Where have all the Wages Gone?
Jobs and Wages in 2006

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Profits UP … Wages DOWN

- Productivity growth is strong, and profits soaring
- Job growth has been moderate, and unemployment is low and falling
  
  BUT ...

- Real wages are falling in the US, and barely keeping up with inflation in California
- Labor’s share of GDP is lowest on record
Moderate Job Creation in US and California

- California added 172,000 jobs between July 2005 and June 2006.
- US added 1.7 million jobs in the same period.
- This represents a small decrease in growth since the last year.
- Job growth still not at the post-recession level

Sources: (1) Current Employment Statistics, measuring non-farm payroll employment
The Housing Boom in California is Deflating – Bringing Down Job Growth

- The sharp drop in growth of Construction/Real Estate jobs (9.8% of all private sector jobs) contributed to the lower job additions in California.
- A Smaller drop in Constr./Real Estate jobs was found for U.S. overall.

Sources: (1) EDD Data – 12 month growth
The unemployment rate in both the United States and California declined to 4.8% in 2006, virtually matching the lowest level of unemployment in California in the last boom period (4.7% in February 2001).

Sources: (1) Current Population Survey, adults (18-65 years of age)
But Real Wages are Falling in U.S., and Stagnant in California

4. In the U.S., real wages declined by 0.8% between 2005 and 2006, and are 0.7% lower in 2006 than in 2003 and 0.2% lower than in 2002, when the recovery began.

5. In California, real wages wage rose by 0.4% between 2005 and 2006. The average real wage is 0.2% lower in 2006 than in 2003.

Notes: (1) Current Population Survey, all adults; the year “2005” means July 2004 – June 2005, etc.
Yawning Gap between Productivity and Wages/Compensation

- Productivity (output per labor hour) grew by 2.7% between 2005 and 2006, and by a total of 12.3% since the recovery began in 2002.
- The gap between hourly productivity and hourly compensation is at an all-time high since 1947.
- Labor’s share of GDP is at an all-time low since the same year.

Sources: (1) BLS Data
Pre-tax corporate profits rose by 12.5% after adjusting for inflation between 2004 and 2005 (latest year available), and by a total of 38.8% since 2002.
Young Workers took the biggest Hit

- The worst showing for wages was for young workers under 30, who saw a total decline of 1.8% since 2003 in California, and 2.3% in U.S. overall.

Notes: (1) Current Population Survey, all adults; the year “2005” means July 2004 – June 2005, etc.
Wage Inequality is Growing …

- Between 2003 and 2006, real wages for those in the bottom third of the U.S. workforce declined by a total of 2.4%, while wages of those in the top third posted a small gain of 0.1%. Those in the middle saw wages fall by 1.3%.

- In California, real wages declined by 1.2% for the bottom third and rose by 0.6% for the top third of the distribution in California, while the middle third experienced a 1.1% decline.

Notes: (1) Current Population Survey, all adults; the year “2005” means July 2004 – June 2005, etc.
Wage Fall Sharper for Black/Latino Workers in California, and Males in the U.S.

- In the U.S., wage reduction was broad based, and only Asian-Americans posted wage gain.
- In California, Asian-Americans tended to do better, while Black and Latino workers posted the worst wage losses.
- Men did worse than women in wages.

Sources: (1) Current Population Survey, Jan. through June of 2000 to 2005; (2) CPI-U national used to deflate nominal wages
Job categories defined as combinations of 2-digit industry and 3 occupational categories.
### Top 5 Contributors To Wage Changes in U.S.

<table>
<thead>
<tr>
<th>Negative Contributors (US)</th>
<th>&quot;Within&quot; Effect</th>
<th>&quot;Between&quot; Effect</th>
<th>Total Effect</th>
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</thead>
<tbody>
<tr>
<td>Blue Collar Construction Workers</td>
<td>-$0.039</td>
<td>-$0.010</td>
<td>-$0.048</td>
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<tr>
<td>Sales workers in Retail</td>
<td>-$0.021</td>
<td>-$0.010</td>
<td>-$0.031</td>
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<tr>
<td>Blue Collar workers in Transportation &amp; Warehousing</td>
<td>-$0.024</td>
<td>$0.000</td>
<td>-$0.024</td>
</tr>
<tr>
<td>Service workers in Health Care Services</td>
<td>-$0.006</td>
<td>-$0.013</td>
<td>-$0.019</td>
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<tr>
<td>Managerial workers in Non-Durable Manufacturing</td>
<td>-$0.009</td>
<td>-$0.007</td>
<td>-$0.017</td>
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<thead>
<tr>
<th>Positive Contributors (US)</th>
<th>&quot;Within&quot; Effect</th>
<th>&quot;Between&quot; Effect</th>
<th>Total Effect</th>
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<tbody>
<tr>
<td>Managers in Transportation</td>
<td>$0.018</td>
<td>$0.003</td>
<td>$0.021</td>
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<tr>
<td>Professional Workers in Arts &amp; Entertainment</td>
<td>$0.020</td>
<td>$0.000</td>
<td>$0.021</td>
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<tr>
<td>Managerial Workers in Education</td>
<td>$0.012</td>
<td>$0.002</td>
<td>$0.014</td>
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<tr>
<td>Professional Workers in Health Care Services</td>
<td>$0.012</td>
<td>$0.000</td>
<td>$0.012</td>
</tr>
<tr>
<td>Managerial Workers in Finance</td>
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<td>$0.014</td>
<td>$0.011</td>
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The 4 Key Questions I asked Last Year

- Will job growth increase enough to tighten the labor market and raise wages?
  ANSWER: NO

- Will California raise its minimum wage?
  ANSWER: YES

- Will higher-end service sector jobs pick up again?
  ANSWER: MIXED ... BUT TOO LITTLE TO HELP MUCH

- Will housing prices slow down, bringing down jobs and wages?
  ANSWER: UNFORTUNATELY, YES