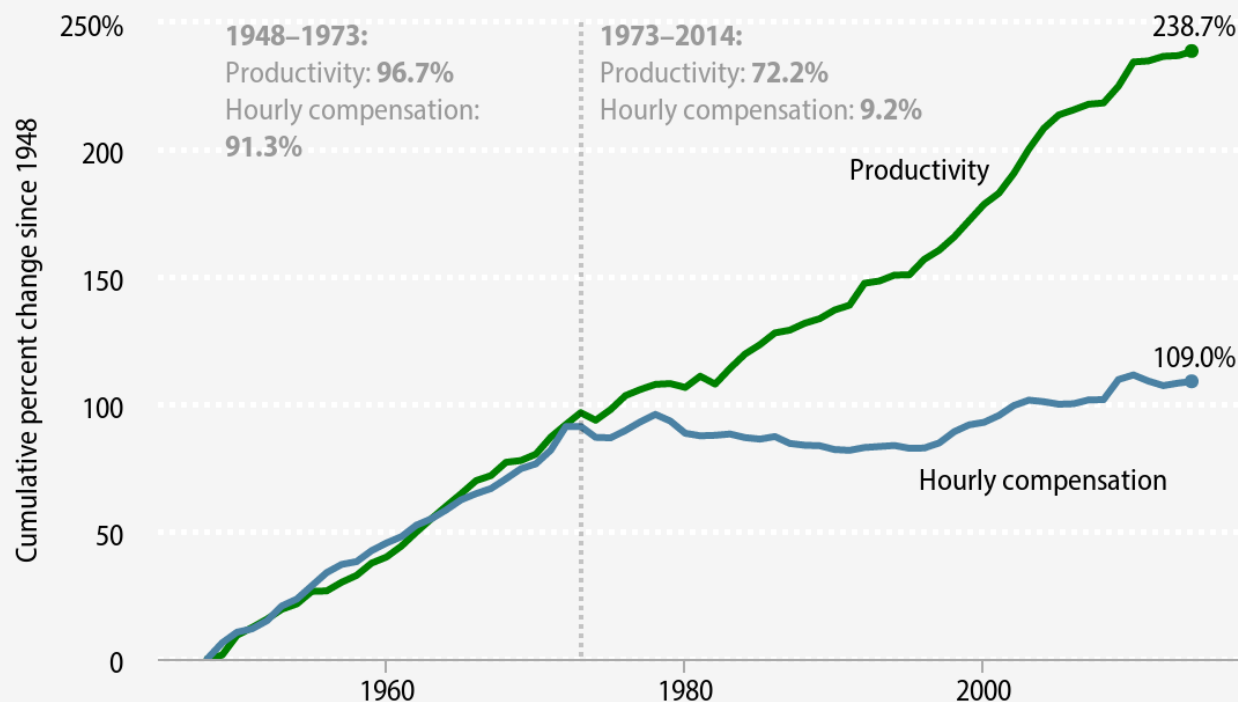




# Stagnant income comes from stagnant wages

## Workers' pay is no longer rising along with productivity

Growth in economy-wide productivity and a typical worker's hourly compensation, 1948-2014



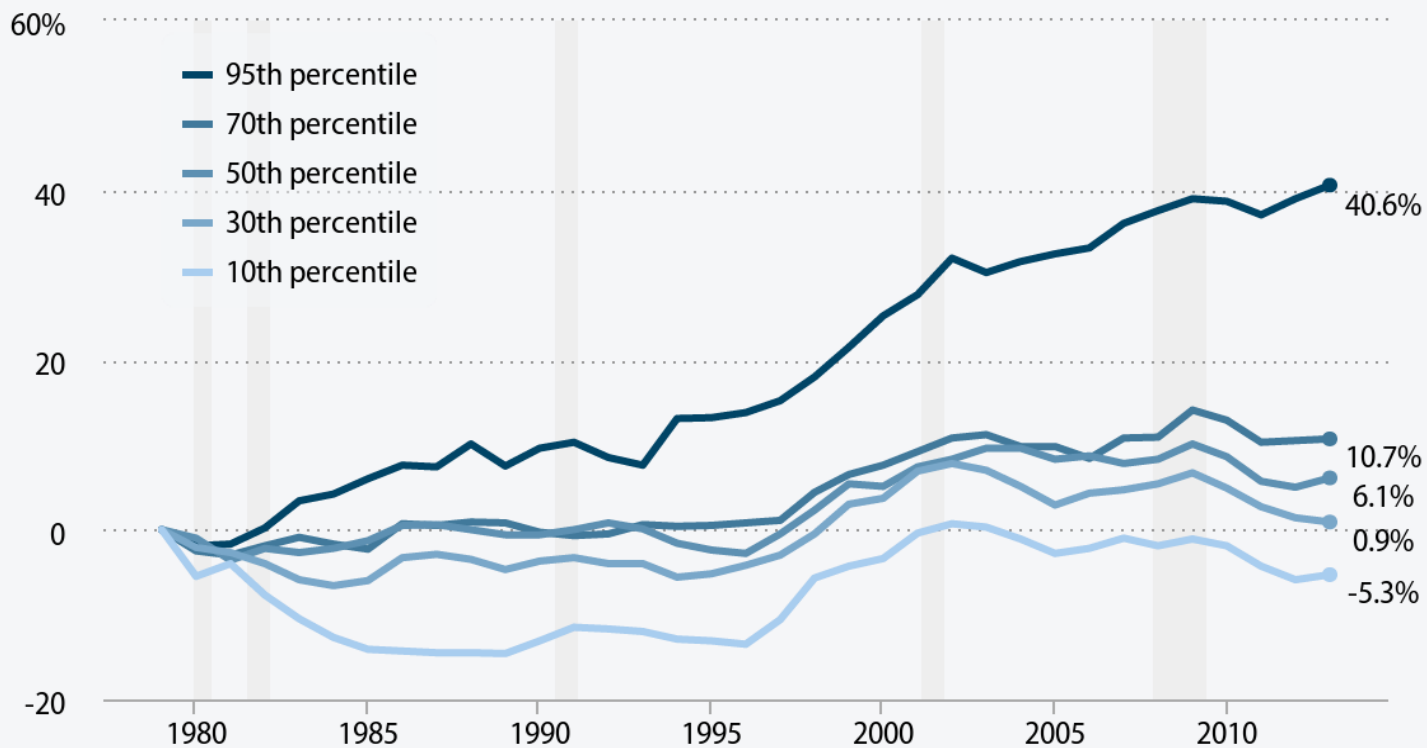
**Note:** Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

**Source:** Adapted from Figure A in Josh Bivens and Lawrence Mishel, *Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay: Why It Matters and Why It's Real*, EPI Briefing Paper #406, September 2, 2015



# For most, almost no growth in hourly pay

**Cumulative change in real hourly wages of all workers, by wage percentile,\* 1979–2013**



\* The xth-percentile wage is the wage at which x% of wage earners earn less and (100-x)% earn more.

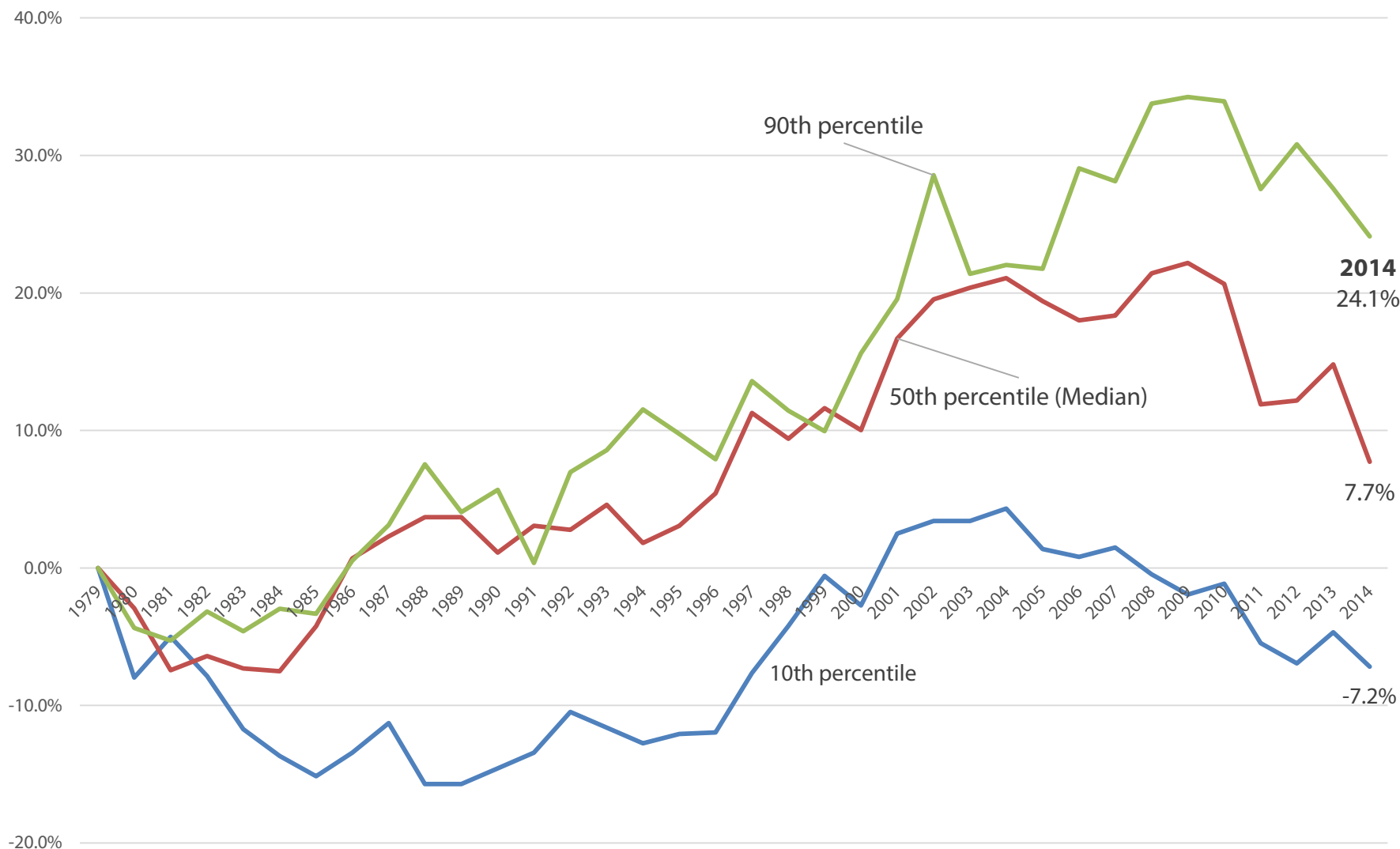
**Note:** Shaded areas denote recessions.

**Source:** EPI analysis of Current Population Survey Outgoing Rotation Group microdata



# The picture for Georgia

Change in real hourly wages in GA since 1979, by wage decile










Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata, 1979-2014



# Family Budget for Atlanta, GA

## MONTHLY COSTS

1 adult <i>and</i> no children Atlanta/Sandy Springs/Marietta, GA metro area		1 adult <i>and</i> 1 child Atlanta/Sandy Springs/ Marietta, GA metro area	2 adults <i>and</i> 2 children Atlanta/Sandy Springs/ Marietta, GA metro area
 HOUSING	\$693	\$896	\$896
 FOOD	\$271	\$399	\$782
 CHILD CARE	\$0	\$506	\$811
 TRANSPORTATION	\$450	\$454	\$583
 HEALTH CARE	\$272	\$413	\$826
 OTHER NECESSITIES	\$466	\$626	\$810
 TAXES	\$457	\$596	\$615
<b>Monthly Total</b>	<b>\$2,609</b>	<b>\$3,890</b>	<b>\$5,324</b>
<b>Annual Total</b>	<b><u>\$31,303</u></b>	<b><u>\$46,678</u></b>	<b><u>\$63,888</u></b>

Source: EPI Family Budget Calculator: <http://www.epi.org/resources/budget/>



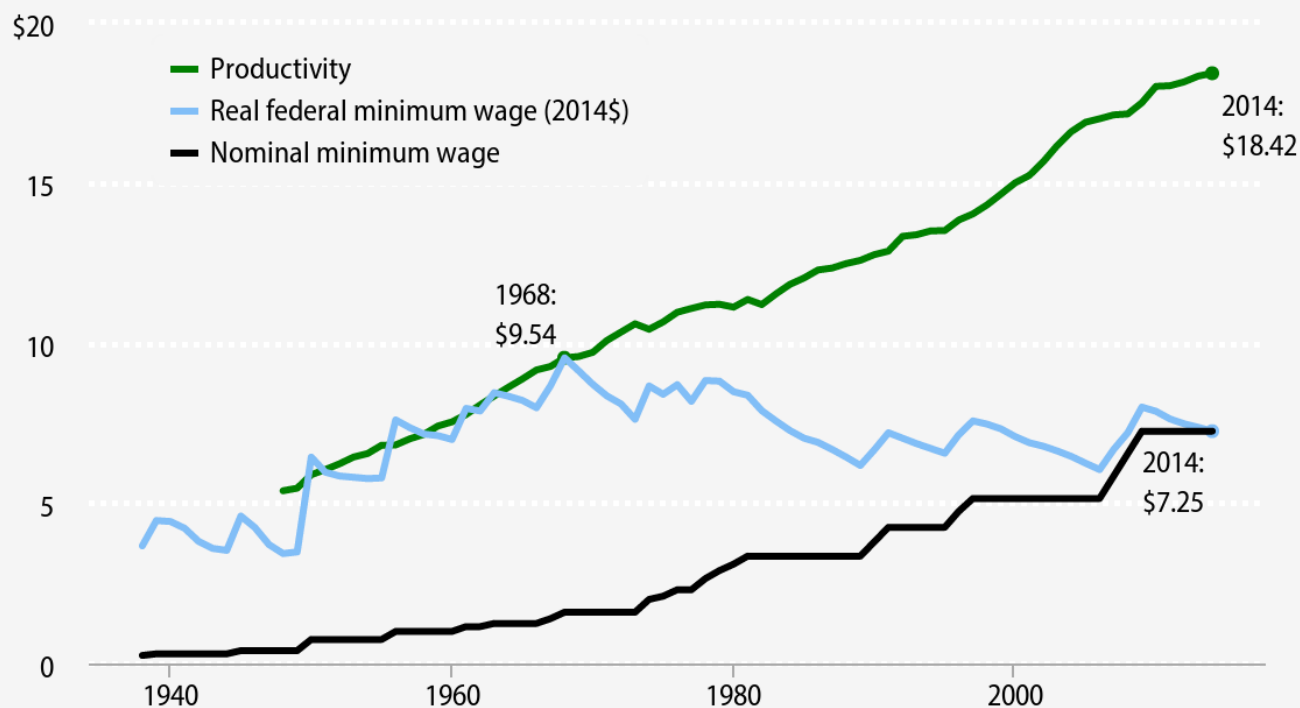
# Policies that would raise wages

- 1. Raising the minimum wage & tipped minimum**
2. Strengthen and enforce labor standards
  - Wage theft, misclassification, overtime rules
  - Non-competes / mandatory arbitration
3. Paid sick leave / family leave
4. Fair schedule laws / no just-in-time scheduling
5. Strengthen/maintain unemployment insurance
6. Protect the right to organize



## Had the minimum wage risen in line with productivity since 1968, it would be over \$18

Real and nominal value of the federal minimum wage, and total economy productivity, 1938-2014

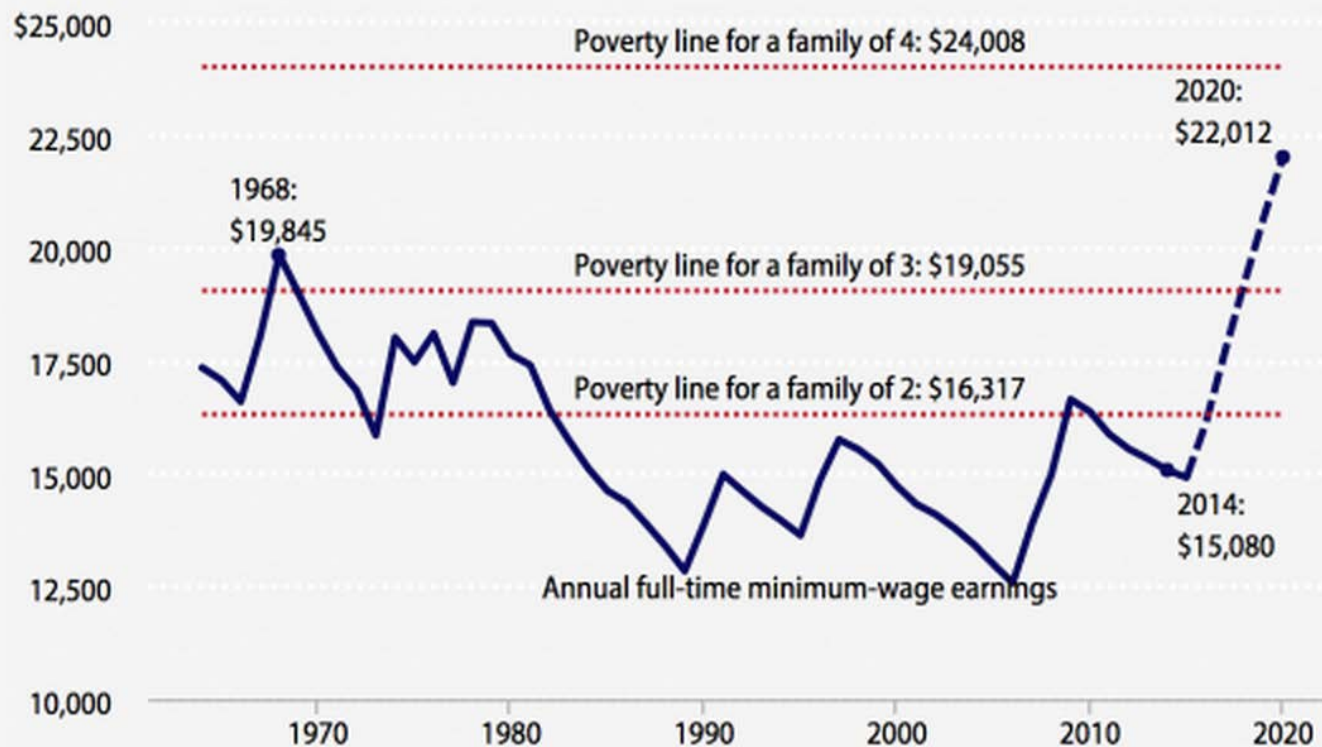


**Note:** The productivity series is total economy productivity net depreciation, indexed to the 1968 real value of the minimum wage. Minimum-wage values are in 2014 dollars deflated by the CPI-U-RS. Projections for productivity growth use CBO Budget and Economic Outlook, 2015 to 2025.

**Source:** Adapted from Figure A in David Cooper, *Raising the Minimum Wage to \$12 by 2020 Would Lift Wages for 35 Million American Workers*, EPI Briefing Paper #405, July 14, 2015



## Annual wage income for a full-time minimum-wage worker, compared with various poverty thresholds, 1964-2014 and 2015-2020 (projected under Raise the Wage Act)

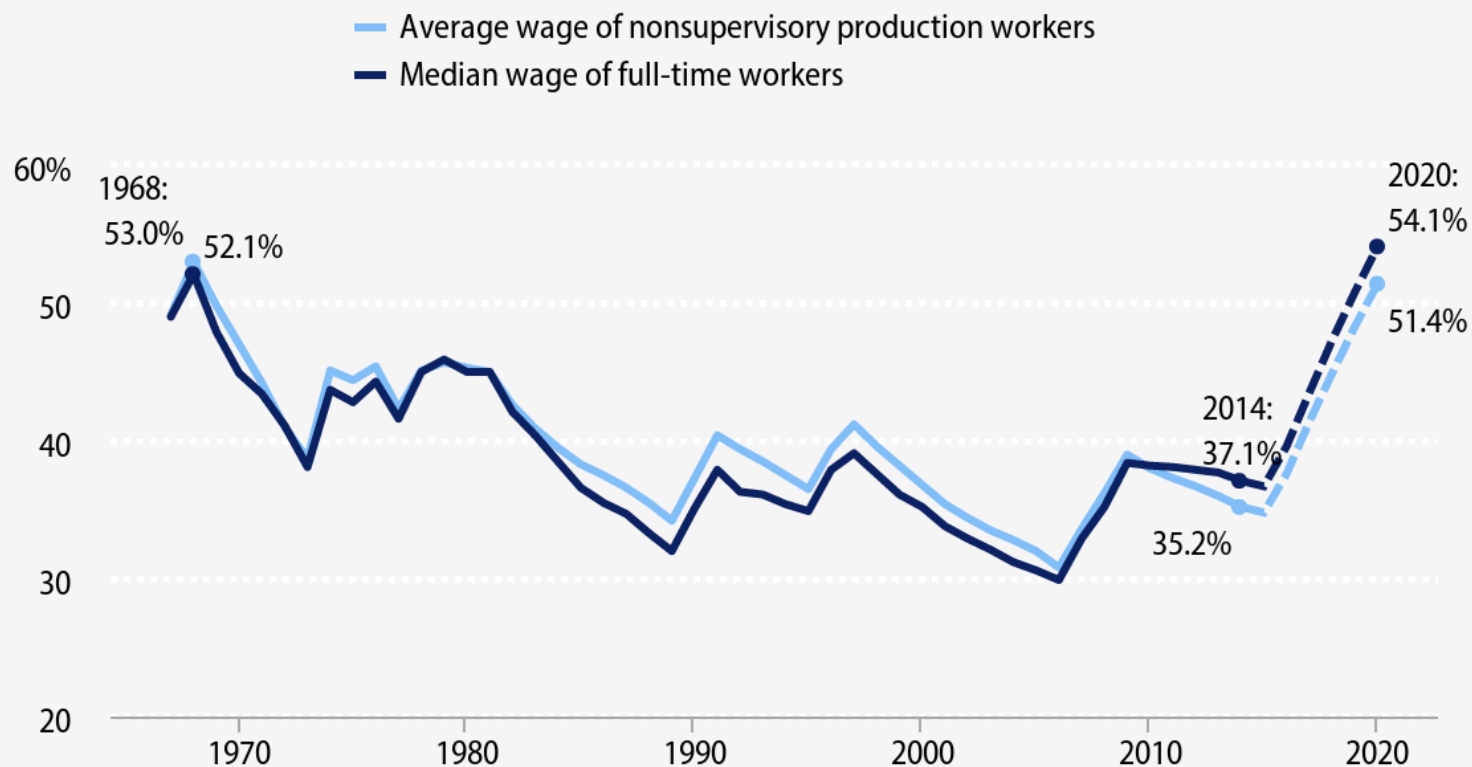


**Note:** All dollar values are expressed in 2014 dollars.

**Source:** EPI analysis of Raise the Wage Act using Current Population Survey Outgoing Rotation Group microdata



## Federal minimum wage as a share of the median wage and of the average wage of typical workers, 1967-2014 and 2015-2020 (projected under Raise the Wage Act)



**Source:** EPI analysis of Current Population Survey Annual Social and Economic Supplement microdata, Bureau of Labor Statistics data on average hourly earnings of production nonsupervisory workers, and the Raise the Wage Act





# Who benefits from a higher minimum wage?

## WHAT PEOPLE THINK

**Teenager**

**Works part time**  
after school

**Lives with parents**

Earning extra  
**spending money**



## THE REALITY

Average age:  
**36 years old**

**89% are not teens**,  
they're 20 or older

37% are  
**40 or older**

56% are  
**women**

**28% have children**

57% work  
**full time**

On average, they earn  
**more than half** of their  
**family's total income**



Statistics describe civilian workers, ages 16+, that would be affected by an increase in the federal minimum wage to \$12.00 by 2020. The median age of affected workers is 31 years old.

ECONOMIC POLICY INSTITUTE

[go.epi.org/raisethewage](https://go.epi.org/raisethewage)



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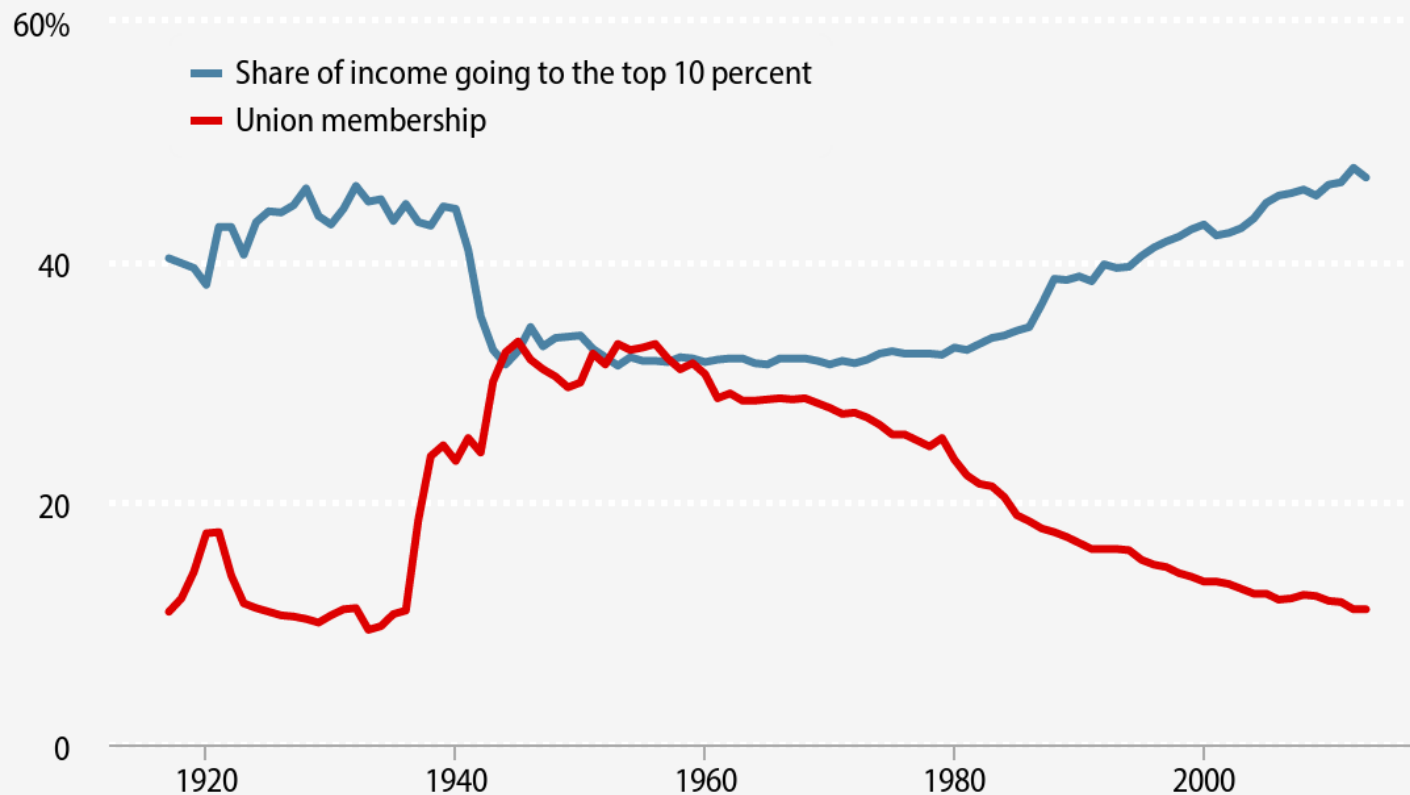


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6. **Protect the right to organize**



## Union membership and share of income going to the top 10%

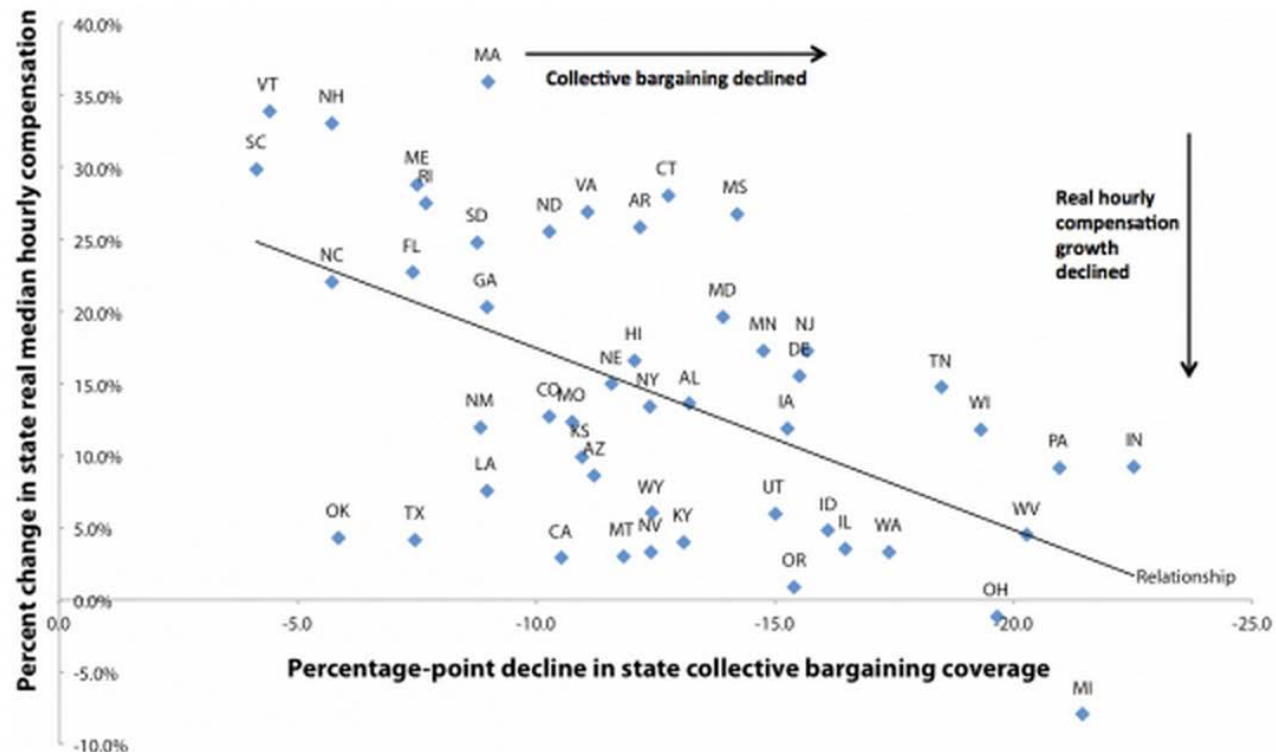


Source: U.S. Census Bureau and Piketty and Saez (2013)



## States with the largest declines in collective bargaining have had slower pay growth

Median hourly compensation growth and change in state collective bargaining coverage, 1979-2012



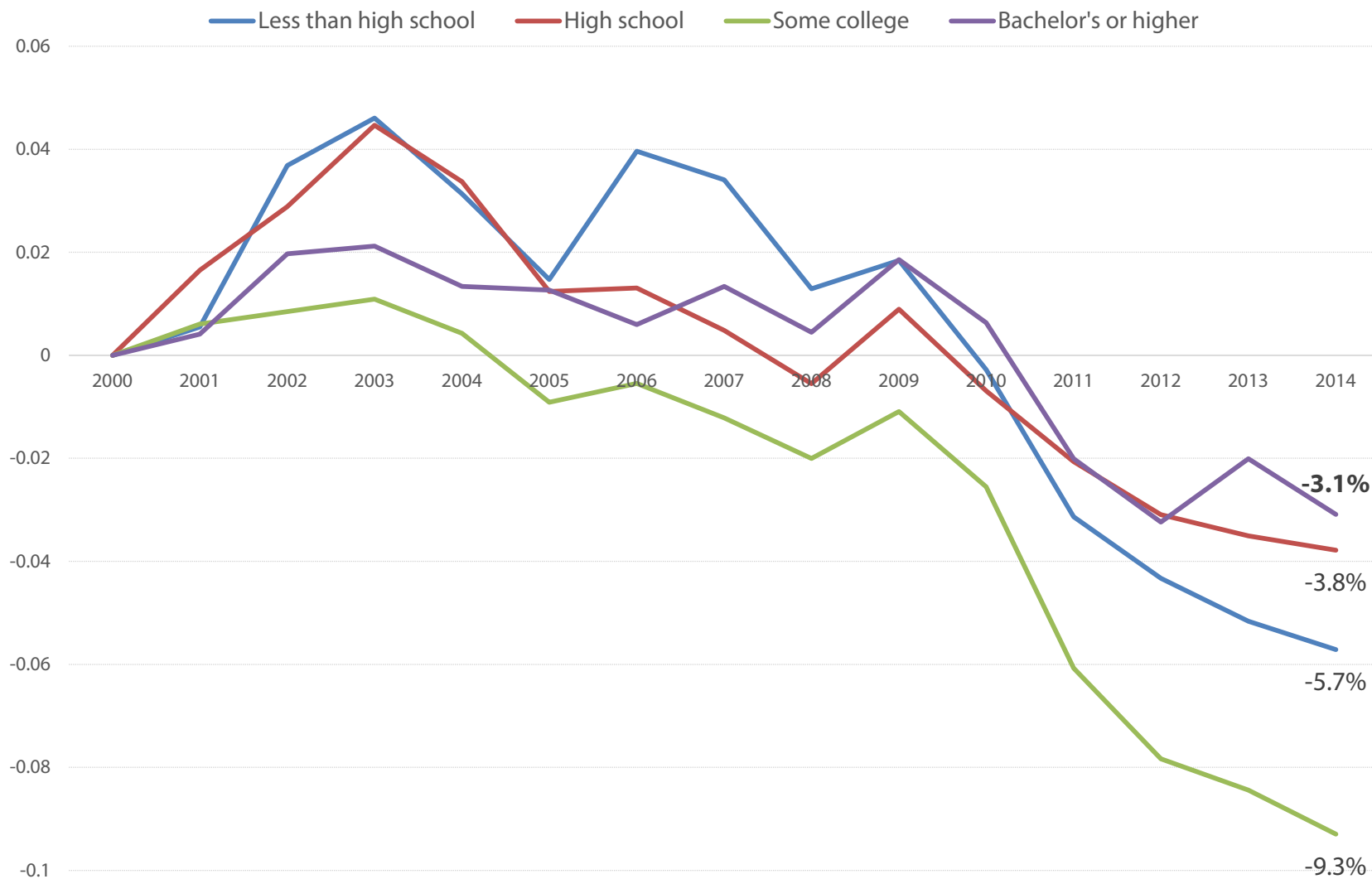
**Note:** Excludes Alaska and the District of Columbia.

**Source:** Adapted from Figure B in David Cooper and Lawrence Mishel, *The Erosion of Collective Bargaining Has Widened the Gap Between Productivity and Pay*, EPI Report, January 6, 2015



# Education is important, but not a panacea

Real hourly wages since 2000 by education level (2014\$)



Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata, 1979-2014



# For more information

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