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The State of Working America 2008/2009 now in updated final edition

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MENDING LONG-BROKEN ECONOMY IS THE NEXT CHALLENGE

New book traces roots of today's economic woes through decades of dwindling income, rising inequality, eroding living standards

Today's economic crisis finds America's working families in an ever harder place. News of falling stock and housing values, failing corporate and financial institutions, and still-rising unemployment and underemployment only gets at part of the problem. These recent developments are compounding a broader economic failure that has been not months or years, but decades in the making. American workers who could once count on their hard work to raise their living standards and secure a solid middle-class life, have, instead, been treading water.

"Even before the perfect storm hit Wall Street, housing, and the banks, the economy was already broken for workers," said **Lawrence Mishel**, EPI's president and lead author. "That means our challenge won't end when the recession does. Unless we fix our broken economy so that it will start to provide fair value for work again, working families will keep losing ground."

That lost ground is mapped in detail in the 11th edition of a book that's been called "indispensable" for understanding the challenges of earning a living in America. ***The State of Working America 2008-2009***, published in its final print edition by the Economic Policy Institute and Cornell University Press, shows both where America's workers stand today and how they got here.

Co-authored by Mishel, **Jared Bernstein**, and **Heidi Shierholz**, the book explores the growing gap between the economy's potential and its real impact on people's lives. On the potential side, the authors show that during the 2001-2007 business cycle the nation's output (GDP) grew 2.5% per month – nearly 20% across the full recession and recovery cycle. If that healthy growth had been broadly shared, it would have benefited people at all income levels. In reality, however, most gains were concentrated among the wealthiest few, making this business cycle the first on record in which inflation-adjusted income for middle-class families was actually *lower* at the end of the cycle than at its beginning. (The Census Bureau first collected this data in the mid-1940s.)

"The U.S. jobs-creation machine broke down during the business cycle of 2000-2007, leaving millions of families facing an enormous and long-lasting threat to their economic security," said Shierholz. "We need to rebuild our economy with longer-term policies that can move us toward full employment and true shared prosperity."

Key findings reported in *The State of Working America 2008-2009* include:

- **The rich got the lion's share:** From 1979 to 2006, the richest 1% more than doubled their share of the country's total income, rising from about 10% to nearly 23%, for an average income of about $1.3 million per household within this group. About 91% of all income growth in the country went to the top 10% by income – leaving just over 9% to be parceled out among the remaining 90%. (Fig. 1K)
- **Worker output raced ahead but pay trailed farther behind:** The typical worker's compensation (wages plus benefits), which has traditionally risen in sync with productivity gains, began falling behind in the 1970s. Since then the gap has widened dramatically as productivity kept climbing while compensation has remained essentially stagnant. (Fig. 1G)

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- **The CEO-worker pay gap grew by a factor of 10:** In 1973, the average CEO was paid $27 for every dollar paid to a typical worker; by 2007 that ratio had grown to $275 to $1. (Fig. 3AE)
- **Young workers now start out behind their peers from previous generations:** Young men with only a high school education earned $2.55 less per hour in 2007 (after inflation adjustment) than their predecessors did in 1973 (down from $14.34 to $11.79). Real hourly pay for young women fell $1.05 per hour (from $10.50 to $9.45) over the same period. (Table 3.19)
- **Hourly pay for young college grads has declined:** Real hourly wages were lower in 2007 than in 2000 for young college-educated workers - $.69 per hour lower for men (a drop from $21.78 to $21.09) and $.32 less for women (from $18.49 to $18.17). (Table 3.19)
- **Jobs requiring a college degree or some college are at the highest risk of being off-shored**: 34% of jobs in the "college degree" category and 38% requiring "some college" are rated as "highly off-shorable." (Table 3.29)
- **Job growth in the most recent cycle was dramatically slower than in past ones.** While job growth averaged 1.8% a year during previous business cycles, average annual growth dropped by about two-thirds – to 0.6% - during the 2000-2007 cycle. (Fig. 4E) Regaining the jobs lost during the 2001 recession took nearly four years (47 months) – more than twice as long as the 21-month average in all other post-World War II cycles. (Fig. 4B)

The book provides background that's important for understanding and reporting on the challenges American workers face today. For example, the "Family Income" chapter traces the rising income inequality in the U.S., tracking trends by income class, the shift from labor income to capital income, and the impact of changing family work hours. "Income-class Mobility" examines the increasingly erroneous belief that America is a place where anyone can move up. "Jobs" explores trends in employment, unemployment, job characteristics and stability, and other trends that define the workplace experience. "Wealth" explores topics such as stock and home ownership, the housing meltdown, and debt, and the class and racial divides that exist. "Poverty" delves deeper into the trends and challenges confronting low-wage workers and their families. And "International Comparisons" evaluates how the U.S. is doing in all these areas compared to our peer nations around the world.

New in this Edition: Health

In a chapter that's new to this edition of the book, economist **Elise Gould**, EPI's director of health policy research, shows that health care disparities are growing as the share of employees with employer-provided health care coverage – the cornerstone of the U.S. health care system – continues to erode. She notes, for example, that:

- **The life expectancy gap** between the economically best- and worst-off Americans widened significantly – from 2.8 years in 1980 to 4.5 years in 2000. (Table 7.2)
- **Among its 19 peer nations the U.S. scores last in infant mortality.** The U.S. rate of 6.9 deaths per 1,000 live births is significantly worse than Canada's second-highest of 5.4, and much worse than the current of 3.9 in Greece (which had the highest rate – 18.7 per 1,000 – in 1979.) (Fig. 7N)
- **Four out of ten adult Americans forgo needed health care due to costs.** Among those with below-average incomes that proportion rises to almost 6 out of 10. (Fig. 7O)

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Lawrence Mishel is president of the Economic Policy Institute.
Jared Bernstein, formerly Senior Economist at EPI, is now Chief Economist to Vice President Joe Biden.
Heidi Shierholz is a labor market economist at EPI.