

## **In 5 Charts: The State of Working Massachusetts on Labor Day**

Officially, the "Great Recession" ended in 2009, but the recovery that followed has been slow and uneven. Workers across the Commonwealth—and the U.S.—still confront a relatively weak labor market, and low-wage workers have been particularly affected by growing inequality and the declining value of the minimum wage. Even as the Massachusetts economy grows more productive, workers continue to find that their wages don't reflect these productivity gains.

The charts that follow provide a snapshot of the economic situation for workers on this labor day, including information on wages, job growth, and inequality.

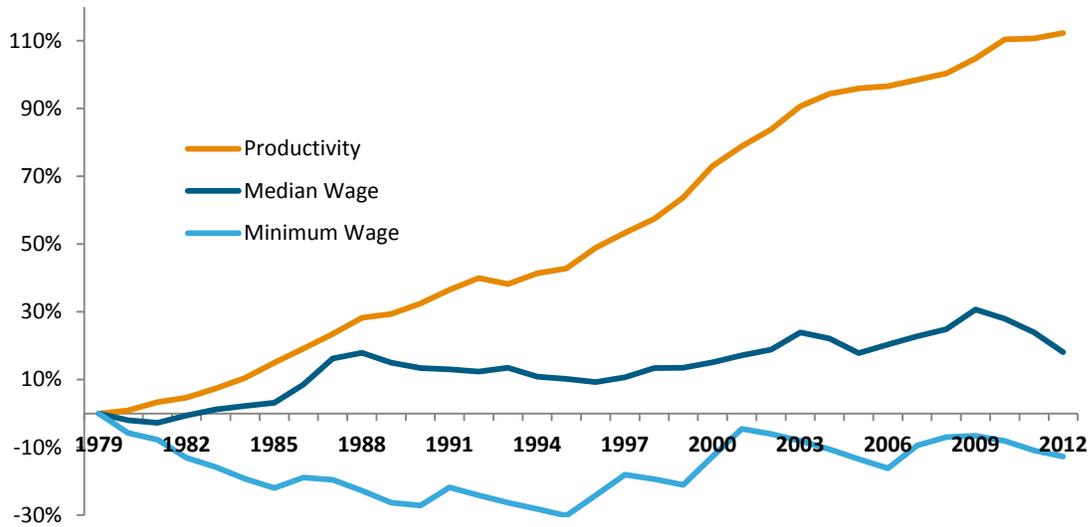
### **1) Rising Productivity and Stagnant Wages**

Since 1979, productivity in Massachusetts—measured as the output of goods and services per hour worked—has more than doubled (even after adjusting for inflation), growing by 112 percent over this period. For the U.S. as a whole, productivity has grown by an inflation-adjusted 69 percent over this same period.

In the four decades following the end of WW II, wage growth in the U.S. generally kept pace with productivity growth (see the following report from the Economic Policy Institute: <http://www.epi.org/publication/ib330-productivity-vs-compensation/>), meaning that workers' incomes and standards of living rose along with productivity. That trend continued through much of the 1980s in Massachusetts, but by the end of that decade the two measures began to diverge. Since 1979, the median wage for Massachusetts workers has grown by just 18 percent, and the minimum wage has actually lost nearly 13 percent of its value.

## Productivity Has Risen in Massachusetts, But Wages Have Not Kept Pace

Cumulative percent change in productivity and real wages, 1979-2012



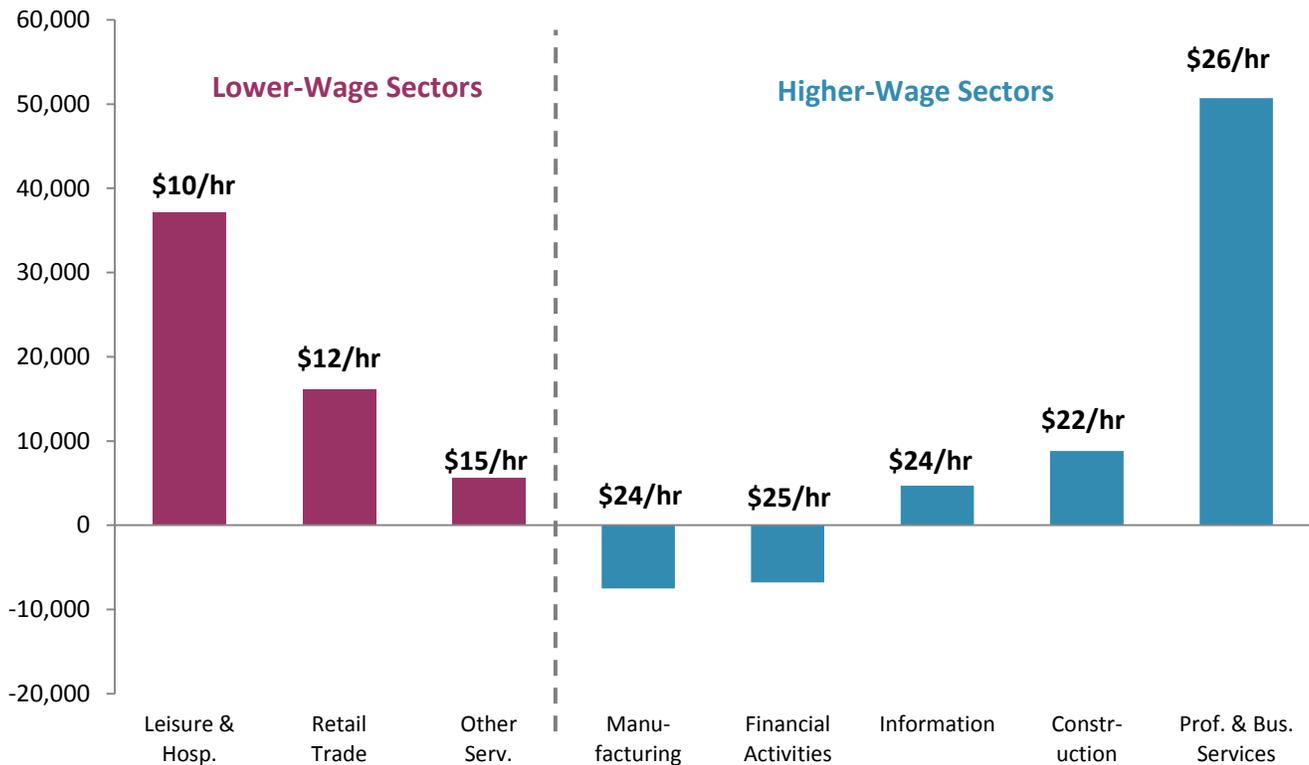
Source: Economic Policy Institute analysis of Bureau of Labor Statistics productivity data and U.S. Census Bureau Current Population Survey wage data

## 2) Job Growth by Sector

Despite an overall, net job gain, job losses and gains in Massachusetts have not been spread evenly across all employment sectors during the long, slow recovery from the Great Recession. Sectors that historically have provided higher-wage job opportunities for workers with limited formal education – the Manufacturing and the Construction sectors – together have gained only 1,300 net jobs. By contrast, sectors that offer low-wage jobs to these workers – the Leisure & Hospitality, the Retail Sales and the Other Services sectors – have added close to 60,000 jobs. The highest-wage Professional and Business sector also has seen robust growth.

### During Recovery, MA Has Added Jobs in Lower-Wage Sectors and Job Growth in Higher-Wage Sectors Has Been Uneven

Number of jobs lost/gained in MA, by select employment sector,\* June 2009 - June 2013



Source: EPI analysis of Bureau of Labor Statistics, *Current Employment Survey* (for job numbers) and *Current Population Survey* (for wage data, pooled 2011 & 2012)

\* Does not include the Education and Health Care sector, which includes both high- and low-wage jobs.

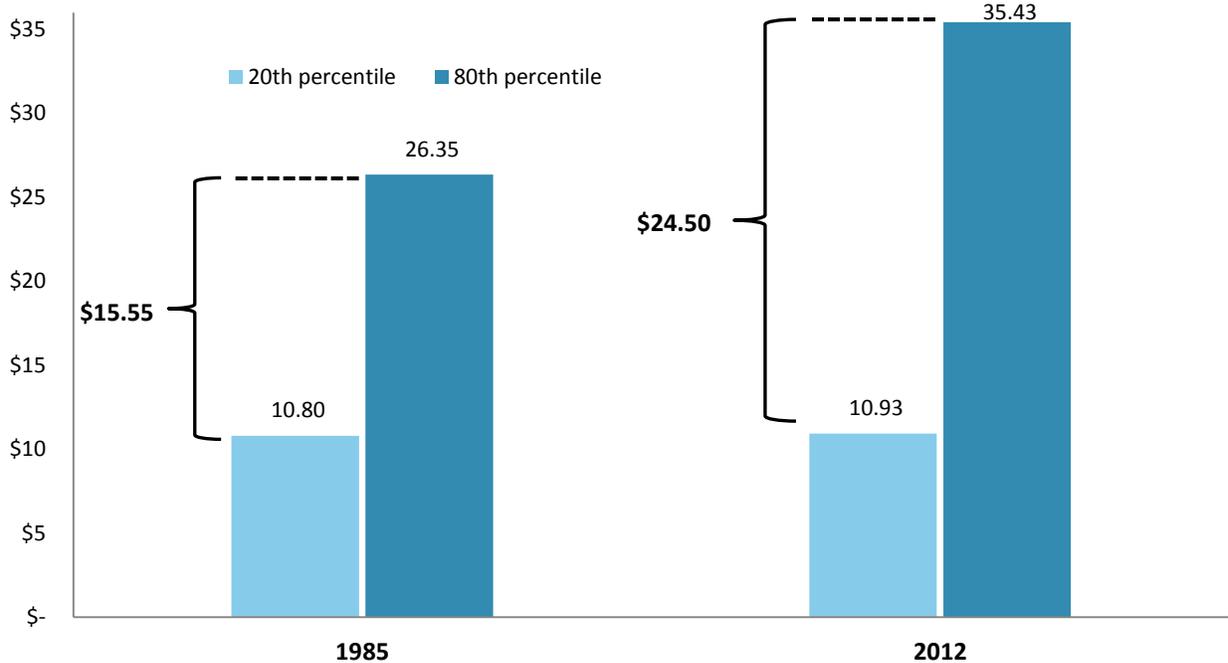
### 3) Inequality

While the economy has begun to grow again, low-wage workers continue to struggle. Between 1985 and 2012 (in each case three years after the official end of a recession), the gap in hourly pay between high and low wage earners grew by about \$9.00, adjusted for inflation, from more than \$15 an hour to more than \$24 an hour (see chart below).

Moreover, while all wage earning groups saw declines in hourly wages over the last few years, the drop for lower-wage earners has been steeper and the gap remains wide.

#### 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 Three Years After the End of Recession (2012 \$)



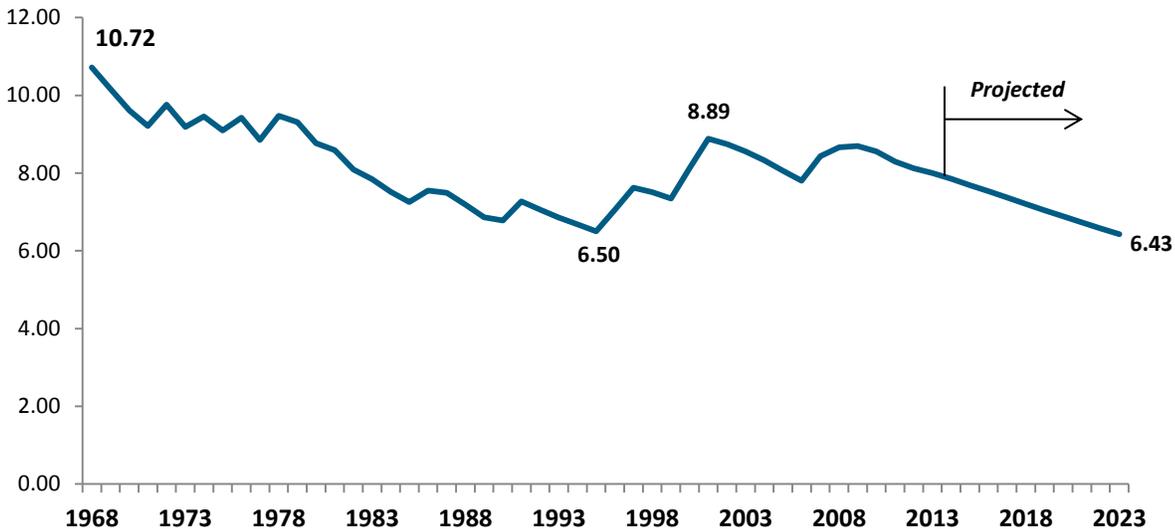
Source: Economic Policy Institute analysis of Current Population Survey data

## 4) Declining Value of the Minimum Wage

Over the past forty-five years the value of the minimum wage has lost a quarter of its value. A minimum wage earner working full time in Massachusetts will earn about \$16,000 this year, higher than the poverty threshold for a an individual (a little over \$11,700 in 2012), but lower than the threshold for a family of three (around \$19,000). That same worker would have earned about \$21,400 back in 1968 (measured in real, inflation-adjusted dollars).

### The Real Value of the Minimum Wage Has Dropped 25 Percent Since 1968

Nominal and Real Values of the Massachusetts Minimum Wage (Actual 1968-2012; Projected 2013-2023)

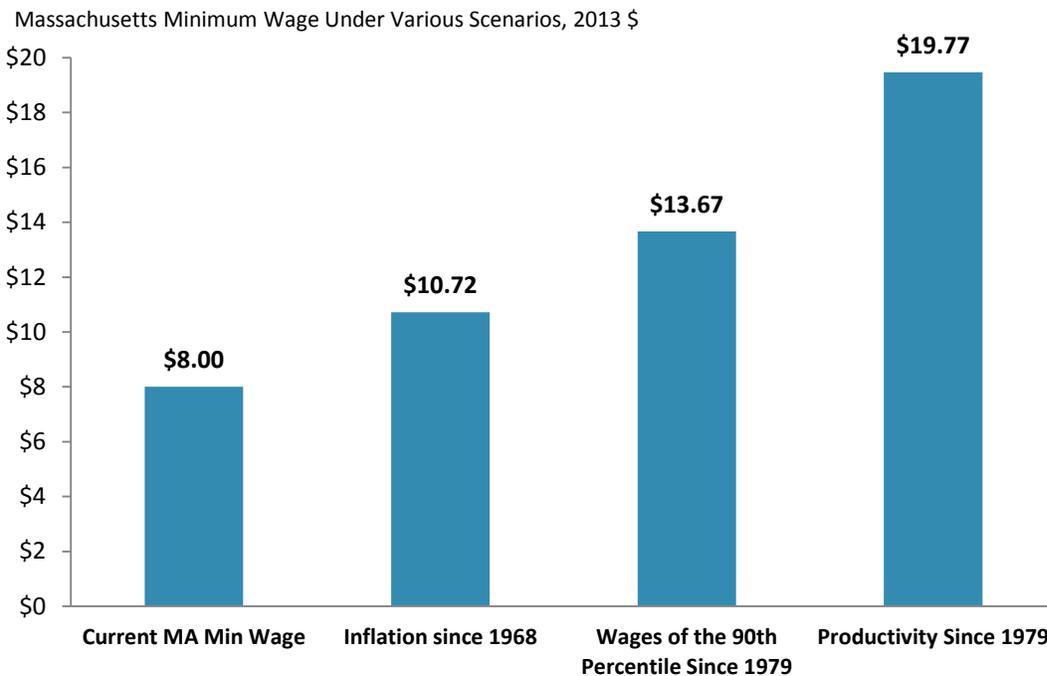


Source: U.S. Department of Labor; Bureau of Labor Statistics. Real value calculated using the Consumer Price Index for all

## 5) Minimum Wage Lags Other Indicators

Increasing the minimum wage could help restore the value it has lost over time. In order to restore the value lost due to increases in the cost of living, the minimum wage would need to rise to about \$10.72 in 2013. Assuming the cost of living continues to grow modestly, it would need to be about \$11.00 per hour by 2015. Narrowing the gap between minimum wage and high wage workers back to where it was in 1979 would require an increase to \$13.67 in 2013. And if the minimum wage had kept pace with gains in productivity since 1979, it would be \$19.77 – or about \$39,000 a year for a full-time worker – today. To look at these and other scenarios, see our [interactive tool](#).

### Minimum Wage Today if it Had Grown at the Same Rate as...



Source: Massachusetts Department of Labor; U.S. Bureau of Labor Statistics; Economic Policy Institute analysis of BLS productivity and wage data