

# Stagnant Wages, Rising Inequality

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## The Problem

During President Bush's tenure in office, working-class Americans have worked hard and increased their productivity, yet they are enjoying fewer and fewer of the benefits. In the first five years of the Bush Administration, the incomes of regular Americans did not keep pace with inflation, leading to declining real wages; this stands in contrast to high-income Americans, whose incomes have risen at staggering rates and to unprecedented levels. While the rise in inequality predates President Bush, his economic policies have neglected and oftentimes worsened the situation, resulting in record high levels of inequality.

### Real incomes are stagnating and even falling.

- Between 2001 and 2007, the real income of the median working-age household decreased by 1.9%, a loss of \$1,107, despite productivity increasing by 18.5% over that time.<sup>1</sup> The real median income for all households rose by a meager 1.6%.<sup>2</sup>
- Wages for workers with a college degree increased by just 0.4% between 2001 and 2007.<sup>3</sup>
- Between 2001 and 2007, the average income of the lowest quintile is down 2.7%, while the middle quintile is up a mere 0.1%.<sup>4</sup>

### Income inequality is increasing.

- Between 1979 and 2006, the average income of the richest 0.1% of Americans rose a staggering 364%, or nearly 25 times more than the growth of the median household income.<sup>5</sup>
- More recently, between 2001 and 2006 the average income of the top 1% increased by 33%,<sup>6</sup> or *165 times* more than the growth of the median household income.
- The top 10% of households received 46% of the nation's income in 2006, equal to the highest share since 1932. The top 1% received 20% of the nation's income in 2006, the highest amount since 1928.<sup>7</sup>

## What has President Bush done?

**Unions raise compensation and reduce inequality,<sup>8</sup> but the Bush administration has actively weakened unions.**

- Union membership in the private sector is at an all-time low.<sup>9</sup>
- President Bush opposed – and threatened to veto – the Employee Free Choice Act, which would make it easier for workers to unionize.

- President Bush’s National Labor Relations Board (NLRB) redefined the term of “supervisors,” who under federal law are not allowed to unionize, thus potentially denying up to 8 million workers the right to unionize.<sup>10</sup>
- The Bush administration undermined voluntary union recognition agreements between workers and employers by ruling that just 30% of workers can reverse such an agreement.<sup>11</sup>

### **President Bush cut taxes for the wealthy.**

- Bush’s tax cuts from 2001 to 2006 have made the tax code much less progressive, thus making after-tax incomes even more unequal.
- The middle quintile got a 2.4% tax cut worth \$746, while the top quintile got a 3.2% tax cut worth \$4,656. The top 0.1% got a 6.2% tax cut worth \$234,972.<sup>12</sup>
- Bush has opposed raising the capital gains tax to the same level as the income tax. The capital gains tax is mainly a tax on the wealthy, with nearly 80% paid by households that make over \$200,000 (the top 3% of all households). This tax rate disparity disproportionately benefits the wealthy and creates the odd situation whereby hedge fund managers may pay lower tax rates than their secretaries.<sup>13</sup>

## **What has President Bush failed to do?**

### **President Bush neglected the falling real minimum wage.**

- The minimum wage has not kept pace with inflation, and therefore its real value has declined in the last decade. In fact, the current minimum wage is 19% lower than it was in 1979.<sup>14</sup>
- Bush neglected to push for an increase in the minimum wage during his entire presidency, and he opposed the 2007 minimum wage increase until tax cuts for businesses were added.<sup>15</sup>

### **President Bush has failed to address rising health care costs.**

- Since 2001, health care premiums for family coverage have risen 78%.<sup>16</sup>
- Benefits now devour 30.2% of employers' compensation costs, with the remaining money going to wages, up from 27.4% in 2000.<sup>17</sup>
- Bush opposes comprehensive health care reform, such as the Health Care for America Plan by Jacob Hacker, which would result in \$23.3 billion in savings for households per year and \$1 trillion in savings in economy-wide health care spending over 10 years.<sup>18</sup>

### **President Bush has done nothing to staunch the loss of the American manufacturing base.**

- The shrinking manufacturing base has greatly contributed to an increase in inequality.
- Manufacturing jobs tend to pay well, providing weekly wages 20% higher than the national average.<sup>19</sup>

- Between 2001-2007, the U.S. lost 2.6 million manufacturing jobs, a 15.6% decline.<sup>20</sup>

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<sup>1</sup> Author's analysis of BLS data

<sup>2</sup> "Income, Poverty, and Health Insurance Coverage in the United States: 2007" *U.S. Census Bureau*, August 2008, Table A-1

<http://www.census.gov/prod/2008pubs/p60-235.pdf>

<sup>3</sup> Author's analysis of CPS ORG data

<sup>4</sup> "Income, Poverty, and Health Insurance Coverage in the United States: 2006" *U.S. Census Bureau*, August 2007, Table A-3

<http://www.census.gov/prod/2007pubs/p60-233.pdf>

<sup>5</sup> Median Income: U.S. Census Bureau, 2008, Table A-1

Richest 0.1%: Author's analysis of Piketty and Saez data

<http://elsa.berkeley.edu/~saez/TabFig2006.xls>

<sup>6</sup> Author's analysis of Piketty and Saez data

<http://elsa.berkeley.edu/~saez/TabFig2006.xls>

<sup>7</sup> Author's analysis of Piketty and Saez data

<http://elsa.berkeley.edu/~saez/TabFig2006.xls>

<sup>8</sup> Mishel and Walters. "How Unions Help All Workers," *Economic Policy Institute*, August 2003

[http://www.epi.org/content.cfm/briefingpapers\\_bp143](http://www.epi.org/content.cfm/briefingpapers_bp143)

<sup>9</sup> Shaiken, Harley. "Unions, the economy, and employee free choice," *Economic Policy Institute*, February 22, 2007

<http://www.sharedprosperity.org/bp181.html>

<sup>10</sup> Parks, James. "Labor Board Ruling May Bar Millions of Workers from Forming Unions," *AFL-CIO*, October 3, 2006

<http://blog.aflcio.org/2006/10/03/labor-board-ruling-may-bar-millions-of-workers-from-forming-unions>

<sup>11</sup> Parks, James. "NLRB Ruling 'Cuts Voluntary Recognition off at the Knees,'" *AFL-CIO*, October 3, 2007

<http://blog.aflcio.org/2007/10/03/nlrb-ruling-cuts-voluntary-recognition-off-at-the-knees/>

<sup>12</sup> "Combined Effect of the 2001-2006 Tax Cuts, Distribution of Federal Tax Change by Cash Income Percentile, 2007" *Urban-Brookings Tax Policy Center*, November 13, 2006

<http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1362>

<sup>13</sup> "Capital Gains and Dividend Tax Cuts: Data Make Clear that High-Income Households Benefit the Most," *Center on Budget and Policy Priorities*, January 30, 2006

<http://www.cbpp.org/1-30-06tax2.htm>

<sup>14</sup> "Minimum Wage: Facts at a Glance," *Economic Policy Institute*, August 2008

[http://www.epi.org/content.cfm/issueguides\\_minwage\\_minwagefacts](http://www.epi.org/content.cfm/issueguides_minwage_minwagefacts)

<sup>15</sup> "Statement of Administration Policy, HR 2" *Office of Management and Budget*, January 10, 2007

<http://www.whitehouse.gov/omb/legislative/sap/110-1/hr2sap-h.pdf>

<sup>16</sup> "Health Insurance Premiums Rise 6.1 Percent in 2007, Less Rapidly than in Recent Years but Still Faster than Wages and Inflation" *Kaiser Family Foundation*, September 11, 2007

<http://www.kff.org/insurance/ehbs091107nr.cfm>

<sup>17</sup> Fletcher, Michael. "Rising Health Costs Cut Into Wages" *Washington Post*, March 24, 2008

<http://www.washingtonpost.com/wp-dyn/content/article/2008/03/23/AR2008032301770.html?hpid=topnews>

<sup>18</sup> "Health Care for America Costs and Savings: Breakdown of Lewin Group Cost Analysis," *Economic Policy Analysis*

<http://www.sharedprosperity.org/hcfa/savings.pdf>

<sup>19</sup> Helper, Susan. "Renewing U.S. Manufacturing: Promoting a High-Road Strategy," *Economic Policy Institute*, February 13, 2008

<http://www.sharedprosperity.org/bp212/bp212.pdf>

<sup>20</sup> "Establishment Data: Historical Employment, B-1" *Bureau of Labor Statistics*

<ftp://ftp.bls.gov/pub/suppl/empsit.ceseeb1.txt>