Report documents growth of social antagonisms in America

Shannon Jones
16 October 1998

While the rich enjoyed unprecedented good times, millions of working class American families struggled to keep their heads above water during the 1990s, putting in longer hours, often at low-wage jobs that offered few if any benefits. Despite low official unemployment rates corporate downsizing kept workers in a constant state of insecurity. Ever-greater numbers were forced into 'nonstandard' jobs, i.e., temporary and part-time work or self employment.

This is the picture of life in the US that emerges in the summary of the report 'The State of Working America 1998-99,' recently released by the Economic Policy Institute, a liberal think tank. The full text will be released January 1 by Cornell University Press.

With economic signs again pointing toward slump, US family income is only now returning to the level of 1989, the high point before the last recession. Income remains depressed despite a substantial increase in the typical workweek, with the average family putting in six more weeks of work per year in 1996 compared with 1989.

Projections for 1997 indicate that the total wealth controlled by the top 1 percent of the population has increased to 39.1 percent, up from 37.4 percent in 1989. The pay of corporate CEO's, including salaries and bonuses, doubled between 1989 and 1997.

The report documents the following facts:

• In 1997 the inflation-adjusted earnings of the median US worker were 3.1 percent below the 1989 level. During that period real wages for the bottom 60 percent of workers remained the same or fell. The only exception was the lowest paid group of workers, who enjoyed a 1.4 percent increase.

• The typical family, husband and wife, worked 247 more hours (over six weeks) per year than in 1989.

• Workers employed at 'long-term jobs,' those lasting 10 years or more, decreased from 41 percent in 1979 to 35.4 percent in 1996, the greatest portion of the decline since the late 1980s.

• The typical middle-income family had 3 percent less wealth in 1997 than in 1989. The benefits of the stock market rise have gone almost exclusively to the upper 10 percent, who have enjoyed 85.8 percent of the increase.

One of the most significant findings of the report is the stagnation in pay for so-called 'knowledge' workers, those with college degrees or specialized training. The failure of more educated sections of the work force to reap any significant pay gains refutes the claim of the Clinton administration that education is the road to prosperity for the working class. Newly hired engineers and scientists are earning 11 percent and 8 percent less respectively than in 1989. Entry level wages for college graduates, male and female, were 7 percent less in 1997 than in 1989. Overall wages for the college educated rose just 1.2 percent during the same period, while job insecurity increased.

Wages decline

The impact of falling wages has hit the young the hardest. Between 1989 and 1997 the wages of young workers with a high school education and one to five years of work experience fell 6.5 percent for men and 7.4 percent for women.

Pay for men, usually the prime wage earner, fell 6.7 percent in real terms between 1989 and 1997, despite an overall rise in wages in 1996. Pay remained or fell for the bottom 60 percent of all workers, except the bottom 10 percent.

The share of workers receiving employer paid health benefits fell 7.6 percentage points between 1979 and 1997. Lower paid workers suffered the greatest decline in coverage proportionately, with high school educated workers suffering a 10.7 percentage point decrease during the same period.

The report documents the ongoing shift from full-time to part-time and temporary employment. The share of workers in long-term jobs fell despite relatively low unemployment. In 1996, 11.4 percent of the working population reported losing a job in the period from 1993 to 1995. Downsized workers face extreme difficulty in finding adequate employment. One third were out of work when interviewed one to three years after their displacement. For those workers able to find new employment, pay was 13 percent lower on average than at their previous jobs. Almost 30 percent of those counted as employed in 1997 worked at other than traditional full-time jobs. Such employment consisted of day labor, work at temporary agencies or independent contract work. In the vast majority of cases such employment provides few if any benefits.

The erosion of decent paying jobs has made it impossible for lower income workers to escape poverty. The most recent poverty figures--in 1996 13.7 percent were classified as poor compared to 12.8 percent in 1989 and 11.7 percent in 1979--tell only part of the story. The poor are poorer now than at any time in the past 20 years. In 1996 39.5 percent of those officially considered poor had incomes 50 percent or more below the poverty level. Child poverty increased from 19.6 percent in 1989 to 20.5 percent in 1996; 39.9 percent of black children and 40.3 percent of Hispanic children were poor in 1996.

The rich grow richer

During the 1990s the only group to benefit from the stock market boom were the top layers of society. While the top 1 percent increased their share of the national wealth, the share held by the middle fifth of families fell from 4.8 percent to 4.4 percent. In real terms the actual value of this wealth fell between 1989 and 1997, eroding what little security existed for medium income workers. The fall in wealth was due primarily to an increase in indebtedness, as families borrowed in an attempt to maintain their living standards. At the same time the proportion of families with zero or negative wealth increased from 15.5 percent to 18.5 percent. In 1995 almost one-third of black families had zero or negative wealth.

Changes in the tax code have helped fuel inequality. Since 1977 taxes paid by the wealthiest 1 percent have fallen by an average of $36,710. Taxes for the vast majority of working people have meanwhile risen or remained the same.

The report undercuts claims of the efficacy of free market capitalism in raising productivity. Despite unprecedented developments in science and technology, productivity growth has slowed. Income increases in the United States are due more and more to longer hours of work, not more productive methods. The United States is now the industrial country with the longest average hours worked per year, surpassing Japan.

Despite its wealth, the United States has the highest overall poverty rate among the major industrial nations. Low income families are worse off in the United States than in 12 other leading industrial countries, despite America's higher average income level. Britain is the only major industrial nation where the poor are worse off than in the United States.

Not only are the poor poorer in the US, they have less chance to rise out of poverty than in other major economies. In the mid-1980s, for example, the US had a lower transition rate out of poverty than France, Germany, the Netherlands and Sweden, surpassing only Canada, which had an overall lower poverty rate.

See Also:

US Health and Human Services report--The prosperous live longer
[2 October 1998]