



# JOINT ECONOMIC COMMITTEE DEMOCRATS



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ECONOMIC FACT SHEET

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## LOSING GROUND: THE MIDDLE CLASS IN THE BUSH ECONOMY

*But we still have challenges, and amid this country's strong economic expansion, many Americans simply aren't feeling the benefits. Many aren't seeing significant increases in their take-home pay. Their increases in wages are being eaten up by high energy prices and rising health-care costs, among others.*

—Remarks by Treasury Secretary Henry M. Paulson, August 1, 2006

In his first major speech after joining the administration, Treasury Secretary Henry Paulson acknowledged the economic evidence that many Americans, including many middle class families, are struggling in this economy. Data such as the following may explain why the Treasury Secretary did not echo the view expressed by the President in an April radio address, that “America’s economy is strong and benefiting all Americans:”

### Sluggish Job Growth

- Employment growth under President Bush has averaged just 45,000 jobs per month, when up to 150,000 jobs per month are needed to absorb new workers coming into the labor force. Job growth under President Clinton averaged 237,000 jobs per month.
- After losing 2.7 million jobs between January 2001 and August 2003, the economy has been creating jobs, but only 119,000 jobs per month were created in the past five months.

### Falling Real Wages

- Real (inflation-adjusted) wages have been falling since 2003. The real average hourly earnings of nonagricultural production or nonsupervisory workers were 1.6 percent lower in August 2006 than they were when job losses peaked in August 2003.
- Real wages were stagnant in 2003, and fell during 2004, 2005, and the first eight months of 2006.
- The distribution of earnings has become more unequal since the end of 2000.
- The Median usual weekly earnings of full-time wage and salary workers were \$659 at the end of 2005, 0.9 percent lower after inflation than they were at the end of 2000. (Half of all full-time workers have usual weekly earnings greater than the median and half have earnings less than the median.)
- Real earnings fell 2.1 percent at the 10<sup>th</sup> percentile (\$316 per week at the end of 2005) but rose 4.0 percent at the 90<sup>th</sup> percentile (\$1,535 per week at the end of 2005).
- From 1995 to 2000, in contrast, real median usual weekly earnings of full-time workers rose 7.3 percent and earnings growth was substantial throughout the earnings distribution.

## Compensation Not Keeping Up with Productivity

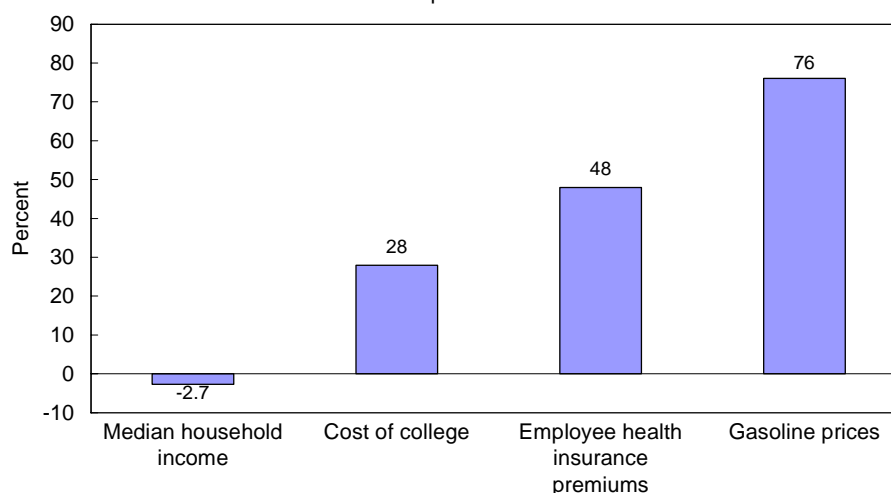
- Productivity (output per hour) has grown at a healthy 3.0 percent annual rate during the recovery from the 2001 recession, but real hourly compensation of employees (wages plus benefits) has grown at just 60 percent of that rate (1.8 percent annually). Historically, growth in real hourly compensation has tended to grow roughly in line with productivity.
- Benefit costs have grown much faster than wages and salaries, not because employers are providing more generous benefits, but because health insurance costs are rising and employers have had to make contributions to restore the solvency of their pension plans. Those higher benefit costs are squeezing take home pay.

## The Middle Class Squeeze

- Census statistics on the distribution of household income show that the benefits of the economic recovery are not being shared widely.
- Real median household income was \$1,273 (2.7 percent) lower in 2005 than it was in 2000, and the decline in real household income was largest in the bottom 20 percent of the distribution.
- The price of a gallon of regular grade gasoline was \$2.95 in August 2006, 76 percent higher than it was in January 2001—after adjusting for general price inflation.
- The real average monthly worker premium for health insurance increased 48 percent between 2000 and 2005.
- The real average cost of tuition, fees, room, and board at public 4-year colleges increased 28 percent between the 2000-2001 academic year and the 2005-2006 academic year.

### The Middle Class Squeeze

Inflation-Adjusted Change in Median Household Income and Selected Household Expenses since 2000



Sources: U.S. Census Bureau for change in real median household income, 2000 to 2004; College Board for change in tuition, fees, room, and board at public 4-year colleges and universities between the 2000-2001 and 2005-2006 academic years; Kaiser Family Foundation for change in average monthly worker contribution for health insurance premium between 2000 and 2005; Department of Energy for change in average price of a gallon of regular grade gasoline between January 2001 and August 2006. Costs were adjusted for inflation using the consumer price index research series (CPI-U-RS) from the Bureau of Labor Statistics.