

Wages and Inequality in Massachusetts: A Labor Day Report

Introduction

Workers across Massachusetts are still hampered by the lingering effects of the recent recession. Even though the economy has stopped shrinking and begun to grow, that growth is too slow to fully restore the losses experienced by workers and families in recent years. There are still fewer jobs, higher unemployment, and higher levels of poverty than before the recession began.

For low- and medium-wage workers, the burden of this long recession has been especially heavy. Not only because these kinds of workers have fewer resources to fall back on in difficult economic times, but also because of rising inequality.

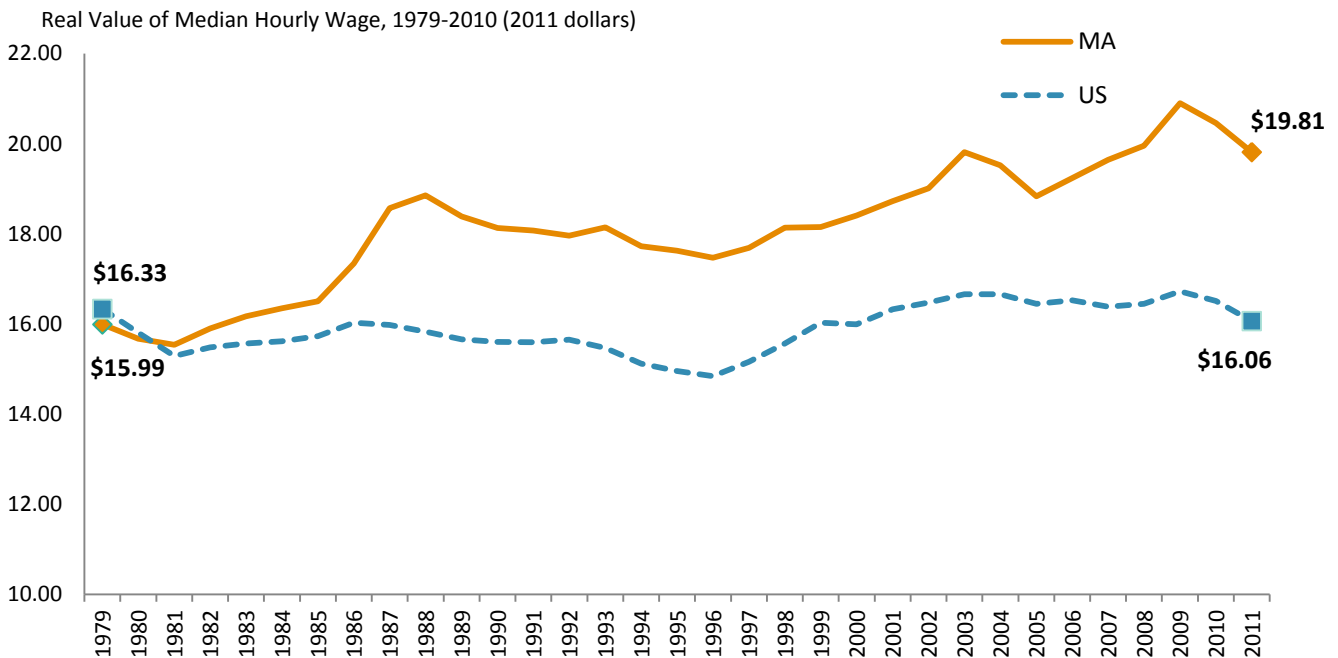
Even when the overall economy was fairly good—in the years before the recession—low-wage workers were receiving a shrinking share of the benefits. More and more of the gains of economic growth were accruing to people at the top of the Massachusetts wage-ladder while workers at the bottom saw virtually no change to their earnings. This left low- and middle-income people more vulnerable to this recession than they had been to recessions past.

In honor of Labor Day, we have put together the following brief on wages and inequality in Massachusetts. It includes the most recent wage data available from Census Bureau's Current Population Survey and the Current Employment Statistics survey conducted by the Bureau of Labor Statistics. A fuller look at national trends will be included in the Economic Policy Institute's forthcoming 12th Edition of **The State of Working America**, scheduled for release on Tuesday September 11, 2012.

1) Median Wages

Ever since the recession began affecting the labor market, the Massachusetts median wage has been declining – from \$20.90 in 2009 to \$19.81 in 2011. Still, the broader story is more promising. The median wage in Massachusetts is higher than the U.S. average. What is more, while median wages nationwide have been stagnant for over 30 years, the Massachusetts median wage has risen 24 percent.

Since the 1980s Median Wages Have Grown Faster in Massachusetts than in Other States



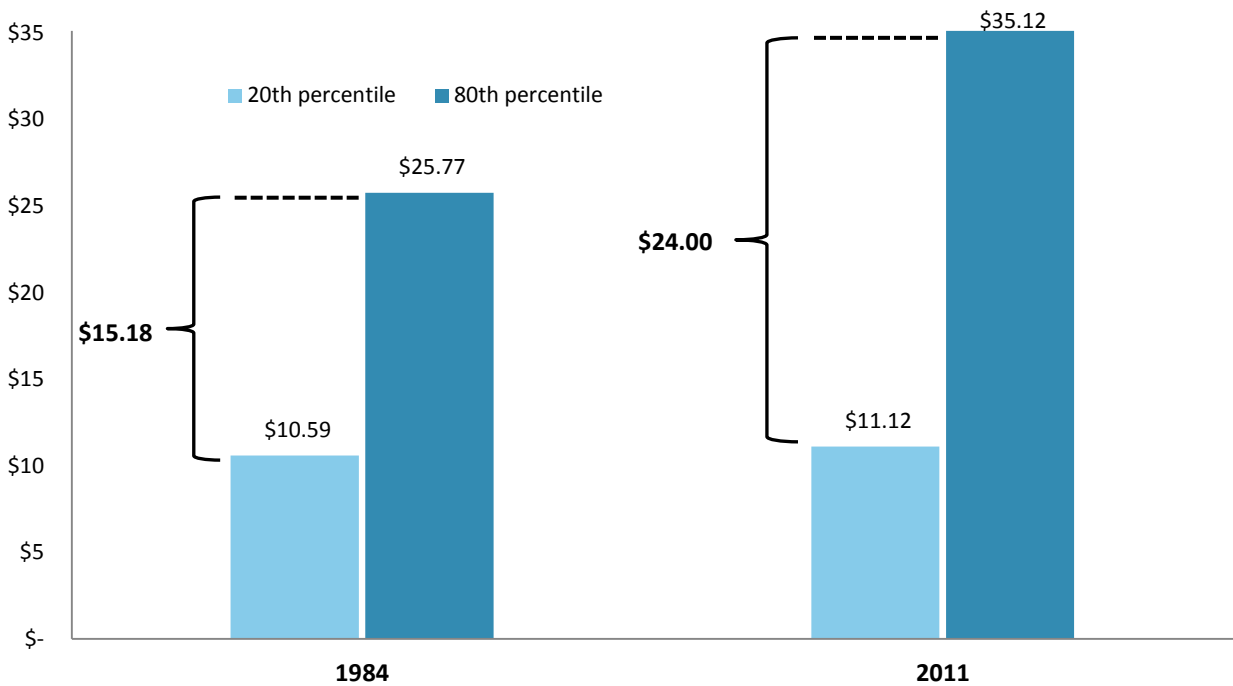
Source: Economic Policy Institute analysis of Current Population Survey data, values deflated using CPI-U

2) Wage Inequality

While the Massachusetts median wage has risen over time, the gains have not been evenly shared. In 1984, low-wage workers in Massachusetts (at the 20th percentile) earned roughly 41 cents for every dollar earned by a high-wage worker (at the 80th percentile). By 2011, they were earning just 32 cents. That's a drop of more than 20 percent.

The Gap Between High and Low Wage Earners Has Grown in Recent Decades

Real Hourly Wage for 20th and 80th Percentile of MA Wage Earners Two Years After the End of Recession

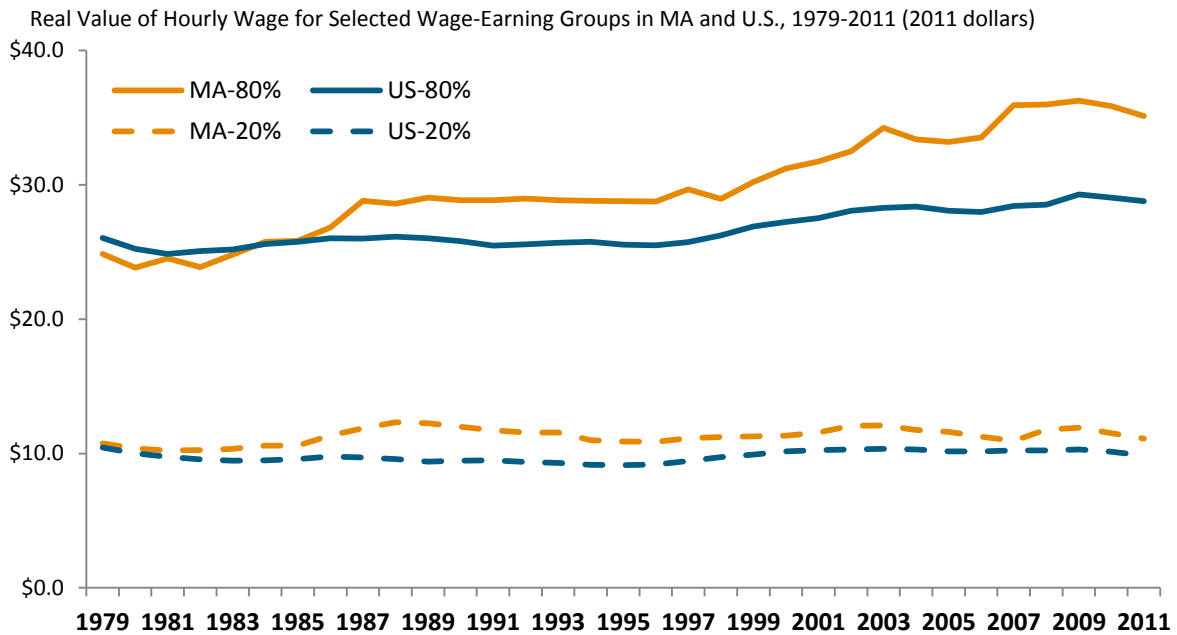


Source: Economic Policy Institute analysis of Current Population Survey data

3) Inequality in Massachusetts vs. Inequality Nationwide

All across the U.S., wage inequality has been growing, but the gap between high and low earners has widened more in Massachusetts. At the top end, high-wage earners have actually done better than elsewhere. Yet, low-wage workers have not shared in the benefits of the state's economic growth. Their wages are roughly the same today as they were in 1979 (adjusted for inflation).

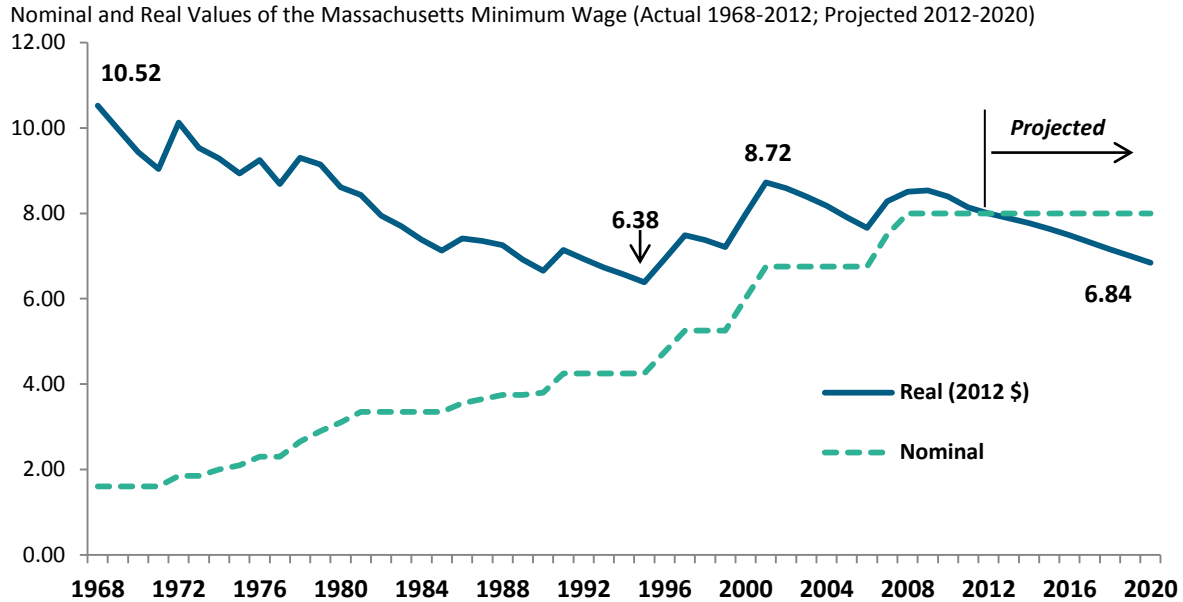
The Gap Between High and Low Wage Earners Has Grown Faster In Massachusetts



4) The Minimum Wage

Over the past forty years the value of the minimum wage has been eroded by inflation. In 1968, the Massachusetts minimum wage was worth \$10.52 (adjusted for inflation). Today, it is \$8.00. And over the course of a year, that difference adds up. A minimum wage earner working full time earns about \$5000 less today than in 1968.

The Real Value of the Minimum Wage Has Dropped 24 Percent Since 1968



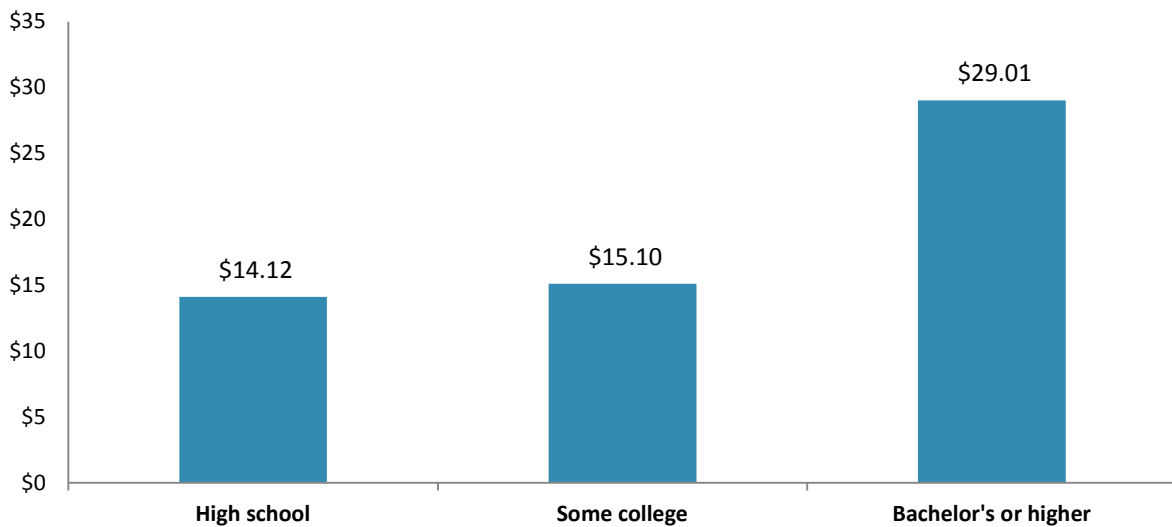
Source: U.S. Department of Labor; Bureau of Labor Statistics. Real value calculated using the Consumer Price Index for all Urban Consumers (CPI-U); 2012-2020 values based on Congressional Budget Office projections for the CPI-U.

5) The Wage-Education Link

Workers with higher levels of education tend to earn higher wages, and over time this correlation has actually gotten stronger. In 2011, workers with a bachelor's degree or higher earned over twice as much as those with just a high school degree.

Median Wages for Those with a Bachelor's Degree or Higher Are Greater than Wages for Less-Educated Workers

Median Hourly Wage in Massachusetts by Educational Level, 2011



Source: Economic Policy Institute analysis of Current Population Survey data