

Quotes:

Site Search:



- [Business Home](#)
- [Media & Advertising](#)
- [World Business](#)
- [Your Money](#)
- [Markets](#)
- [Company Research](#)
- [Mutual Funds](#)
- [Stock Portfolio](#)

## Falling Fortunes of the Wage Earner

By [STEVEN GREENHOUSE](#)

Published: April 12, 2005

**B**eginning in the mid-1990's, pay increases for most workers slowly but steadily outpaced the rate of inflation, improving the living standards for nearly all Americans. But an unexpected reversal last year in those gains has set off a vigorous debate among economists over whether the decline is just a temporary dip or portends a deeper shift that may cause the pay of average Americans to lag for years to come.

Even though the economy added 2.2 million jobs in 2004 and produced strong growth in corporate profits, wages for the average worker fell for the year, after adjusting for inflation - the first such drop in nearly a decade.

"Pay increases are not rebounding, even though the factors normally associated with higher pay have rebounded," said Peter LeBlanc of Sibson Consulting, a division of Segal, a human resources consulting firm.

The problem is not with the jobs themselves. Most economists dismiss as overblown the widespread fear that the number of jobs will shrink in the United States because of foreign competition from China, India and other developing nations. But at the same time many of these economists argue that the increasing exposure of the American economy to globalization, along with other forces - including soaring health insurance costs that leave less money for raises - is putting pressure on wages that could leave millions of workers worse off.

"We're in for a long period where inflation-adjusted wages will be under acute pressure," said Stephen S. Roach of [Morgan Stanley](#). "That's a most unusual development in a period of high productivity growth. Normally, real wages track productivity."



Randi Lynn Beach for The New York Times

Laurie Piazza, a Safeway cashier in Santa Clara, Calif., said she reluctantly voted to approve a pay freeze in the first two years of a three-year contract.

### ARTICLE TOOLS

-  [Printer-Friendly Format](#)
-  [Most E-Mailed Articles](#)
-  [Reprints & Permissions](#)
-  [Single-Page Format](#)

ARTICLE TOOLS **Melinda and Melinda**  
SPONSORED BY **NOW PLAYING IN THEATERS**

### Multimedia

#### AUDIO SLIDE SHOW



#### [The Wage Squeeze](#)

Stephen Greenhouse examines the recent drop in wages for the American worker.

#### GRAPHIC

Advertisement

**TaxCut**  
Backed by America's tax leader.



**Ranked #1 by Barron's and The New York Times.**



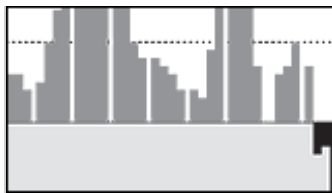
A taxpayer's best friend

**BUY NOW**

TaxCut.com

NYT Store

But some economists are more optimistic, saying that the wage sluggishness is temporary and that real wages have slipped only because a sudden spike in oil prices has briefly left workers behind the curve. These economists assert that wage stagnation will end soon, as normal growth brings a tighter labor market.



**Cheaper Labor**

"What we're seeing now is not atypical; employers can't pay the wage bill to keep up with the oil price increase," said Allan H. Meltzer, an economist at Carnegie Mellon University. "I think the long-term trend will be that wages will right themselves and look like productivity growth on average."

The most commonly used yardstick of wages - the Bureau of Labor Statistics' measure of nonsupervisory private-sector workers, covering 80 percent of the labor force - fell 0.5 percent last year, after inflation. Real wages for these workers are now lower, on average, than two years ago. A broader measure, the employment cost index, which includes supervisors, managers and most government workers, dropped 0.9 percent.

At a Sprint call center in North Carolina, 180 customer service representatives are well aware of how such forces are squeezing them. Their jobs have not migrated overseas, but the employees just concluded their most bruising battle ever over wages.

The Sprint workers in Fayetteville emerged from negotiations that lasted months with a contract that left them with a pay freeze for last year and no definite increase for 2005. While the best performers are promised 2 percent merit raises, even those are likely to lag inflation.

"It's like their wages are in a severe coma," said Rocky Barnes, president of the union local. "Sprint said they had to restrain wages because the company's performance wasn't so good, but we think a lot of it has to do with offshoring."

Sandra J. Price, a Sprint vice president, took issue with union leaders. She said Sprint sought the freeze not because of low-wage competition overseas, but because benefit costs were soaring and the company felt the call center's compensation was generous for the area.

Whatever the explanation for Sprint's action, many economists, liberal and conservative, are perplexed by two unusual trends. Wage growth has trailed far behind productivity growth over the last four years, and the share of national income going to employee compensation is low by historic standards.

Mr. Roach of Morgan Stanley said wages were being held down by foreign competition; corporations that are moving jobs offshore; the uncertainty of businesses over demand;

**Most E-Mailed**

1. [The Man Date](#)
2. [Op-Ed Columnist: Ailing Health Care](#)
3. [Op-Ed Columnist: A Culture of Death, Not Life](#)
4. [Savoring the Bounty of Vietnam](#)
5. [Catholics in U.S. Keep Faith, but Live With Contradictions](#)

[Go to Complete List](#)

**Slipping Pay**

Change in hourly earnings of production or nonsupervisory workers on private nonfarm payrolls, adjusted for inflation.



Source: Bureau of Labor Statistics

The New York Times



"The Great Unraveling: Losing Our Way in the New Century"

[Learn More.](#)

**Business**  
[nytimes.com/business](http://nytimes.com/business)

**SPECIAL REPORT: MUTUAL FUNDS**



**Was the 1st quarter really the quarter when nothing worked?**

Also in Business:

- [Why does Kenneth Lay rely on Google?](#)
- [What's Oprah giving away now?](#)
- [The other income tax – do you owe more?](#)

and management's ability to substitute computers and other devices to replace workers.

**Continued**

1 | [2](#) | [Next>>](#)

**[Home Delivery of The Times from \\$2.90/week - Act Now!](#)**

---

**TOP NYTIMES.COM ARTICLES**

- [Nominee to U.N. Defends Record at Senate Panel](#)
  - [Bush Supports Plan by Sharon for a Withdrawal From Gaza](#)
  - [Former Chief of A.I.G. to Refuse to Answer Questions](#)
  - [Videos Challenge Accounts of Convention Unrest](#)
- Go to [NYTimes.com Home](#)

---

**TOP BUSINESS ARTICLES**

- [Former Chief of A.I.G. to Refuse to Answer Questions](#)
  - [Falling Fortunes of the Wage Earner](#)
  - [Filing Offers First Look at Lazard's Books](#)
  - [United States and Europe Still Deadlocked on Jet Subsidies](#)
- Go to [Business](#)

OUR ADVERTISERS

[We unite people and ideas. We solve business problems. Can we help you?](#)

[Text: \\$7 Online Trades and NO FEE IRAs at Scottrade. Apply Now.](#)

[Free offers on HP technology!](#)

[Free IRA planning guide T. Rowe Price](#)

**TIMES NEWS TRACKER**

Topics	Alerts
<a href="#">Wages and Salaries</a>	
<a href="#">United States Economy</a>	
<a href="#">Economic Conditions and Trends</a>	
<a href="#">Recession and Depression</a>	
Track news that interests you.	
<a href="#">Create Your Own</a>	<a href="#">Manage</a>
<a href="#">Most Popular Alerts</a>	<a href="#">Take a Tour</a>
<a href="#">CLICK HERE TO SUBSCRIBE</a> 