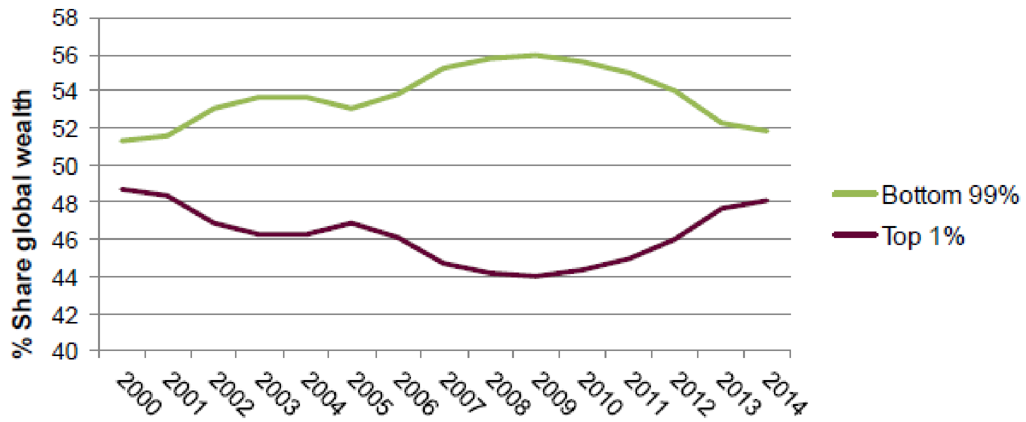
Societal Trends

As we have pointed out in previous newsletters, economic growth is not shared equally across our society, with the wealthiest among us benefitting excessively. This is a particularly critical issue in the United States. It is also a global concern. The following figure shows the share of global wealth owned by the top 1% and bottom 99%:

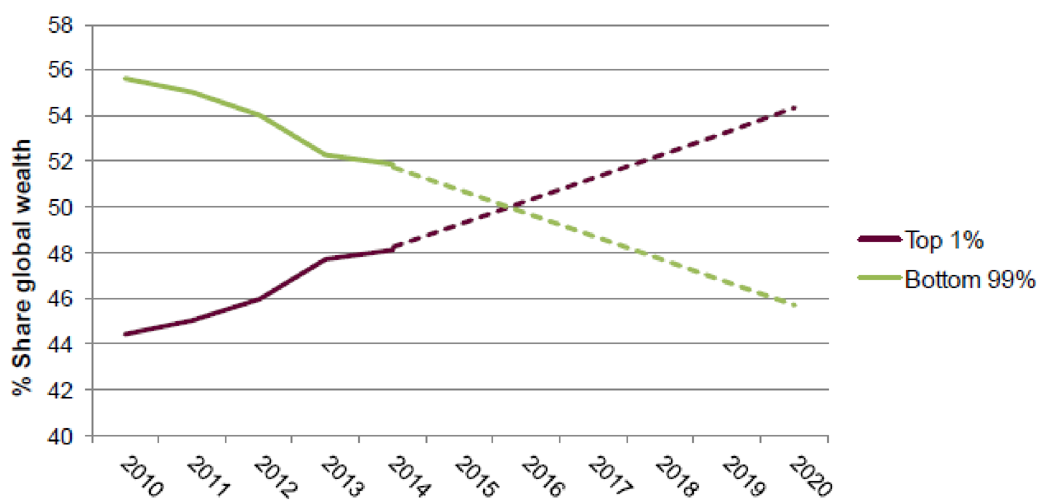
Figure 1: Share of global wealth of the top 1% and bottom 99% respectively; Credit Suisse data available 2000–2014.



Source: Oxfam Issue Briefing, Having It All and Wanting More, January 2015

The wealth of the top 1% is projected to exceed that of the bottom 99% by 2016, as shown in the following figure:

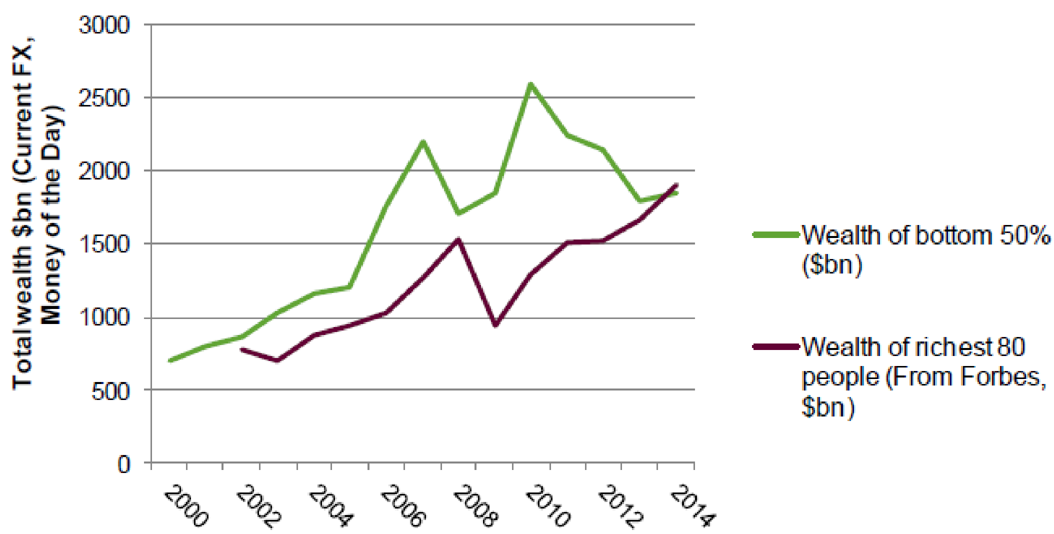
Figure 2: Share of global wealth of the top 1% and bottom 99% respectively; the dashed lines project the 2010–2014 trend. By 2016, the top 1% will have more than 50% of total global wealth.



Source: Oxfam Issue Briefing, Having It All and Wanting More, January 2015

Indeed the wealth of the 80 richest people in the world now exceeds that of the bottom 50% of the world's population. This small wealthy group of 80 has benefitted disproportionately in recent years, as shown in the following figure:

Figure 3: Wealth of the 80 richest people[3] in the world has doubled[4] in nominal terms between 2009 and 2014, while the wealth of the bottom 50% is lower in 2014 than it was in 2009.

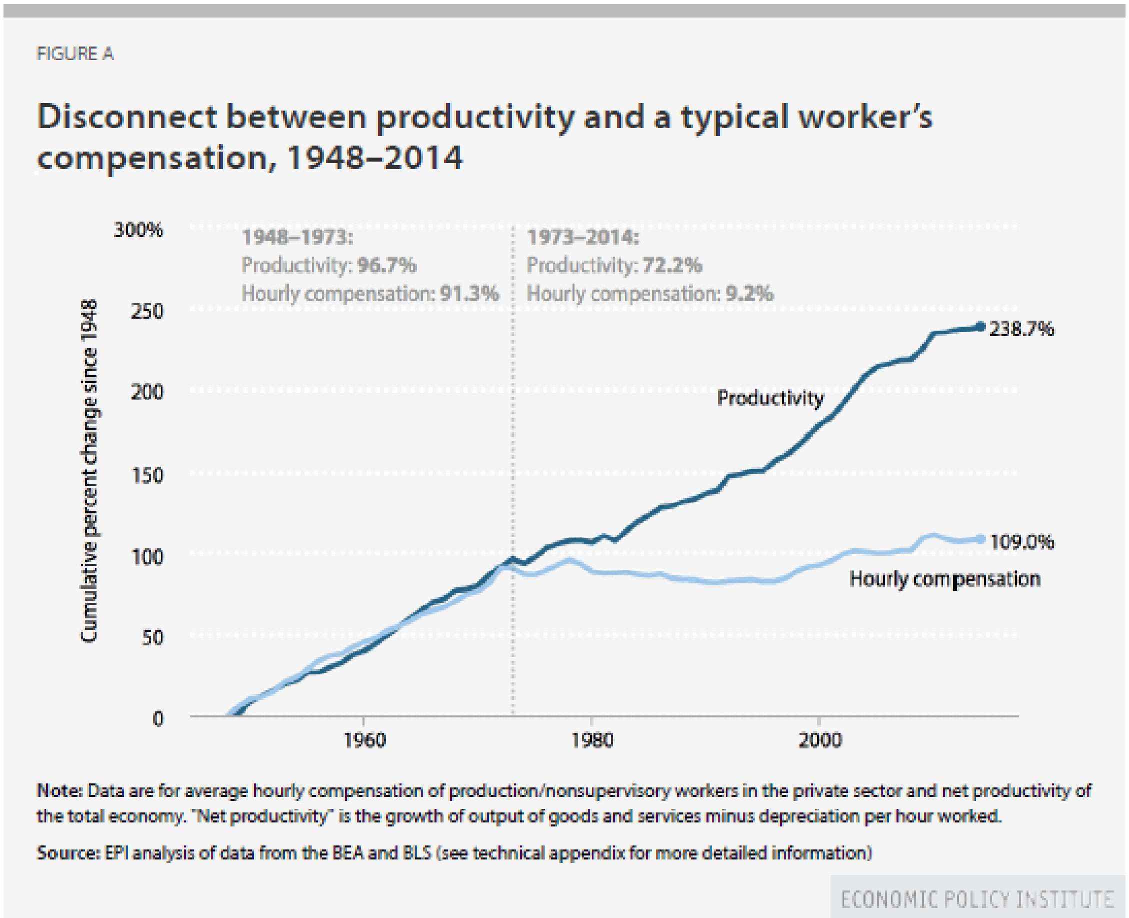


Source: Oxfam Issue Briefing, Having It All and Wanting More, January 2015

Income inequality in the United States, has increased markedly since the early 1980s, as shown in the following figure from *Business Behaving Well*, with additional recent information (the Gini coefficent is one well accepted measure of inequality, varying from a value of 0 where there is complete equality in a society to a value of 1 where one family or individual has everything):

Source: Updated from Business Behaving Well: Social Responsibility, from Learning to Doing, Ron Elsdon (Potomac Books, Inc., 2013)

Given this pattern it is not surprising that, in the United States, workers' pay has not increased with productivity gains, as shown in the following figure:

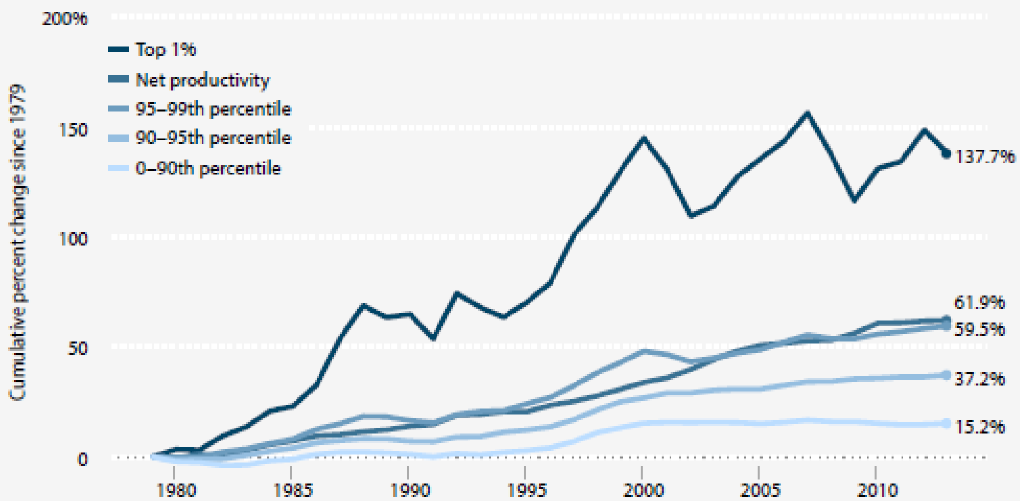


Source: Economic Policy Institute, Briefing Paper, September 2, 2015, Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay

While those at the top have benefitted disproportionately, as shown in the following figure:

FIGURE D

Growth in productivity and wages of workers at different earning levels, 1979–2013



Note: Data are for all workers. Net productivity is the growth of output of goods and services minus depreciation, per hour worked.

Source: EPI analysis of Kopczuk, Saez, and Song (2010, Table A3), and data from the BLS and SSA (see technical appendix for more detailed information)

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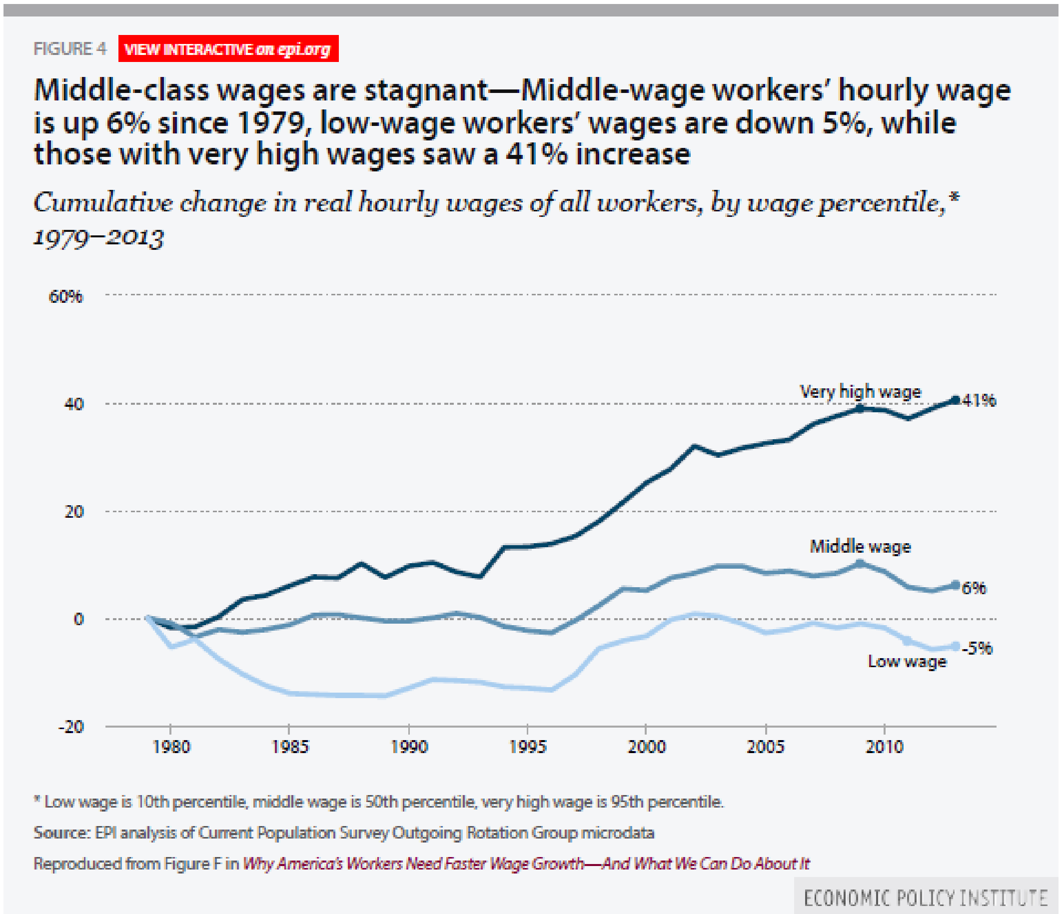
Source: Economic Policy Institute, Briefing Paper, September 2, 2015, Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay

While those in the top 5% (the 95th percentile) have seen significant wage gains since 1979, those in the middle have been stagnant, and those in the lowest 10% have experienced declining wages, as shown in the following figure:

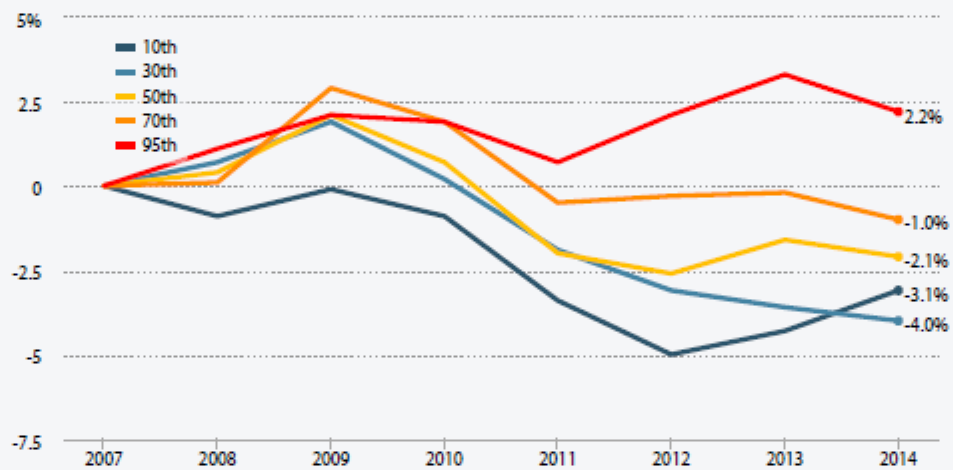


Source: Economic Policy Institute, Wage Stagnation in Nine Charts, January 6, 2015

Also since 2007, only those in the top 5% (95^{th} percentile) have seen any wage gain, as shown in the following figure:

FIGURE A VIEW INTERACTIVE on epi.org

Cumulative percent change in real hourly wages, by wage percentile, 2007–2014



Note: Sample based on all workers age 18–64. The xth-percentile wage is the wage at which x% of wage earners earn less and (100-x)% earn more.

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

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Figure A depicts some of the data presented in Table 1 by showing the cumulative change in real hourly wages for the 10th, 30th, 50th, 70th, and 95th percentiles between 2007 and 2014. After a sharp increase in real wages between 2008 and 2009, due primarily to negative inflation, wages for most groups fell through 2012. While there was an increase between 2012 and 2013, the increase was short-lived, and wages for most groups have fallen again over the last year. Wages for nearly all groups are lower in 2014 than they were at the end of the recession in 2009.

It is important to note that this fall in real wages over the last year was not accompanied by (or associated with) a significant jump in inflation. In fact, falling inflation over the last few months has led to an average inflation rate of only 1.6 percent between 2013 and 2014. Thus, the fall in real wages over the last year is clearly not driven by high inflation.

Source: Economic Policy Institute Issue Brief, 2014 Continues a 35-Year Trend of Broad-Based Wage Stagnation, February 19, 2015

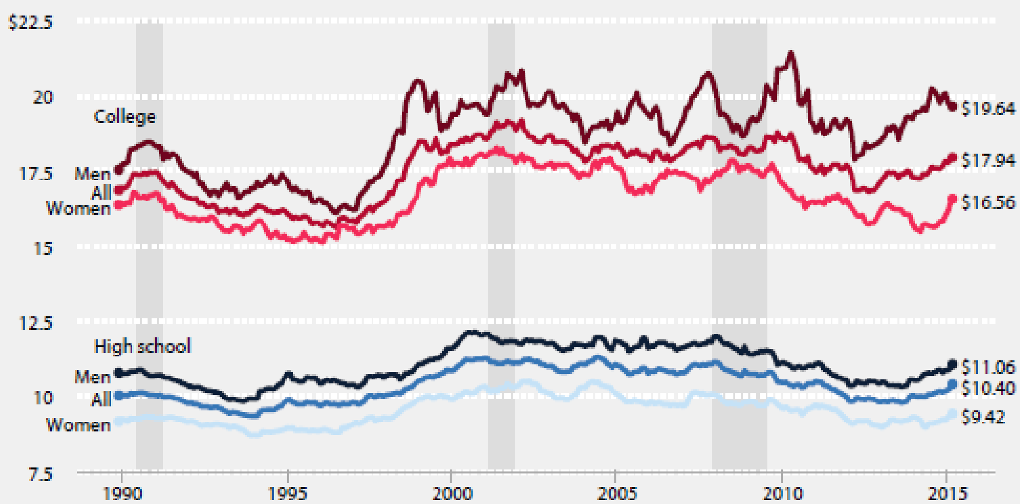
Real wage declines are particularly severe for those at the lowest pay levels as shown in the following figure:

Source: National Employment Law Project Date Brief, September 2015, Occupational Wage Declines Since the Great Recession

Wage stagnation is also evident for younger workers at various education levels, as shown in the following figure:

FIGURE M

Real average hourly wages of young workers, by education, 1989–2015*



* Data reflect 12-month moving averages; data for 2015 represent 12-month average from April 2014 to March 2015.

Note: Data are for college graduates age 21–24 who do not have an advanced degree and are not enrolled in further schooling, and high school graduates age 17–20 who are not enrolled in further schooling. Shaded areas denote recessions.

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

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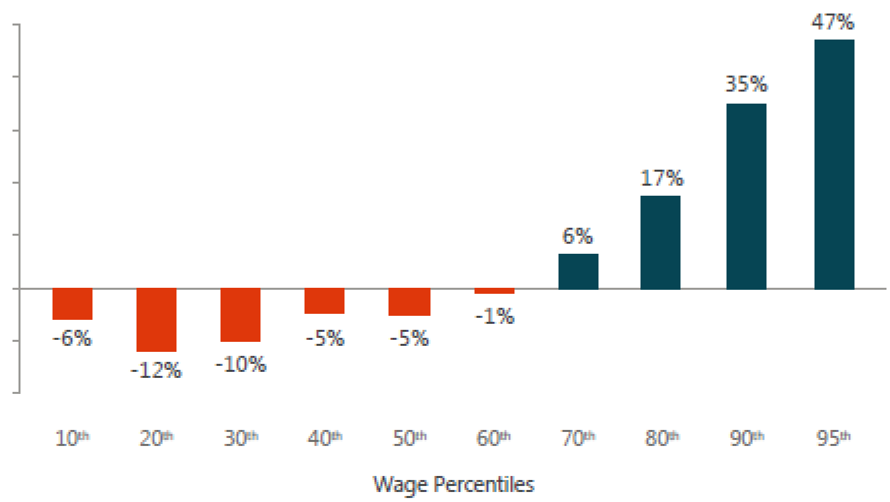
Source: Economic Policy Institute Briefing Paper, The Class of 2015, Despite an Improving Economy, Young Grads Still Face an Uphill Climb, May 27, 2015

Trends of disproportionate gains for higher earners are evident in California, as shown in the following figure:

Growing Inequality

Like the rest of the country, California has seen a steep growth in inequality since the late 1970s. Workers in the bottom and the middle of the wage distribution saw their earnings decline in real terms, after adjusting for inflation, while high-wage workers saw their earnings rise. Real wages for the median worker (in the 50th percentile) declined by 5 percent.

Change in Real Wages in California, 1979–2014



Source: Authors' analysis of Center for Economic and Policy Research's data extract of the Current Population Survey, Outgoing Rotation Groups, 1979–2014. Wages do not include tips, overtime pay, or commission.

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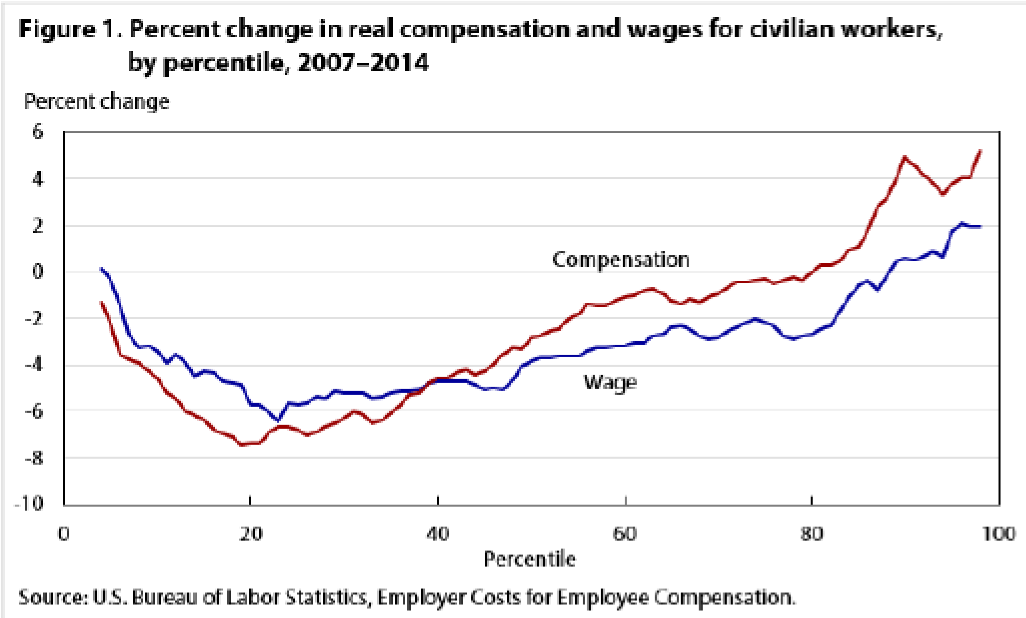
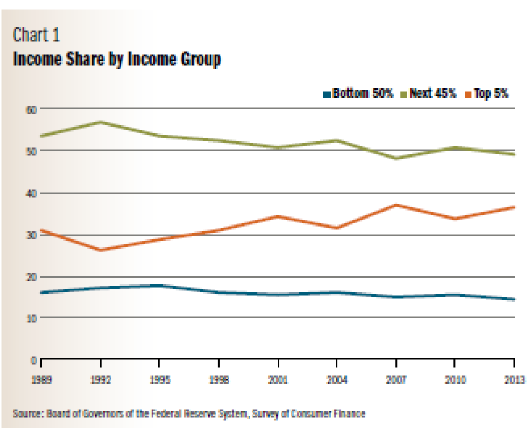
Source: UC Berkeley Labor Center, Low-Wage California: 2014 Chartbook, April 2015

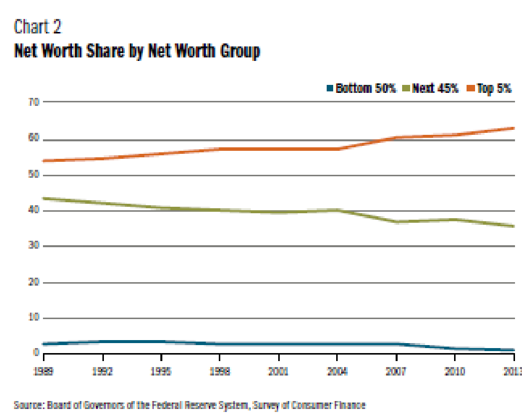
The increase in inequality is even greater when benefits are included as shown in the following figure where compensation shown here includes benefits. Median compensation (50th percentile) declined between 2007 and 2014, driven by decreases for those at the lower end, while compensation at the top increased.



Source: BLS, Monthly Labor Review, Compensation Inequality: Evidence from the National Compensation Survey, July 2015.

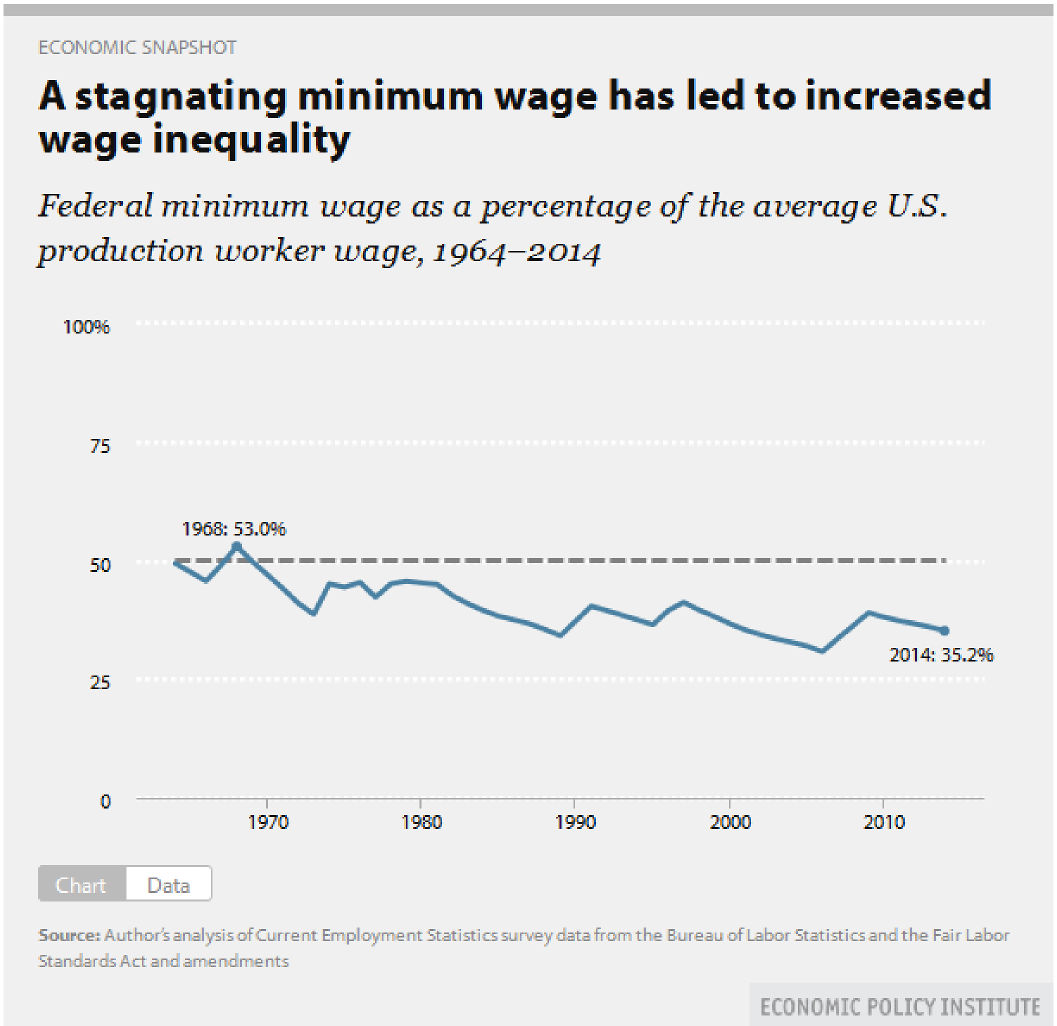
Inequality is also much worse when we consider net worth rather than income, as shown in the following two figures where the red line shows the share of the top 5%:





Source: Federal Reserve Bank of Atlanta, Divergence: Wealth and Income Inequality in the United States, EconSouth, September-December 2014.

Contributors to growing inequality in the United States, include a declining real minimum wage, as shown in the following figure:

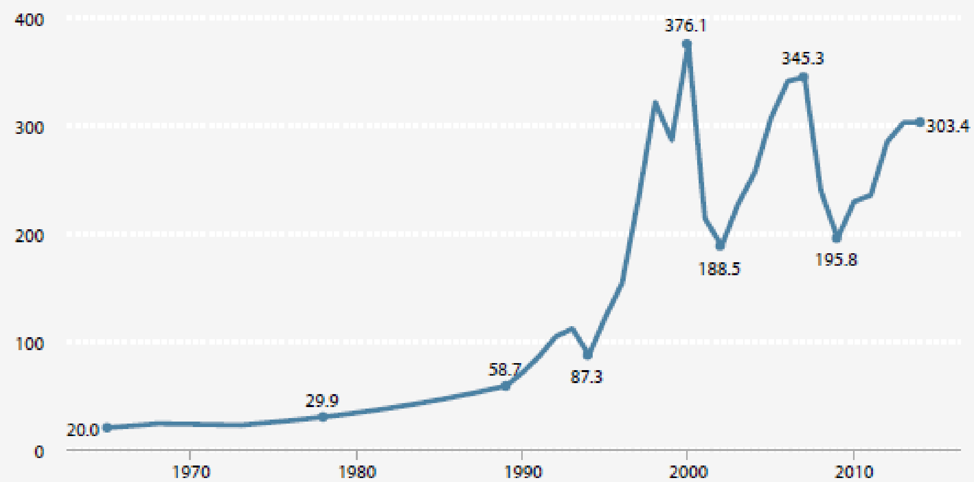


Source: Economic Policy Institute, Economic Snapshot, April 1, 2015, David Cooper, A Stagnating Minimum Wage has Left Low-Wage Workers Facing a Longer Climb to Reach the Middle Class

Excessive CEO (and therefore also senior management) compensation is a significant factor, as shown in the following figure:

FIGURE C

CEO-to-worker compensation ratio, 1965–2014



Note: CEO annual compensation is computed using the "options realized" compensation series, which includes salary, bonus, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.

Source: Authors' analysis of data from Compustat's ExecuComp database, Current Employment Statistics program, and the Bureau of Economic Analysis NIPA tables

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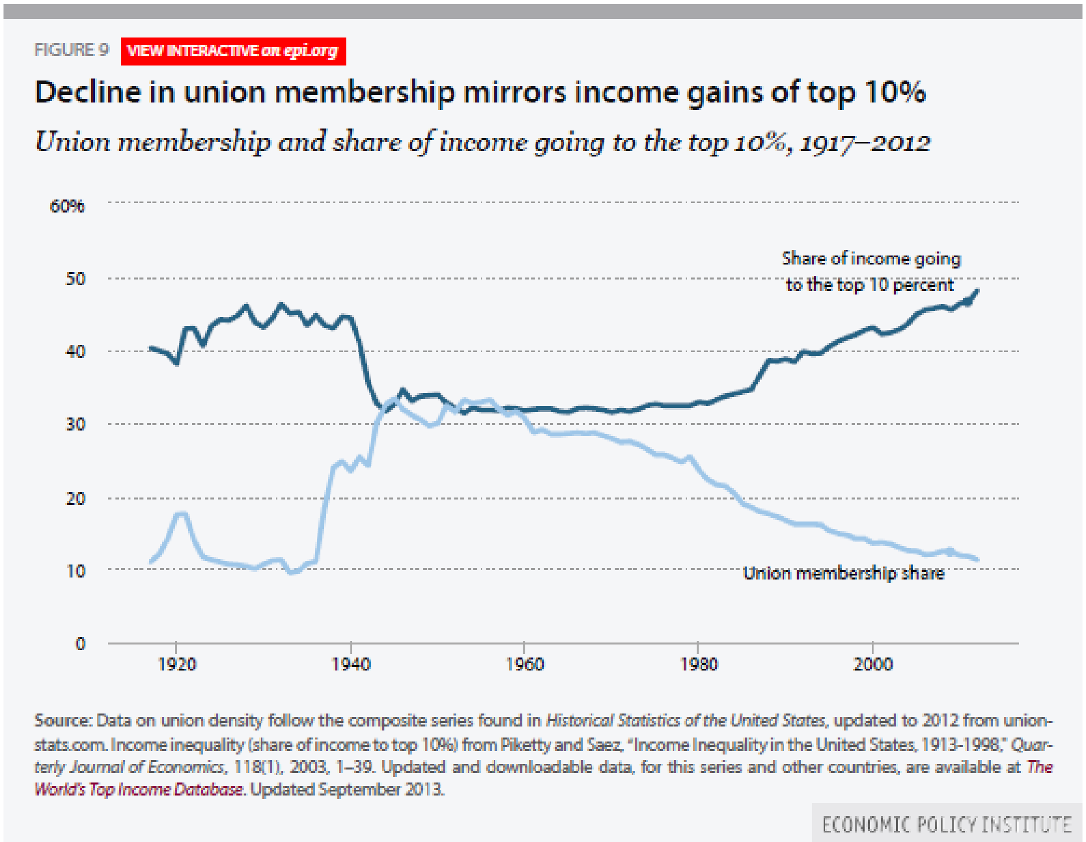
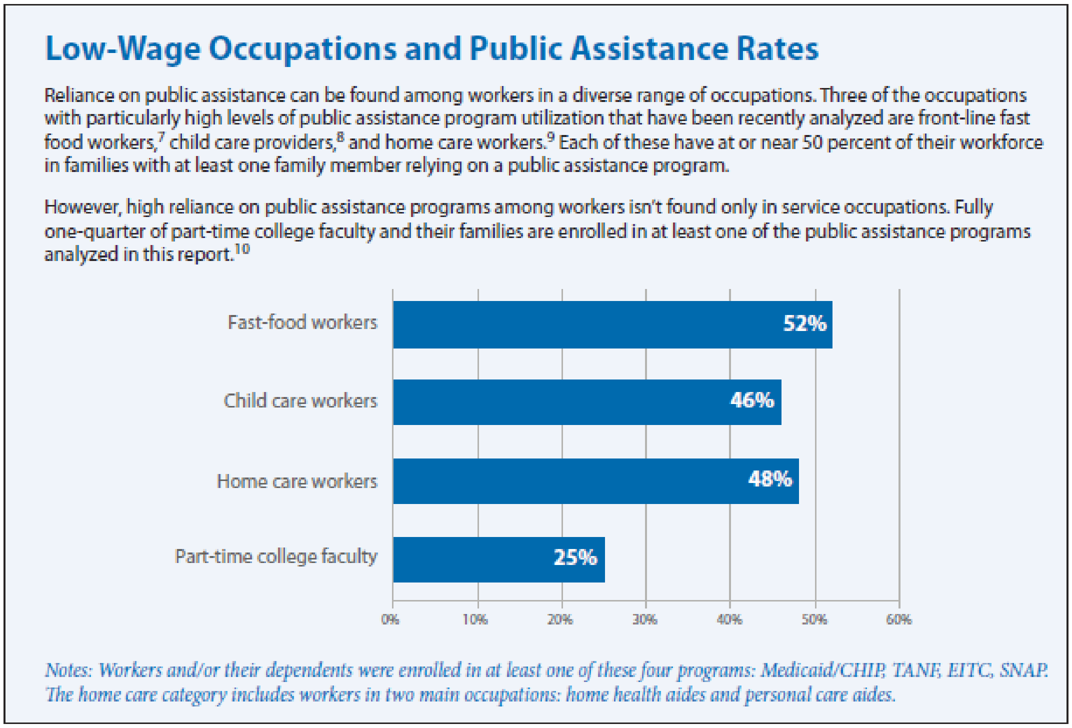
Source: Economic Policy Institute Issue Brief, Top CEOs Make 300 Times More than Typical Workers, June 21, 2015.

And declining union membership is a contributing factor, as shown in the following figure:



Source: Economic Policy Institute, Wage Stagnation in Nine Charts, January 6, 2015

Organizations paying low wages are effectively subsidized by all of us as their workers rely on public assistance to survive, as shown in the following figure:



Low-Wage Occupations and Public Assistance Rates

Reliance on public assistance can be found among workers in a diverse range of occupations. Three of the occupations with particularly high levels of public assistance program utilization that have been recently analyzed are front-line fast food workers,[7] child care providers,[8] and home care workers.[9] Each of these have at or near 50 percent of their workforce in families with at least one family member relying on a public assistance program.

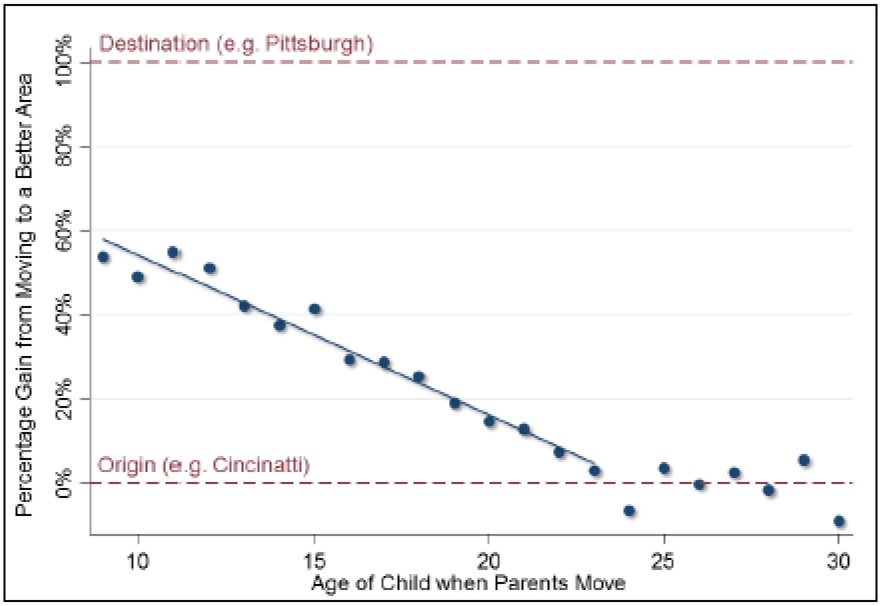
However, high reliance on public assistance programs among workers isn't found only in service occupations. Fully one-quarter of part-time college faculty and their families are enrolled in at least one of the public assistance programs analyzed in this report.[10]

Notes: Workers and/or their dependents were enrolled in at least one of these four programs: Medicaid/CHIP, TANF, EITC, SNAP. The home care category includes workers in two main occupations: home health aides and personal care aides.

Source: UC Berkeley Labor Center, Research Brief, The High Public Cost of Low Wages, April 2015

We can glimpse the benefits of living in a supportive environment from a recent study that measures the benefit to children of moving to a neighborhood with better resources. The following figure shows wage gains in adulthood from such a move at different times in childhood:

FIGURE 1
Effects of Moving to a Different Neighborhood on a Child's Income in Adulthood



Notes: This figure plots the percentage gain from moving to a better area by the age at which the child moves. For example, children who move at age 9 have outcomes that are about 50% between the outcomes of children who grow up permanently in the origin and destination areas.

Source: Harvard University, The Impacts of Neighborhoods on Intergenerational Mobility, April 2015

As another national election approaches in the United States, we are challenged to support those who advocate for all in our society. This means supporting those whose policies aim to reduce inequality, for example with progressive taxation, universal healthcare, and an increased minimum wage; rather than those who are, or are beholden to, the wealthy and powerful.