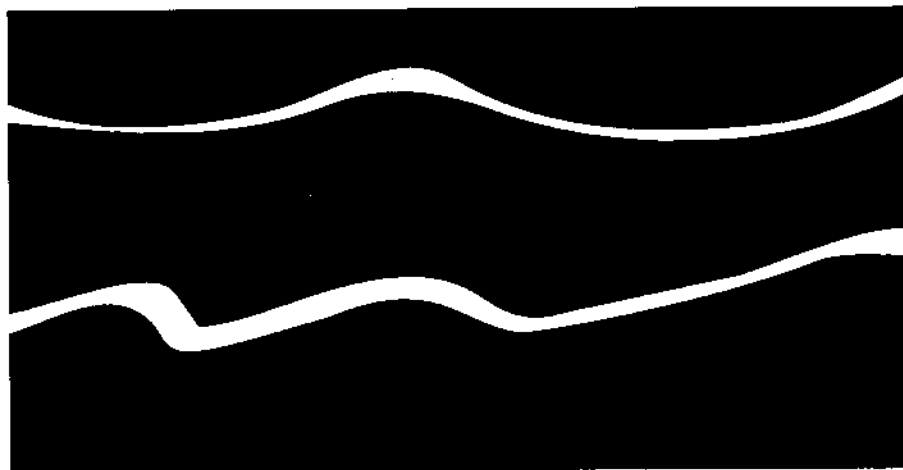


The Aspen Institute



Working Below The Poverty Line

*The Growing Problem of
Low Earnings in
Rural and Urban Areas
and Regions across
the United States*

LUCY GORHAM
BENNETT HARRISON

WORKING BELOW THE POVERTY LINE

The Growing Problem of Low Earnings
in Rural and Urban Areas and Regions
Across the United States

Lucy Gorham

Department of Urban Studies and Planning
Massachusetts Institute of Technology

and

Bennett Harrison

Visiting Professor of Urban and Public Affairs
Carnegie Mellon University

Prepared with support from

The Ford Foundation

and

*the Rural Economic Policy Program
of The Aspen Institute*

ABOUT THE RURAL ECONOMIC POLICY PROGRAM OF THE ASPEN INSTITUTE

The Rural Economic Policy Program (REPP) was created in 1985 as a collaborative program of The Aspen Institute, The Ford Foundation, and the Wye Institute. Working closely with The Ford Foundation's Rural Poverty and Resources Program, the REPP encourages greater attention to rural policy issues through a program of research grants, seminars, and public education. The Program is focused on rural concerns, including agricultural policy, community economic development, resource management, and enhanced livelihoods for the rural poor. REPP is funded by a grant from The Ford Foundation.

The Rural Economic Policy Program is housed at The Aspen Institute in Washington, D.C. The Aspen Institute is an international nonprofit organization whose broad purpose is to seek consideration of human values in areas of leadership development and public policy formulation. Since its founding in 1949, The Aspen Institute has operated a program of Executive Seminars in which leaders of business, government, the arts, education, law, and the media convene with distinguished scholars to reinforce the application of traditional humanistic values in their personal and professional deliberations. The Aspen Institute's Policy Programs, one of which is the Rural Economic Policy Program, seek to advance the formulation of public policy in areas of communications and information technology; the environment; political, economic, and strategic issues for the U.S. in its relations with other nations; and education. The Aspen Institute also operates a set of international programs and activities, principally in Europe and the Pacific Rim.

© 1990 The Aspen Institute

All rights reserved.

No part of this book may be reproduced
in any form or by any means without
permission in writing from the publisher.

The Aspen Institute
Suite 1070
1333 New Hampshire Ave., NW
Washington, DC 20036

ISBN #0-89843-095-X

Printed on recycled, acid-free paper

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

ACKNOWLEDGEMENTS

The authors gratefully acknowledge the assistance of the following individuals who provided us with helpful comments: Cynthia Duncan, Robert Greenstein, Richard Long, Larry Mishel, Isaac Shapiro, and Susan Sechler.

TABLE OF CONTENTS

List of Tables	vii
List of Figures	ix
Executive Summary	xi
Introduction	xix
1. Data Set and Methodology	1
2. The Changing Distribution of Hourly Earnings	5
The Nation as a Whole	5
The Regional Picture	6
Differences Between Women and Men	7
Differences Among Whites, Blacks, and Hispanics	10
Differences by Age Group	12
Differences Among Education Groups	13
Comparison of Rural and Urban Workers	15
Rural/Urban Differences by Sex	16
Rural/Urban Differences by Race	17
Rural/Urban Differences by Age	20
Rural/Urban Differences by Education	23
Rural/Urban Differences by Region	24
Summary of Rural/Urban Results	26
3. The Farm Population	27
4. Longer-Term Trends in the Distribution of Earnings	31
5. Implications for Policy	41
Improving Education and Training	41
Increasing the Dividends from Work	42
Implementing a Development Policy for Rural America	43
Appendix: Percentage of Low Hourly Earners Among Farm Residents, 1979-1987	45
References	47
Footnotes	49

LIST OF TABLES

Table 1	Average Poverty Threshold for a Family of Four.....	3
Table 2	Percentage of Low Hourly Earners Among All U.S. Workers.....	5
Table 3	Percentage of Low Hourly Earners Among Men and Women.....	7
Table 4	Percentage of Low Hourly Earners—Regions by Race.....	12
Table 5	Ratio of % Low Earners to Total Population by Education Group.....	15

LIST OF FIGURES

Figure 1	The Nine Census Regions of the United States	2
Figure 2	The Growing Percentage of Low Hourly Earners	5
Figure 3	Percentage of Low Hourly Earners by Region	6
Figure 4	Percentage of Low Hourly Earners Among Women by Region	8
Figure 5	Percentage of Low Hourly Earners Among Men by Region	9
Figure 6	Gap Between Men and Women by Region	10
Figure 7	Percentage of Low Hourly Earners by Race	11
Figure 8	Percentage of Low Hourly Earners by Age	13
Figure 9	Percentage of Low Hourly Earners by Education	14
Figure 10	Percentage of Low Hourly Earners—National, Urban, and Rural Populations	16
Figure 11	Percentage of Low Hourly Earners—Rural and Urban Workers by Sex	17
Figure 12	Percentage of Low Hourly Earners—Rural Workers by Race	18
Figure 13	Percentage of Low Hourly Earners—Urban Workers by Race	18
Figure 14	Growth in the Rural/Urban Gap by Race	19
Figure 15	Percentage of Low Hourly Earners—Rural and Urban Workers by Race and Sex	20
Figure 16	Percentage of Low Hourly Earners—Rural and Urban Workers by Age	21
Figure 17	Percentage of Low Hourly Earners—Rural and Urban Workers by Education	22
Figure 18	Percentage of Low Hourly Earners—Rural and Urban High School Dropouts	23
Figure 19	Percentage of Low Hourly Earners—Rural Areas by Region	24
Figure 20	Percentage of Low Hourly Earners—Urban Areas by Region	25
Figure 21	Percentage of Low Hourly Earners—National, Urban, Rural, and Farm Populations	27
Figure 22	Percentage of Low Hourly Earners—Farm Population by Sex	28
Figure 23	Percentage of Low Hourly Earners—Farm Population by Age	28
Figure 24	Percentage of Low Hourly Earners—Farm Population by Education	29
Figure 25	Percentage of Low Earners Among Year-Round/Full-Time Workers	32
Figure 26	Percentage of Low Earners Among White and Nonwhite YRFT Workers	33
Figure 27	Percentage of Low Earners—Year-Round/Full-Time Workers by Age	34

Figure 28	Percentage of Low Earners—Year-Round/Full-Time Workers by Education	35
Figure 29	Percentage of Low Earners—Rural and Urban Year-Round/ Full-Time Workers	36
Figure 30	Percentage of Low Earners—YRFT Workers by Region	37
Figure 31	Variance in Percentage of Low Earners Among Regions for YRFT Workers	38
Figure 32	Percentage of Low Earners—Year-Round/Full-Time Rural Workers by Region.....	39
Figure 33	Percentage of Low Earners—Year-Round/Full-Time Urban Workers by Region.....	40

EXECUTIVE SUMMARY

This report examines how the earnings of American workers have changed over the past two decades. The study arose out of our concern that job market changes during the 1980s were denying economic prosperity to a growing share of workers, particularly those living in rural areas and on farms.

Our findings give little cause for optimism. The share of workers whose hourly earnings were too low to lift a family of four above the poverty line increased substantially between 1979 and 1987, growing from 25.7 percent to 31.5 percent of the labor force. For rural workers the increase in the share of workers with low hourly earnings was even more dramatic. In 1979, at the close of the rural renaissance of the 1970s, 31.9 percent of rural workers were low earners. By 1987, the share of low earners had grown to 42.1 percent.

Earnings inequality has also grown and some labor force groups—particularly Blacks, Hispanics, young workers, high school dropouts, and workers with no more than a high school education—find themselves increasingly disadvantaged in the labor market. These trends are nearly universal in both rural and urban areas and across regions.

In this executive summary, we outline our methodology, present a summary of our major findings, and briefly discuss their importance for public policy.

Methodology

Our analysis uses the March Current Population Survey for the years 1969, 1973, 1979, and 1987. We define "low earners" to

be individuals whose annual wage and salary incomes (WSI) leave them below the official poverty line for a family of four persons, adjusted for inflation by the now-standard CPI-X1 deflator of the U.S. Census Bureau. By our definition, in 1987 a low earner made \$11,611 or less in annual earnings.

People's work experience varies enormously over the course of the year. Some people work year round and full time, others only part time or part year. How shall we incorporate these differences in work time into an analysis of wages that gives us an indicator which we can meaningfully compare across labor force groups?

We can control for the effects of part time/part year work in two ways. The first and ideal way is to adjust each worker's annual earnings data for weeks and hours of work so that, rather than looking at annual earnings, we are looking at *hourly* earnings. For the years 1979 and 1987, we were able to do this directly since we have information on the number of weeks per year and usual number of hours per week worked by each worker.

Because information on weeks and hours of work is not available for 1969 and 1973, the only way to control for the influence of part-year/part-time work for all four years of our study is to restrict our sample to persons working year round and full time (YRFT). Thus, our findings fall into two categories: those for all workers after adjusting their earnings for weeks and hours of work (hourly earnings); and those for year-round/full-time workers alone.

SUMMARY OF FINDINGS

Our findings can be divided into four broad areas. The first set of findings confirms that the problem of low annual earnings is pervasive, whether we look at urban and rural areas, different regions, or different labor force groups. The second set of findings demonstrates that inequality is increasing within and among regions, between urban and rural areas, and between different labor force groups. The third set of findings reveals that some labor force groups have been put at a growing disadvantage by changes in the labor market, and the fourth set of findings confirms that farm residents have been particularly hard hit by the economic turbulence in rural areas of the past decade. Below is a brief summary of our most important findings in each area.

The Pervasive Problem of Low Annual Earnings

- On the national level, the percentage of workers receiving low *hourly* earnings increased between 1979 and 1987 among each of the twenty labor force groups we examined (based on race, sex, age, and education). We found the same result when we divided the country into rural and urban areas and when we separated out year-round/full-time workers alone. Since we found a growing percentage of low earners among year-round/full-time (YRFT) workers and also after adjusting earnings for weeks and hours of work, we know the growth of part time and seasonal work cannot explain the problem.
- On the regional level, all regions except New England show an increase in the percentage of workers receiving low hourly earnings between 1979 and 1987. However, if we divide each region into

its rural and urban areas, we find that urban New England is the only exception to the general rule that all urban and rural areas by region show an increase in the percentage of workers receiving low hourly earnings. Also, if we look at year-round/full-time workers alone, all regions show an increase in the percentage of low earners, including New England.

- Even after adjusting each worker's annual earnings for weeks and hours of work, over 31 percent of all workers received hourly earnings in 1987 which were too low to bring a family of four above the poverty level. In other words, if all workers were able to work year round/full time at the hourly rates they now earn, almost a third of them would still be earning less than poverty level. This was a substantial increase over 1979, when the equivalent figure was 25.7 percent. In rural areas, the percentage of low earners in 1987 was 42.1 percent, up from 31.9 percent in 1979, and in urban areas it was 28.9 percent, up from 23.4 percent in 1979. Thus low hourly earnings, as opposed to workers not being able to work enough weeks and hours, is a substantial part of the problem of low annual earnings.

Increasing Inequality

- Inequality in the percentage of low earners among the nine regions increased between 1979 and 1987. This is true whether we analyze data for year-round/full-time workers alone, or for all workers with earnings adjusted for weeks and hours of work (hourly earnings). For year-round/full-time workers, the increase in inequality reverses the

trend between 1969 and 1979 when regional inequality declined.

- If we divide each region into rural and urban areas, we find the same increase in inequality for all urban areas by region and rural areas by region that we found for all regions as a whole. Again, this reverses the trend between 1969 and 1979 when disparities narrowed. We find the same result whether we look at hourly earnings or only year-round/full-time workers.
- If we measure the urban/rural gap as the difference between the percentage of low earners among year-round/full-time workers in each area, this gap narrowed between 1969 and 1979 but then increased between 1979 and 1987. This is true for urban and rural areas in the nation as a whole, as well as for urban and rural areas in each of the nine regions. Using hourly earnings, this urban/rural gap also increased on the national, urban, rural, and regional levels between 1979 and 1987.
- The gap between Blacks and whites in the percentage of low earners increased from 9.6 percentage points in 1979 to 11.3 percentage points in 1987. The gap in the percentage of low earners between Hispanic and white workers also increased, growing from 7.4 percentage points in 1979 to 12.8 percentage points in 1987.

The Declining Position of Some Labor Force Groups

- No matter which geographic division we analyzed—urban, rural, or regional—or whether we examined hourly earnings or year-round/full-time workers, we found that the labor market position of

certain labor force groups had declined most dramatically between 1979 and 1987. These labor force groups were Hispanic men, Black men, workers age 16 to 24, high school dropouts, and workers with only a high school education. These labor market groups have always had a high level of low earners, but from 1979 to 1987 their position deteriorated further.

- When we separated out women working year round/full time (YRFT), we found an increasing percentage of low earners between 1979 and 1987 for all race groups of women, reversing the trend for YRFT women workers between 1969 and 1979. After adjusting earnings for weeks and hours of work, we found the same increase in the percentage of low earners between 1979 and 1987. While men had a larger percentage point increase in their share of low hourly earners between 1979 and 1987 than did women (6.6 compared with 4.3), in 1987 close to 40 percent of women had low hourly earnings compared with less than 25 percent of men.
- High school dropouts and workers with only a high school education experienced a dramatic increase in the percentage of low earners between 1979 and 1987. For high school dropouts (after adjusting for weeks and hours of work), the percentage of low earners jumped from 42.3 percent to 54.6 percent—an increase of over 12 percentage points.
- For workers with a high school education (also after adjusting for weeks and hours of work), the percentage of low earners increased almost 10 percentage points from 1979 to 1987—from 24.2 to 33.6 percent. Compared with workers with any years of college, workers with

less education are at a growing disadvantage in obtaining middle or high level earnings.

- Workers in all race groups showed a substantial increase in the percentage of low earners between 1979 and 1987. However, the increases were larger for Blacks (6.7 percentage points) and Hispanics (10.4 percentage points) than for whites (5.0 percentage points). In 1987, over 40 percent of both Black and Hispanic workers earned less than the poverty level for a family of four. Among whites, close to 30 percent earned less than poverty level.
- While Hispanics as a group have had a large increase in the percentage of low earners between 1979 and 1987, the increases for men have been much greater than those for women. This is true for year-round/full-time workers, as well as for all workers after adjusting earnings for weeks and hours of work. Of course, Hispanic women still have a much higher absolute percentage of low earners than do Hispanic men.
- The increase in the percentage of low earners among young workers—those age 16–24—has also been dramatic between 1979 and 1987. This is true for young year-round/full-time workers; thus we know that the cause doesn't lie in more young workers employed part time and part year.

The Deteriorating Position of Farm Residents

- Among farm residents, all labor force groups showed an increase in the per-

centage of workers receiving low hourly earnings between 1979 and 1987. For farm residents age 16 to 24, the percentage of workers with low hourly earnings leapt from 62.7 to 78.9 percent, an increase of over 16 percentage points. These findings parallel those for rural workers generally, with the difference that the increase in the percentage of low earners has been more dramatic for farm residents. Since farm residents had a higher percentage of low earners to begin with, this means that they are falling even further behind their rural counterparts.

- At the same time that the working farm population declined in absolute numbers by 3.8 percent between 1979 and 1987, the absolute number of farm residents receiving low annual earnings increased by 8.8 percent.
- By comparing rural, urban, and farm results by education category for 1987, we observed that the value of education in securing higher earnings was lower for farm residents than that for either urban or rural residents. For example, a farm resident reduces his or her chances of being a low earner by only 21.3 percent by attaining a high school degree, as compared with a drop of 25.3 percent for rural workers and 37 percent for urban workers. By having some college education as opposed to only a high school diploma, the likelihood of low earnings for a farm resident drops only another 2.2 percent, compared with 13.6 percent for rural workers and 16.0 percent for urban workers.

IMPLICATIONS FOR POLICY

The policy options which can be used to address the problem of low earnings are many and varied. They cross the lines of trade, labor law, education, welfare, minimum wage, macroeconomic, anti-discrimination, and economic development policies. While we can't undertake an exhaustive review of these options, we do wish to discuss several policy alternatives which we feel are the most important. These fall into three areas: improving education and training, increasing the dividends from work, and implementing a development policy for rural America.

Improving Education and Training

Our results show that the likelihood of an individual receiving low hourly earnings declines with increased education. The disadvantage of being a high school dropout or graduate when compared with being a worker with some college education increased dramatically over the past decade. In order to improve the education and skill level of the workforce, we need to devote more attention and resources to the following:

Basic Skills and Literacy

Much attention has been given to the problems of our country's basic education system and to the need to begin to correct them. While more money is not the whole answer, we will not be able to address the problems of our schools without increasing real spending for education.

For those who leave school before completing high school, they must be given every opportunity through literacy, high school equivalency (GED) classes, English as a Second Language, and other second chance programs to obtain a high school diploma and to continue on to more ad-

vanced education and training. At present, even the U.S. military, once an option for those without a high school degree seeking further training, is not accepting recruits without a high school education. Tuition assistance should be made available to those who need it, as well as child care and transportation assistance when appropriate.

The Job Corps

The Job Corps is a more intensive education and training program for disadvantaged youth aged 14 to 21 who are out of school. Because participants live in a common residence during their training, the cost per trainee tends to be high. However, evaluations of the program have found it to be highly effective and have shown that the benefits outweigh the cost. The Job Corps was endorsed by the Council of Economic Advisors in the 1990 *Economic Report of the President*. Since the current funding level allows only a small percentage of those eligible to enroll in the program, funding levels should be increased.

The Job Training Partnership Act (JTPA)

JTPA is the primary workplace training program for adults. Unlike its predecessor, CETA, it contains no public service employment and emphasizes working closely with the private sector.

There has been some concern that JTPA is not working effectively enough with the most disadvantaged segments of the labor force, at least in part because of performance standards which encourage local programs to choose workers who are as close to job-ready as possible. In addition to correcting any such disincentives to work with more disadvantaged workers, funding levels should be increased so that more workers can receive the depth of training they need for a sufficient length of time to ensure

success. This training should include remedial education when appropriate.

Head Start

The Head Start program provides education and child development for impoverished children even before they reach school age. While studies have shown that Head Start children are more likely to complete high school, enroll in college, and become economically self-supporting, many eligible children remain unserved because of inadequate funding.¹ As with the Job Corps, this is a case where increased investment now could reap many rewards, not only for the families involved, but for society as a whole.

Increasing the Dividends from Work

As a society, we place a high value on work. However, our results show that a growing share of workers are low earners and in danger of being in poverty, even though they are working year round and full time. If we believe in "making work pay," there are some relatively simple policies we can undertake.

Raise the Minimum Wage

The real value of the minimum wage declined significantly when it was not raised from 1981 to 1989. The minimum wage should be indexed to 50 percent of the average hourly pay for all nonsupervisory workers, slightly less than the level it attained in the 1960s and 1970s. Even with the increases in the minimum wage contained in recent legislation, it still falls below this fifty percent level.

Our low earner cutoff in 1987 of \$11,200 is equivalent to \$5.58 per hour and is thus considerably above the current minimum wage of \$3.35 per hour (and also above 50% of the average nonsupervisory wage, which would have been \$4.49 in 1987). However, the ripple effect of raising the minimum wage would push wages up generally to a

certain extent, especially wages at the lower end of the scale. Thus, raising the minimum would push some workers from our low earner to our low middle earner category. It would also assist families with two low wage workers to boost their family income over the poverty line. In addition, the enforcement of minimum wage provisions should be strengthened and penalties increased to discourage violations.

Increase the Earned Income Tax Credit (EITC)

The Earned Income Tax Credit allows low income households with children to earn a tax credit on a percentage of their earnings. As earnings for the year increase, the tax credit phases out until it drops to zero. If the tax credit exceeds the amount of tax owed, the credit is refundable. Raising the tax credit would be a simple means to give additional relief to the working poor.

Welfare Reform

Income maintenance policies, such as Aid to Families with Dependent Children (AFDC), are placing an increasing emphasis on welfare-to-work transition programs as a route to economic self-sufficiency for those able to work. In fact, recent changes in AFDC regulations now require all states to offer work training programs to a substantial proportion of their welfare caseload that is able to work.

However, a growing percentage of jobs do not allow workers to leave poverty, even if they work year round and full time. Therefore, these programs need to be designed so that combining work and income support simultaneously is an acceptable option, rather than forcing participants to cycle back and forth between working poverty and welfare. Ongoing financial support for health care and child care will increase the likelihood that, once working, people will become self-supporting.

Reducing Employment Discrimination

Our research shows that Black, Hispanic, and women workers are still at a significant disadvantage in the labor market compared with whites, even when their level of educational attainment is the same. For example, whereas 26.1 percent of whites with four years of college or more were low earners in 1987, the equivalent figure for Blacks was 41.6 percent.

The lack of progress in affirmative action cannot be blamed entirely on an inadequate legal framework, but also stems from the lack of vigorous enforcement of existing statutes. This has been particularly true of the Federal government over the past ten years, which not only has been lax in enforcement but has made repeated attempts to weaken existing law. This unwillingness on the part of the Federal government to eradicate discrimination with all available resources sends out a message that discrimination is no longer a central concern. In a society dedicated to the principle of equal opportunity, this message is destructive and must be reversed.

Implementing a Development Policy for Rural America

Our results show that rural areas are falling further behind urban areas, both nationally and in each region of the country. This reverses the trend of the past decade when the rural/urban gap was narrowing. Now that the economies of many rural areas are still in distress, policies are needed to assist rural economies to recover and diversify. While the exact mix of policies must be tailored to local conditions, some examples would include programs to upgrade education and training, infrastructure development including telecommunications, programs to support indigenous business development, housing development, programs to enhance the domestic and international marketing of local products, etc. While the specifics of such a rural development initiative are open to debate, it should have the enhancement of rural labor market opportunities as one of its primary goals.

INTRODUCTION

One consequence of the profound economic restructuring of the past two decades appears to be that a growing share of workers is earning poverty-level wages, even though they work year round and full time. Our research shows that in 1987, almost one out of every three American workers had hourly earnings which were too low to lift a family of four above the poverty line. The percentage of workers with low earnings has grown dramatically since 1979. This growth of low earners across the nation during the 1980s reversed the trend of the previous decade, during which the percentage of low earners declined.

This research on the changing structure of the labor market is part of a larger debate about poverty and inequality in the U.S. While a surprising consensus has developed among scholars over the past two years about the rise of wage and income inequality and working poverty, virtually the entire discussion has proceeded to date on the U.S. as a nation.² We know very little about what has happened to the earnings of workers on the subnational level. Do we find the same troubling trends among both rural and urban workers? Among farm residents? Among workers living in different regions of the country? What are the chances of earning below the poverty line if you are white or Black, a high school dropout or a college graduate, young or old, male or female?

While national trends give us one view of whether and how the job market is changing, they may obscure important dif-

ferences between urban and rural areas and between regions. For example, if we find that the percentage of workers with low earnings has grown only in rural areas, this is a much different result than if we find that the problem exists in urban areas as well. Similarly, if we detect a growth of low earners in all nine regions, this might be considered a much more disconcerting result than if it were true of only one or two areas of the country.

Understanding whether the problem of low earnings is widespread geographically also gives us important clues as to its causes. If the problem were confined to the urban midwest, we would guess that the loss of unionized manufacturing jobs was driving the trend toward low wages. If we found a growth of low earners in both urban and rural areas in all regions, however, we would have to look more broadly for an explanation. Our results also have important implications for public policy. If poverty-level earnings are a growing problem across the country, welfare policies which demand that people work their way out of poverty may have unrealistic expectations. Minimum wage provisions may need to be reconsidered. A strictly regional set of policy interventions will not allay a problem which is national in scope, nor will policies targeted at urban areas necessarily solve a problem which is as much rural as urban.

Our findings give little cause for optimism. Workers whose annual earnings are too low to lift a family of four out of poverty

do constitute a growing share of the labor force across the country and in rural areas, no matter which region we examine. Workers living on farms have been especially hard hit by the changing economy, as have rural workers generally. But urban workers have fared little better. All but the most highly educated Americans have suffered, but certain labor force groups—particularly women, Blacks, Hispanics, young workers, and workers with no college education—found themselves at a special disadvantage in the job market of the 1980s.

In this first of a series of reports on those working below the poverty line, we document how the percentage of workers earning less than poverty-level wages for a family of four persons has grown between 1979

and 1987. We present findings from the Census Bureau's March Current Population Survey for different labor force groups across the country and for different regions. These national findings provide the necessary background for the subsequent comparison of the earnings of rural and urban workers. We then zero in on what has happened to the earnings of workers who live on farms.

Following this analysis of the 1979 to 1987 period, we ask how this performance compares with the trends in the previous decade. To what extent does the record of the period 1979–1987 continue or reverse the pattern from 1969–1979? Lastly, we consider the public policy implications of these findings.

DATA SET AND METHODOLOGY

Our analysis spans the time period from 1969 to 1987. We examined data from four years within this period: 1969, 1973, 1979, and 1987. The first three years—1969, 1973, and 1979—are all business cycle peaks and were chosen to minimize distortions caused by cyclical fluctuations in the national economy. The year 1987 is the latest for which data were available at the time this was written: it, too is a year of economic expansion.

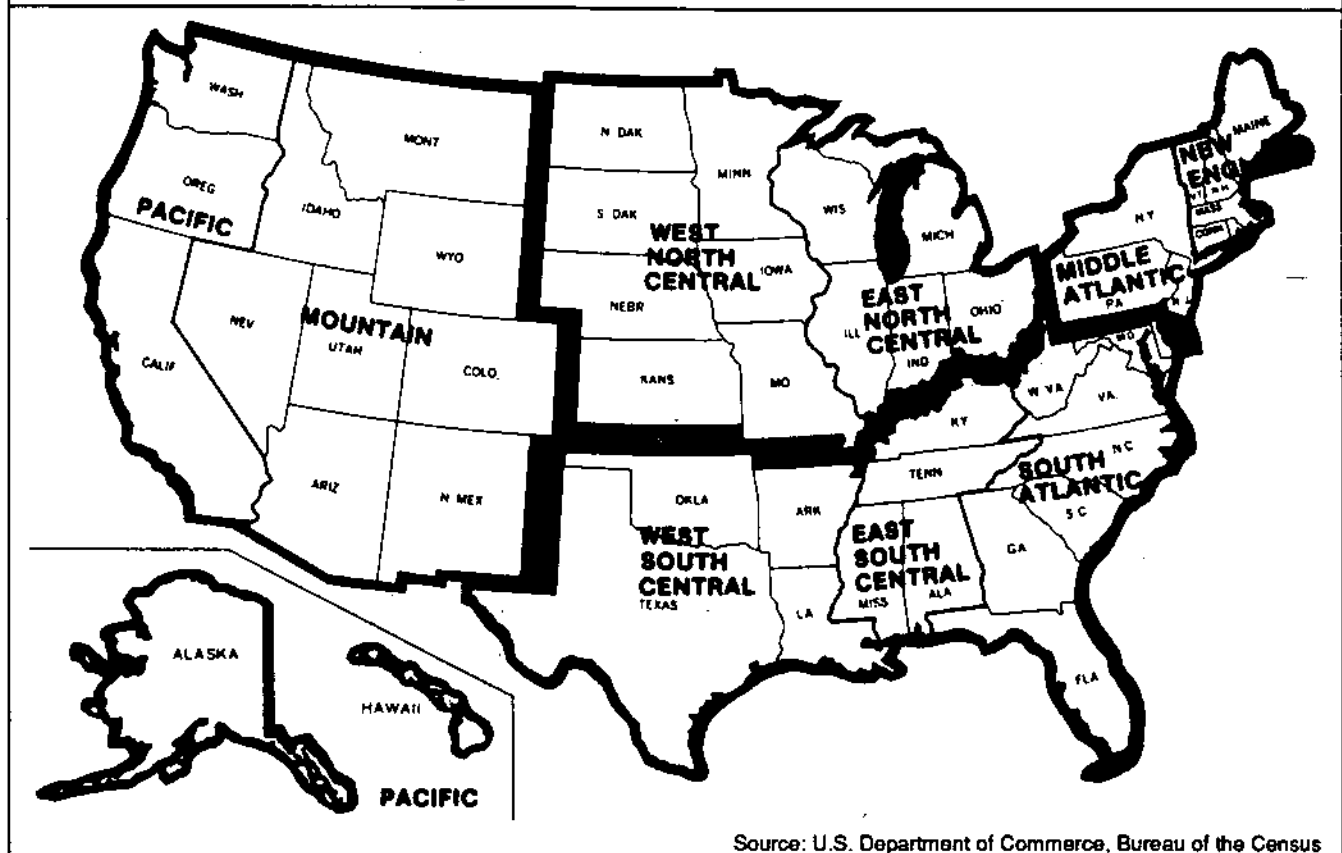
We chose to use the most standard source of employment and wage data, the U.S. Census Bureau's March Current Population Survey (CPS).³ For our examination of urban/rural differences, we are following the convention of using the CPS geographic classifications "metropolitan" and "non-metropolitan." However, within the body of the report we use the terms urban and rural for ease of understanding. The CPS has the limitation that the boundaries of urban and rural areas, i.e., the official definitions of metropolitan and nonmetropolitan, were changed by the U.S. Office of Management and Budget in the 1985 CPS. This means that the metro/nonmetro data can be compared from CPS years 1963 to 1984, but only with (unknown) error to any year after that. Data from the years 1986 onward can be compared, but only with error to any previous year. Because 1985 was a transition year in the definition, its data cannot be compared to any year before or after without error. Accordingly, we have had to exercise caution when comparing metro/non-

metro results from 1979 to 1987. This recoding problem does not, however, affect our work on the performance of the nine census subregions or our work on farm residents.

An additional limitation of the CPS is that some peculiarities exist in the way race and ethnic groups are defined. For the period we have selected for study, the CPS does not identify Hispanics as an ethnic category until 1976. Thus our examination of Hispanics is necessarily limited to 1979 and 1987. Because Hispanic is an ethnic designation whereas race categories are defined by color, there is the added factor that Hispanics may fall into any of the three race categories, depending on whether they define themselves as white, Black, or other. Therefore, the Hispanic category overlaps with both our white and Black categories.⁴ Farm residents are also not identified before 1979.

Our focus is the distribution of earnings for the nation as a whole, in rural and urban areas nationally, for the farm population, for the nine census subregions (see Figure 1),⁵ for each region's rural and urban areas, and for twenty labor force groups based on race, gender, age, and education. The first phase of our research examines changes in the distribution of *hourly* wage and salary income (WSI) for 1979 and 1987.⁶ By looking at hourly earnings, we can control for the effects of seasonal and part-time work. One criticism of earlier research in this area was that, by examining annual earnings without distinguishing between those

Figure 1 The Nine Census Regions of the United States



Source: U.S. Department of Commerce, Bureau of the Census

working full time and those working part time and/or part year, it was impossible to determine whether the growth in low-wage jobs was due to low hourly earnings or to the fact that a higher proportion of people were working part time and/or part year.

If a distribution of *hourly pay* shows an increase in the percentage of low earners, then low wages, and not just insufficient work time, are an issue. The problem may then have its roots in the changing industrial structure of the economy, the role of U.S. industry in international competition, the falling real value of the minimum wage, the slowdown in productivity growth, or all these factors (plus others). Thus, the public policy response to the increase in low earners becomes more difficult to formulate and execute than if the problem were due to the growth of non-full-time work alone.

We can control for the effects of part-time/part-year work in two ways. The first

and ideal way is to adjust each worker's annual earnings data for exact weeks and hours of work. For the years 1979 and 1987, we can calculate an hourly wage directly since we know both the actual number of weeks worked per year and the number of "usual hours worked per week." We simply divide each person's annual WSI by the number of weeks they work per year, then divide this by the number of hours they work per week to arrive at hourly earnings. By multiplying the hourly earnings rate by 2080 (40 hours per week times 52 weeks per year), we arrive back at an annual earnings level adjusted for both weeks *and* hours of work. This tells us *how much annual earnings each worker would receive if they were working year round and full time at their current hourly rate of earnings*. Essentially, we are constructing a distribution of annualized hourly earnings.

Since information on weeks and hours of work is only available for 1979 and 1987, a second option which we can use for all four years of our study is to restrict our sample to persons working year round and full time (YRFT). These YRFT workers constitute roughly 55–60 percent of the total sample. As the final phase of our research on earnings, therefore, we repeat the analysis of geographic subregions and labor force groups for YRFT workers only.

To examine how the shape of the distribution of hourly earnings has changed over time, we divide workers into four categories: low earners, low middle earners, high middle earners, and high earners. Each category is defined in relation to the official Census Bureau annual poverty line for a family of four, adjusted for inflation by the CPI-X1.⁷ The concept of the poverty line rests on the fundamental idea that it is meaningful to define a minimal or subsistence level of consumption, to cost it out at different points in time, and to adjust it regularly for inflation and occasionally as social norms themselves change. We have defined the low earnings category as less than poverty for a family of four. What we are implying is that workers who earn below this poverty line are earning what, by a broad social consensus, is an inadequate income.

It is important to remember that we are investigating whether the earnings opportunities available to *individual workers* have worsened or improved. This tells us how the structure of the job market has changed. If a higher percentage of workers can only earn low wages, it may mean that more members of a family will work to keep family income steady. In this case, family income may not change, but now two or more household members may be required to work instead of one and the family's quality of life may have deteriorated. For the many families with only one earner available, maintaining family income will become increasingly difficult. The findings of this report can tell us whether workers were more likely in 1987 to be earning low wages than in 1979, but they cannot tell us how families have managed to cope.

No consensual standard exists for what constitutes a "high" WSI. We have simply used multiples of the poverty line for a family of four in defining the three additional categories. "Low middle" is defined as the range between the poverty level and less than two times the poverty level. "High middle" covers two times the poverty level to less than three times the poverty level. "High" refers to WSI which is at least three times the poverty level. For the four years of our study, the actual cutoffs are given in Table 1.⁸

	1969	1973	1979	1987
Poverty Index (\$)	\$3,692	\$4,424	\$6,942	\$11,611
2X Pov.	\$7,384	\$8,848	\$13,884	\$23,222
3X Pov.	\$11,076	\$13,272	\$20,826	\$34,833

THE CHANGING DISTRIBUTION OF HOURLY EARNINGS

THE NATION AS A WHOLE

Between 1979 and 1987, the percentage of all workers with hourly earnings too low to bring a family of four out of poverty increased significantly. This increase in the percentage of low earners is displayed in Figure 2. In 1987, if all work-

ers worked year round and full time at their current hourly rate of earnings, almost one in three would still be earning below the poverty level for a family of four. In 1979, only one in four earned this little. (See Table 2.)

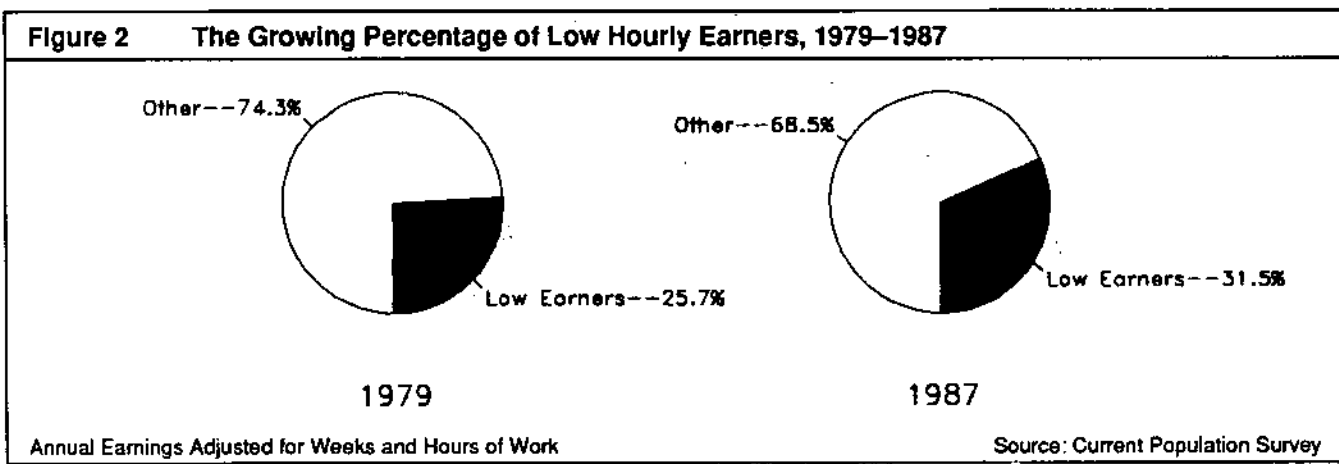


Table 2 Percentage of Low Hourly Earners Among All U.S. Workers, 1979-1987

Earnings Category	1979		1987		Change 1979-87	
	Number in 1000's	Percentage	Number in 1000's	Percentage	Number in 1000's	Percentage
< poverty	26,762	25.7%	37,453	31.5%	10,691	39.9%
pov - < 2 x pov	41,403	39.7	45,031	37.9	3,628	8.8
2 x pov - < 3 x pov	21,296	20.4	21,321	17.9	25	0.1
3 x pov & above	14,775	14.2	15,036	12.7	261	1.8
Total	104,236	100.0	118,841	100.0	14,605	14.0

Annual Earnings Adjusted for Weeks and Hours of Work Source: Current Population Survey

- In 1979, 25.7 percent of all workers earned below the poverty level for a family of four. In 1987, this figure had jumped to 31.5 percent—an increase of 5.8 percentage points in just an eight year period.

The Regional Picture

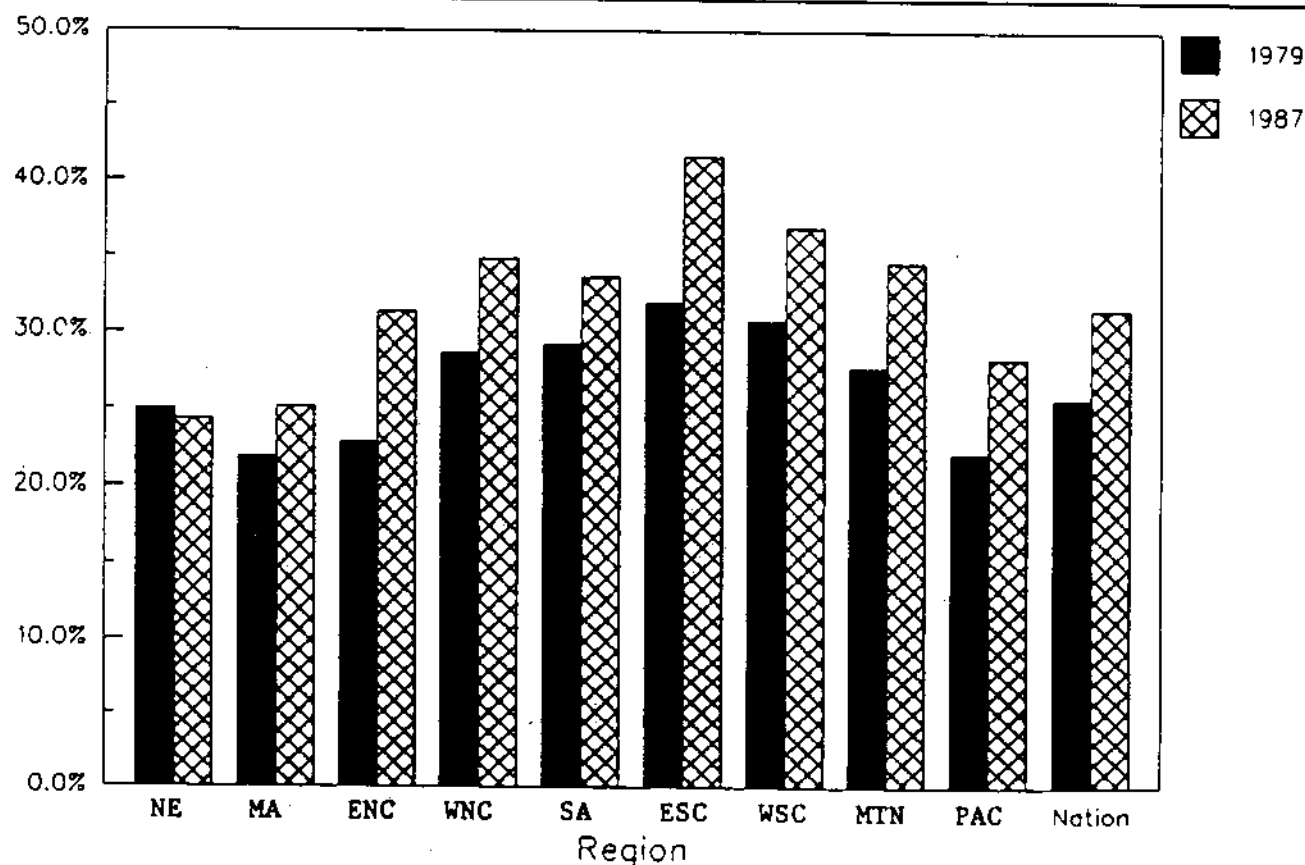
While we know that the percentage of low earners increased substantially between 1979 and 1987 on the national level, we also want to know how broad this trend is. Are low earnings a problem in only two or three regions, or in all nine? As shown in Figure 3, the growth of low earnings is a problem in every region except New England. Even in New England, which has had such a boom economy until recently, the percentage of

low earners declined by only 0.7 percentage points, from 25.0 to 24.3 percent.

Not only are low hourly earnings a growing problem in every region of the country except New England, but inequality among regions is also growing. The percentage of low earners in a region is one indicator of labor market opportunity. If we calculate the variance among regions in the percentage of low earners in 1979 and again in 1987—a standard measure of inequality—we find that the variance has indeed grown, increasing from 14.6 to 31.7.

- In all regions except New England, the percentage of workers earning below the poverty line for a family of four increased significantly between 1979 and 1987.

Figure 3 Percentage of Low Hourly Earners by Region, 1979–1987



Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific

Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

- The region to show the largest increase in the percentage of low earners was the East South Central (Tennessee, Kentucky, Alabama, and Mississippi), with a 9.7 percentage point increase from 31.9 to 41.6 percent.
- The only region to show a decrease in the percentage of low earners was New England, but even here the decrease was only 0.7 percentage points, from 25.0 to 24.3 percent.

- Differences among regions in the proportion of low wage workers increased between 1979 and 1987.

Differences Between Women and Men

When we divide the labor force into men and women workers, we find an increase in the percentage of low earners between 1979 and 1987 for both groups (see Table 3). —

The percentage of low earners among women is much higher in 1987 than among men—39.5 percent of women earned below

Table 3 Percentage of Low Hourly Earners Among Men and Women, 1979–1987

	1979		1987	
	Number in 1000's	Percentage	Number in 1000's	Percentage
Men				
< poverty	10,153	17.8%	15,357	24.4%
pov - < 2 x pov	18,948	33.2	21,717	34.5
2 x pov - < 3 x pov	15,345	26.9	13,943	22.1
3 x pov & above	12,663	22.2	11,953	19.0
Total	57,108	100.0	62,969	100.0
Women				
< poverty	16,609	35.2	22,096	39.5
pov - < 2 x pov	22,456	47.6	23,315	41.7
2 x pov - < 3 x pov	5,951	12.6	7,379	13.2
3 x pov & above	2,112	4.5	3,084	5.5
Total	47,128	100.0	55,874	100.0

Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

poverty in 1987, as compared with 24.4 percent of men. The difference between men and women in their percentage of low earners declined slightly over the decade due to the especially fast growth of low earners among men.

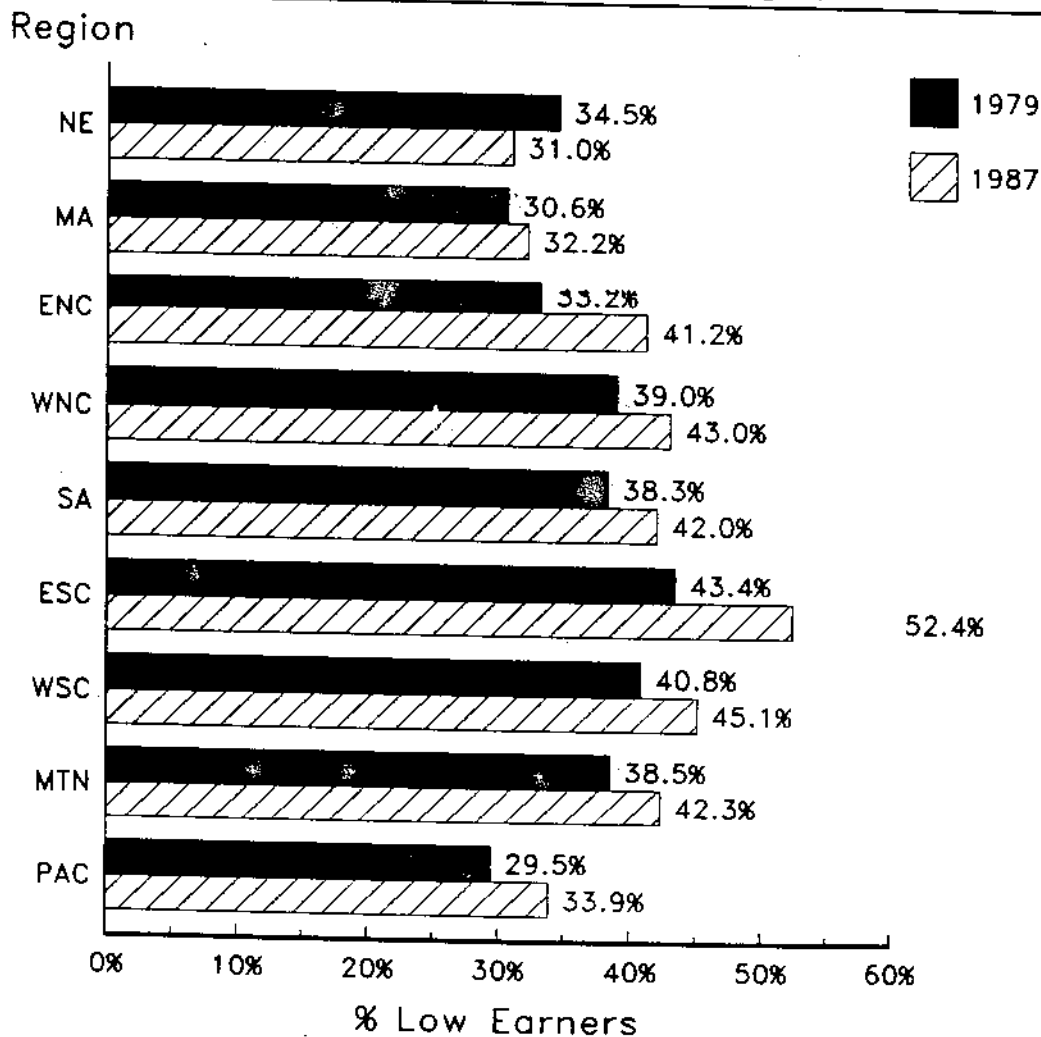
- For men, the percentage of low earners rose from 17.8 percent in 1979 to 24.4 percent in 1987, an increase of 6.6 percentage points.
- For women, the percentage of low earners rose from 35.2 percent in 1979 to 39.5 percent in 1987, an increase of 4.3 percentage points.

- In 1979, the gap between men and women in the percentage of low earners was 17.4 percentage points. In 1987, this gap narrowed slightly to 15.1 percentage points.

Not only did the percentage of men and women low earners increase nationally between 1979 and 1987, it also increased in all nine regions for men and in all regions except New England for women. Figures 4 and 5 show these results by region.

The largest increase for men (9.5 percentage points) was in the East South Central (Tennessee, Kentucky, Alabama, and Mississippi), which also had the high-

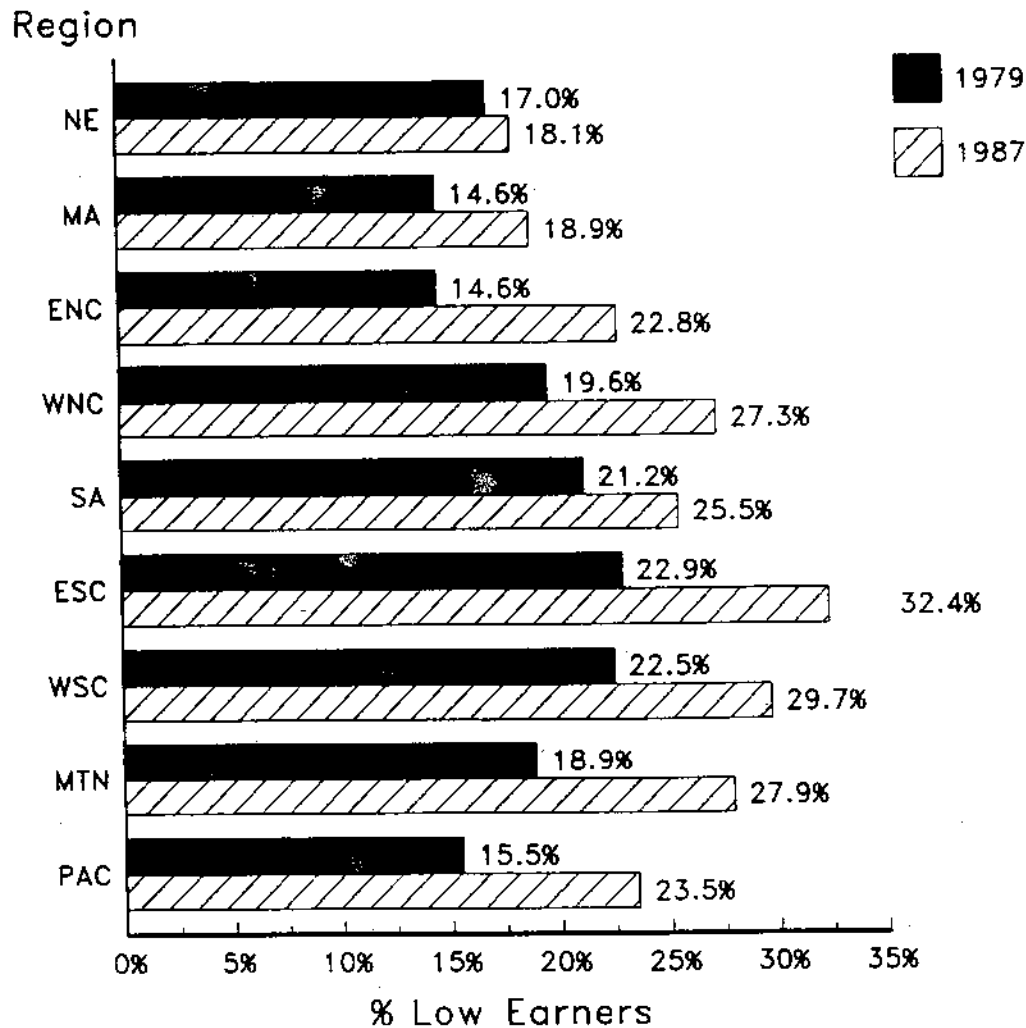
Figure 4 Percentage of Low Hourly Earners Among Women by Region, 1979-1987



Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

Figure 5 Percentage of Low Hourly Earners Among Men by Region, 1979–1987



Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

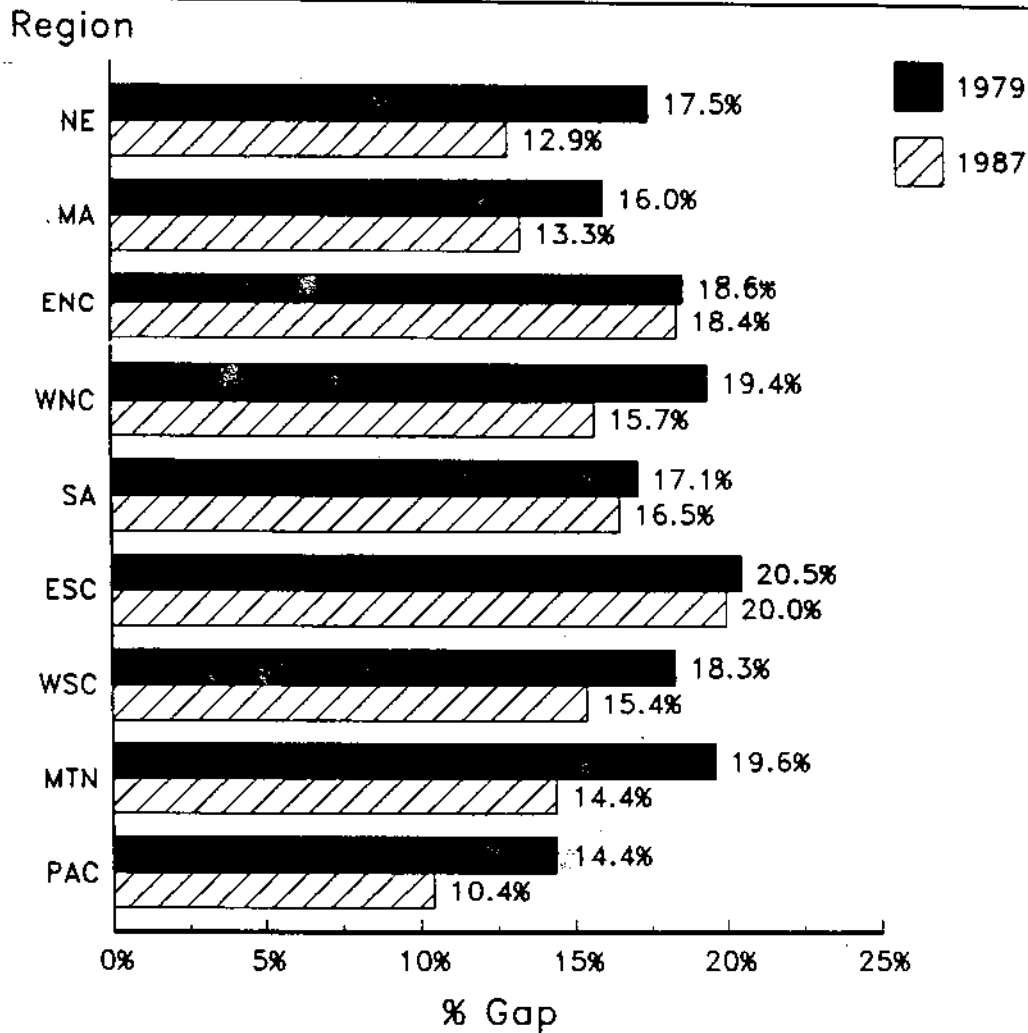
est absolute level of male low earners in 1987 (32.3 percent). The smallest increase was in New England (1.1 percentage points) which also had the lowest absolute level of men low earners in 1987 (18.1 percent).

The region with the largest increase among women (9.0 percentage points) was again the East South Central. This region also had the highest absolute level of women low earners in 1979 (52.4 percent).

- Men experienced an increase in the percentage of low earners between 1979 and 1987 in all nine regions of the country.

- Women experienced an increase in the percentage of low earners between 1979 and 1987 in all regions except New England.
- In all nine regions, the percentage of women low earners was much higher than the percentage of men low earners in both 1979 and 1987. However, the gap between men and women in the percentage of low earners decreased between 1979 and 1987 (Figure 6). In all regions except New England, however, this was not because the position of women had improved but only because men had done so much worse.

Figure 6 Gap Between Men and Women, Percentage Low Earners by Region, 1979–1987



Gap = % Women Low Earners – % Men Low Earners
Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

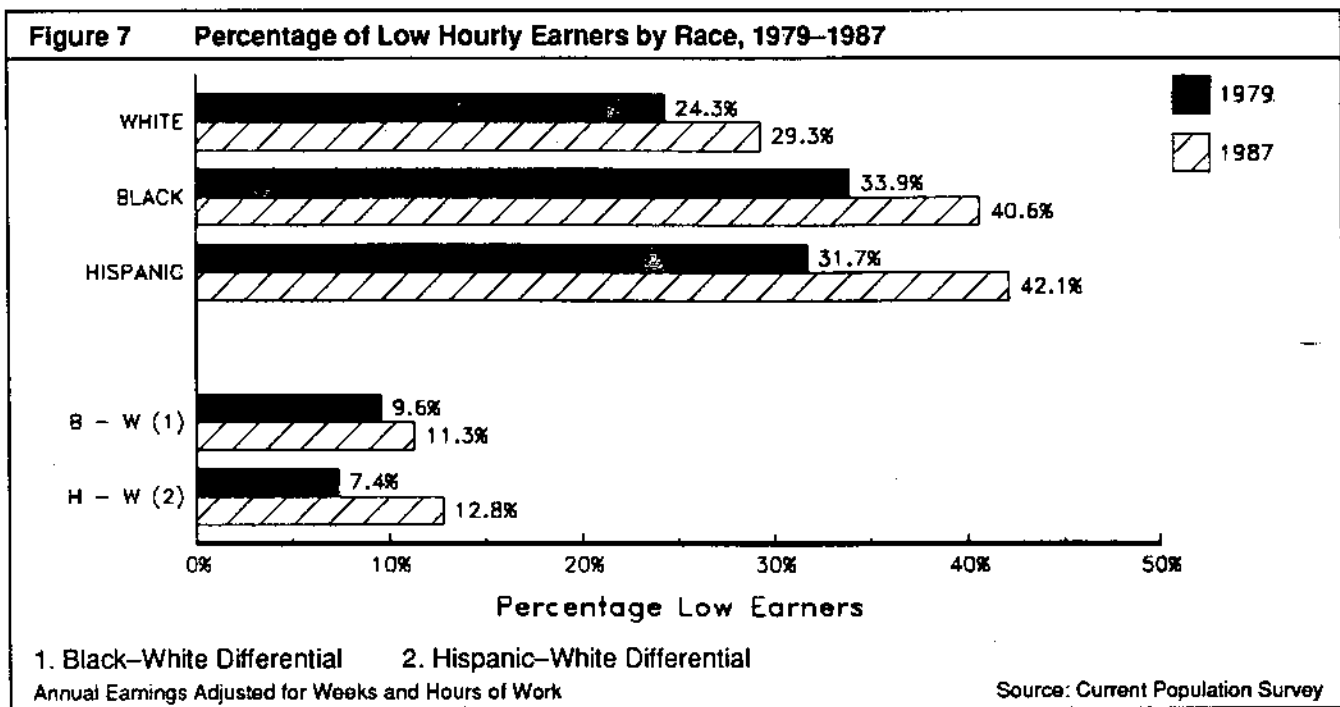
Differences Among Whites, Blacks, and Hispanics

Black and Hispanic workers have always been at a disadvantage in the labor market relative to whites and our results for workers by race reflect this. In 1987, more than 4 out of every 10 Black or Hispanic workers earned less than poverty level for a family of four, as compared with less than 3 out of 10 white workers (see Figure 7).

Not only were Black and Hispanic workers much more likely to be earning less than the poverty line in 1987 than white workers, but the increase in low earnings be-

tween 1979 and 1987 was greater for Black and Hispanic workers than it was for whites. Thus, the gap between white and Black workers and the gap between white and Hispanic workers both increased between 1979 and 1987 (Figure 7).

- In 1987, over 40 percent of Black and Hispanic workers earned less than the poverty level for a family of four. Among whites, almost 30 percent earned less than poverty level.
- Workers in all race groups showed a significant increase in the percentage of



low earners between 1979 and 1987. However, the increases were larger for Blacks and Hispanics than for whites.

- Between 1979 and 1987, the percentage of Hispanic workers earning less than poverty level increased by 10.4 percentage points, from 31.7 to 42.1 percent.
- Between 1979 and 1987, the percentage of Black workers earning less than poverty level increased by 6.7 percentage points, from 33.9 to 40.6 percent.
- For whites, the percentage of low earners increased from 24.3 to 29.3 percent, an increase of 5 percentage points between 1979 and 1987.
- The gap between Blacks and whites in the percentage of low earners increased from 9.6 percentage points in 1979 to 11.3 in 1987.
- The gap between Hispanics and whites in the percentage of low earners increased from 7.4 percentage points in 1979 to 12.8 in 1987.

Breaking the country down into nine regions again, we find that in every region except New England, the percentage of low earners increased between 1979 and 1987 for all race groups. As can be seen in Table 4, considerable variation exists in the experience of different race groups between the regions. For whites, the largest percentage point increase in low earners was found in the East South Central region, whereas for Blacks it was in the East North Central region and for Hispanics in the Pacific. Thus, no one region emerges as the poor performer for all race groups over this time period.

When we look at where the greatest *improvement* has been for different race groups, New England stands out since the percentage of low earners *declined* for both whites and Blacks (a lack of sufficient cases makes a Hispanic comparison impossible). Between 1979 and 1987, the position of Blacks improved to the point where in 1987 the percentage of Black low earners was *lower* than the percentage of white low earners (Table 4). These results are due in part to the fact that urban New England,

Table 4 Percentage of Low Hourly Earners—Regions by Race, 1979–1987

	1979		1987		Change 1979–87	
	Number in 1000's	Percentage	Number in 1000's	Percentage	Number in 1000's	Percentage
NEW ENGLAND WHITE	1,504	24.8%	1,535	24.2%	31	2.0%
BLACK	63	29.4	60	22.3	(3)	-4.8
HISP**			54	33.3		
MID ATLANTIC WHITE	3,044	21.2	3,548	24.2	503	16.5
BLACK	412	24.5	500	28.8	88	21.4
HISP	214	28.8	373	31.9	159	74.3
E.N. CENTRAL WHITE	3,984	22.6	5,425	30.3	1,441	36.2
BLACK	449	24.9	723	38.1	274	61.0
HISP	87	25.1	190	39.1	103	117.8
W.N. CENTRAL WHITE	2,183	28.3	2,807	34.3	624	28.6
BLACK	113	32.9	168	44.8	55	48.7
HISP**						
S. ATLANTIC WHITE	3,360	26.4	4,642	30.0	1,282	38.1
BLACK	1,211	39.8	1,917	44.5	706	58.3
HISP	148	31.0	383	41.7	235	159.3
E.S. CENTRAL WHITE	1,431	28.6	2,166	39.2	735	51.4
BLACK	509	47.6	662	52.0	153	10.4
HISP**						
W.S. CENTRAL WHITE	2,086	27.5	2,807	32.0	721	34.6
BLACK	524	40.6	731	47.2	207	39.5
HISP	460	39.8	901	50.1	441	95.9
MOUNTAIN WHITE	1,154	26.6	1,669	32.7	515	44.6
BLACK**			83	45.0		
HISP	206	32.9	337	40.8	132	64.1
PACIFIC WHITE	2,296	20.7	3,050	24.9	754	32.8
BLACK	227	25.9	239	26.0	12	5.3
HISP	522	28.5	1,329	42.6	807	154.6

** Insufficient Number of Cases

Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

where almost all the region's Blacks reside, has done much better than rural New England, which is almost completely White.

Differences by Age Group

One argument offered for why the percentage of low earners in the labor market has increased is that the arrival of the "baby boom" has flooded the job market, thus depressing wages. Since there are more workers available for each job opening, employers can lower wages and still be assured of finding enough employees.

However, we find this argument inadequate to explain the growth of low earners between 1979 and 1987. First, the period we are looking at follows the period when the bulk of the baby boom (born between 1945 and 1960) entered the labor market. In fact, the number of workers entering the labor market each year has declined in the 1980s, causing labor shortages in some areas. If anything, we should have seen an increase in the percentage of low earners during the 1970s, not the 1980s. Instead, as others

have shown and we corroborate, the reverse is true.

Second, if the problem of low earnings were largely an outgrowth of the baby boom, we would not expect to find a significant increase in the percentage of low earners among all age categories of workers. However, as our results displayed in Figure 8 demonstrate, that is exactly what we find—an increase in the percentage of low earners in each age category. Moreover, the largest increase in the percentage of low earners is in the age 16–24 category—a startling 15.6 percentage points—even though the absolute number of workers in this age category *declined* between 1979 and 1987.

- Counter to the argument that the entrance of the baby boom into the labor market explains the growth of low earners, in fact the number of workers entering the labor market each year has declined in the 1980s. In spite of this, we find that an increase in the percentage of low earners occurred in each of four age categories between 1979 and 1987.

- For 16–24 year olds, the percentage of low earners increased a startling 15.6 percentage points, from 46.5 to 62.1 percent. This is in spite of a sizeable decline in the number of workers in this age category between 1979 and 1987.

Differences Among Education Groups

Another explanation often given for why the percentage of low earners has increased among all workers is that, since today's jobs demand more skill and education, workers with less skill and education can only find low-paying jobs. We tested this possibility by dividing workers into four categories based on their education: high school drop-outs, those with at most a high school degree, workers with some college, and workers with four years of college or more. If the problem is confined to the less educated, we shouldn't find a growth of low earners among workers who have attended college. As the results displayed in Figure 9 demonstrate, however, workers in all education groups experienced a significant increase in their percentage of low earners between 1979 and 1987.

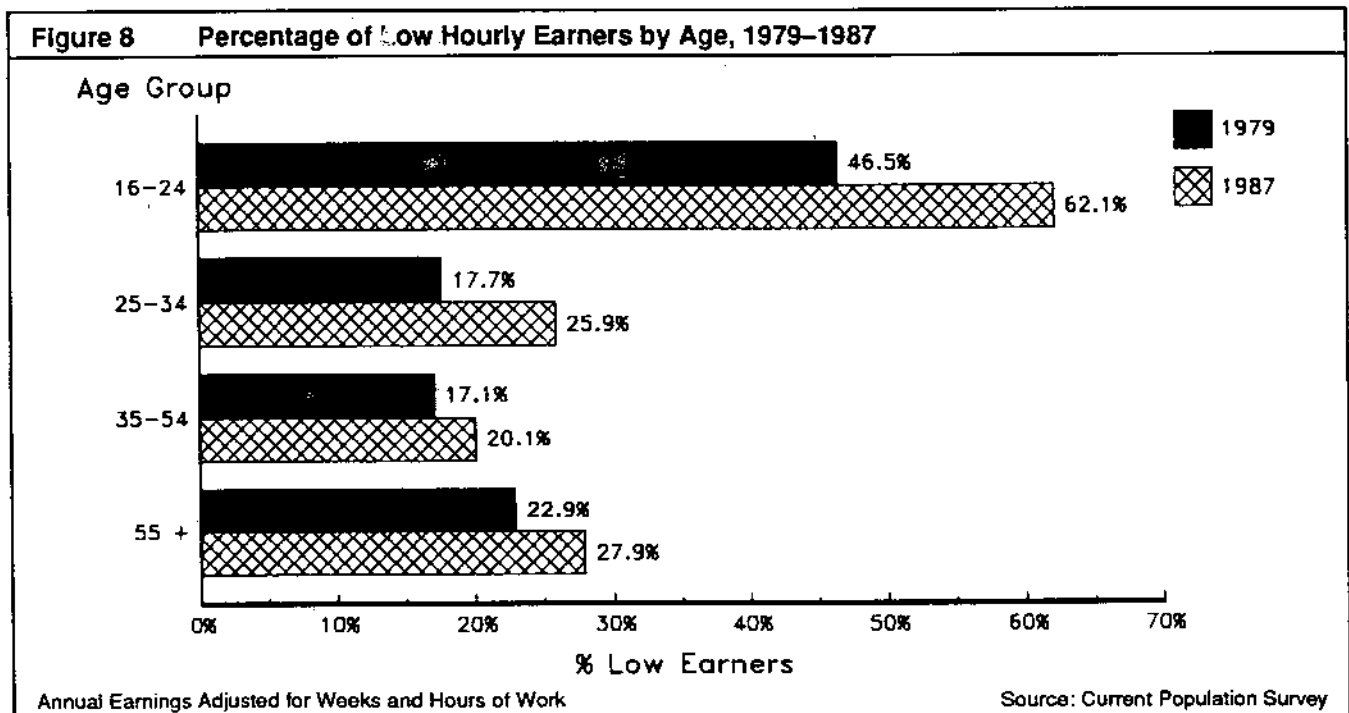
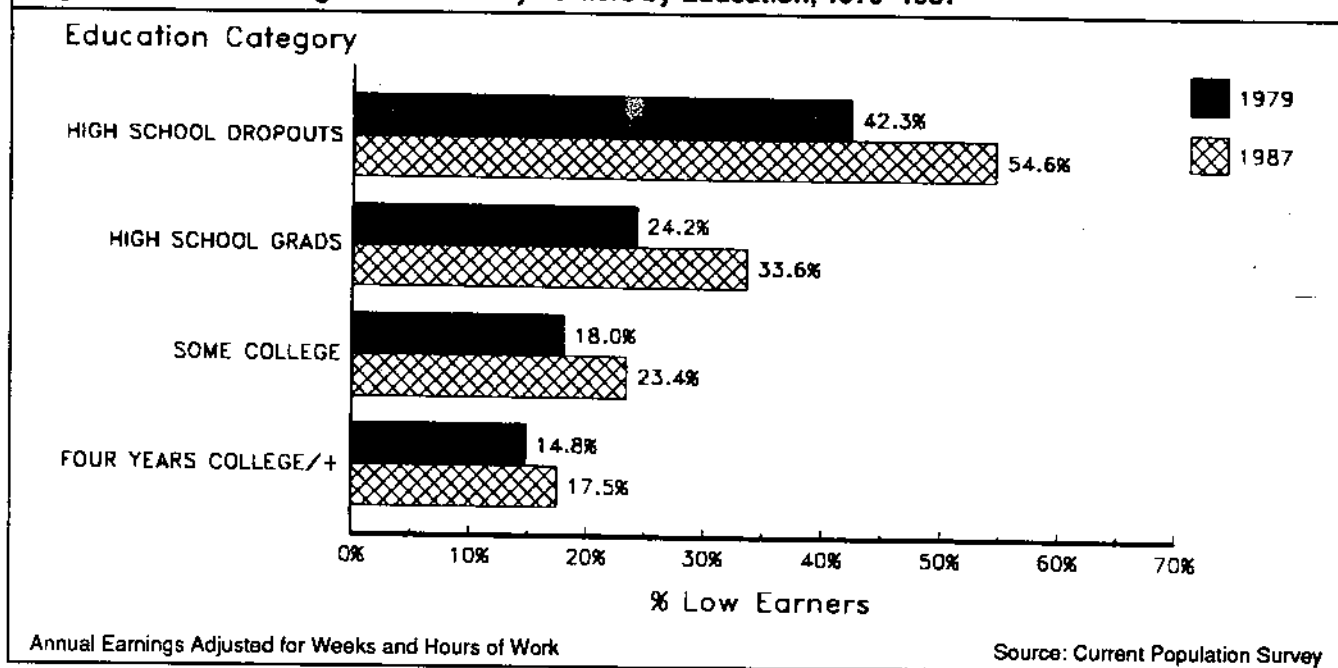


Figure 9 Percentage of Low Hourly Earners by Education, 1979–1987

- Between 1979 and 1987, the percentage of low earners increased among workers in all education categories.
- In 1987, 55 percent of high school dropouts, 34 percent of high school graduates, 23 percent of workers with some college, and 18 percent of workers with four years of college or more worked under the poverty line.

While the increased education and skill demands of work cannot be a *complete* explanation of the growth of low earners over the past decade, however, we shouldn't abandon this explanation altogether. Looking again at Figure 9, we see that out of our four education categories, the highest percentage point increases of low earners can be found among high school dropouts (12.3), followed by high school graduates (9.4), workers with some college (5.4) and workers with four years of college or more (2.7). Thus while workers with no college have always been at a disadvantage in the labor market, over the past decade they have fallen even further behind other

workers. The explanation for this could lie partly in the changing demand for skills in the labor market. However, we feel it is also related to other structural factors such as the loss of unionized manufacturing jobs and the impact of increased international competition on those segments of U.S. industry that most intensively employ workers with relatively little formal schooling.

- The gap between workers without any college education and those with has increased substantially. Between 1979 and 1987, the share of workers earning below the poverty line increased by 12.3 percentage points for high school dropouts and by 9.4 percentage points for high school graduates, compared with 5.4 percentage points for workers with some college and 2.7 percentage for workers with four years of college or more.
- In 1987, well over half of all high school dropouts—54.6 percent—worked below the poverty level for a family of four, compared with 42.3 percent in 1979.

We also used another way to understand whether some education groups are doing better or worse than others. We calculated a simple ratio: the percentage of low earners who are in education category X divided by the percentage of workers in education category X in the total population. A ratio of 1.0 tells us that the education group is neither over- or underrepresented among low earners. For example, if workers with some college are 20 percent of the population and also 20 percent of low earners, this gives them a ratio of 1.0.

Since we expect advanced education to be rewarded, we expect that high school dropouts will be overrepresented among the ranks of low earners and college-educated workers will be underrepresented. As Table 5 shows, this is true: high school dropouts had a ratio of 1.73 in 1987, compared with 1.07 for high school graduates,

.75 for those with some college, and .55 for those with four years of college or more.

The important finding about these ratios, however, is how they have changed over the past decade (Table 5). Between 1979 and 1987, the ratio for high school dropouts increased from 1.64 to 1.73, while for high school graduates it increased from .94 to 1.07. In other words, high school dropouts have become increasingly *overrepresented* in the ranks of low earners while high school graduates went from being underrepresented in 1979 to being overrepresented in 1987. At the same time, workers with four years of college or more became increasingly *underrepresented* among low earners. Education has always been important in increasing workers' opportunities for better-paying jobs, and now education appears to be more important than ever.

Table 5 Ratio of % Low Earners to Total Population by Education Group, 1979-1987

	1979 Percentage	1987 Percentage	Change 1979-87
HS DROPOUT			
% OF LOW EARNERS	40.30	31.70	(8.60)
% OF TOTAL POP	24.50	18.30	(6.20)
RATIO	1.64	1.73	0.09
HS GRADUATE			
% OF LOW EARNERS	37.40	42.20	4.80
% OF TOTAL POP	39.60	39.60	0.00
RATIO	0.94	1.07	0.13
SOME COLLEGE			
% OF LOW EARNERS	8.90	10.90	2.00
% OF TOTAL POP	12.70	14.60	1.90
RATIO	0.70	0.75	0.05
4 YRS COLLEGE/+			
% OF LOW EARNERS	13.40	15.20	1.80
% OF TOTAL POP	23.20	27.50	4.30
RATIO	0.58	0.55	(0.03)

Ratio = % of All Low Earners in Education Group X Divided by % of Education Group X in Total Population

Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

A COMPARISON OF RURAL AND URBAN WORKERS

In the last section, where we examined the nation as a whole, we saw that the percentage of workers earning less than the poverty level for a family of four increased

between 1979 and 1987. This was true for men and women, for all races, for all age and education groups, and in all geographic regions except New England.

Here we present results comparing rural and urban (nonmetropolitan and metropolitan) workers over the same time period. The economy of the rural U.S. has experienced some devastating shocks over the 1980s, but no one has looked at how these changes have affected the distribution of earnings. As farm and other natural resource-based industries have declined, what has been the impact on the earnings of different groups in the rural labor force? How has this varied by region? And how does this compare to what has happened in urban areas, often themselves going through major structural transformations, such as the shift from manufacturing to services?

First, let's look at how rural workers were doing compared with urban workers in 1979, the start of our 1979 to 1987 time period. In 1979, 31.9 percent of rural workers earned below the poverty level for a family of four, compared with 23.4 percent of urban workers (Figure 10). Thus despite the economic prosperity experienced by many rural areas in the 1970s, rural workers were still 36 percent more likely to be earning low wages than urban workers. By 1987, the gap between rural and urban workers had

widened considerably. The percentage of rural low earners in 1987 had risen to 42.1 percent, an increase of over 10 percentage points. While urban workers also experienced a rise in the percentage of low earners, the increase was just over half that for rural workers—an increase of 5.5 percentage points from 23.4 to 28.9 percent. Thus, in 1987, rural workers were over 45 percent more likely to be earning low wages than urban workers.

- Between 1979 and 1987, the gap between rural and urban workers widened, as measured by the percentage of workers earning below the poverty level.
- By 1987, more than 4 out of every 10 rural workers earned below the poverty level. For urban workers, close to 3 out of 10 earned below poverty level.

Rural/Urban Differences by Sex

When we break the labor force down into men and women, we find results similar to those for all rural and urban workers (Figure 11). For both men and women, the percentage of low earners is significantly

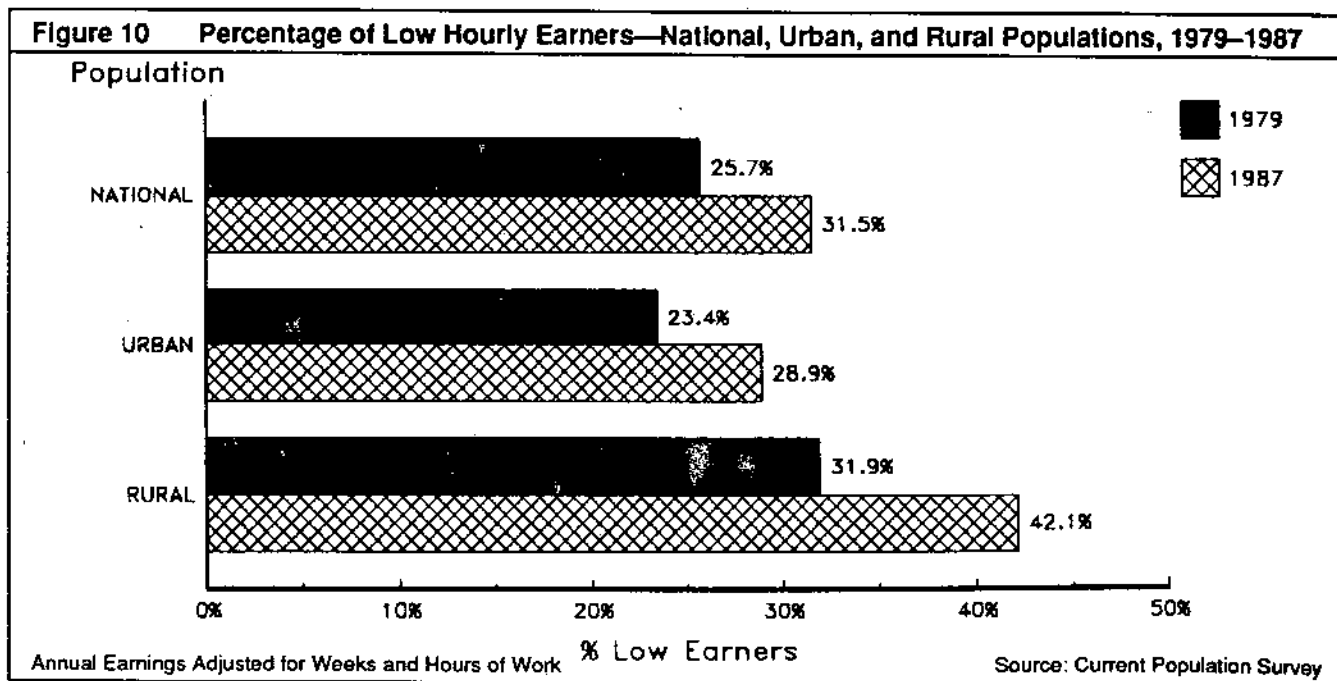
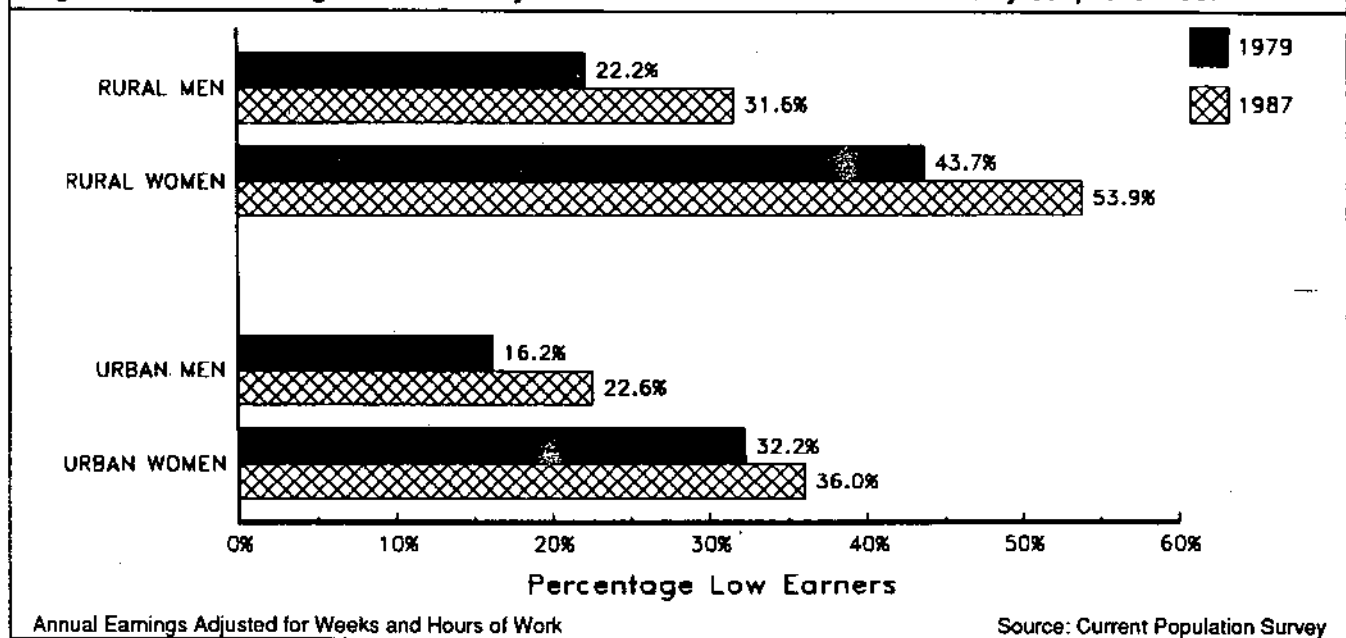


Figure 11 Percentage of Low Hourly Earners—Rural and Urban Workers by Sex, 1979–1987

higher in rural areas than in urban areas in both 1979 and 1987. Also, for both men and women, the percentage of workers earning less than the poverty level for a family of four increased between 1979 and 1987 in both rural and urban areas. The increase in the percentage of low earners was greater for rural men than for urban men (9.4 percentage points as compared with 6.4 percentage points) and for rural women than for urban women (10.2 and 3.8 percentage points, respectively).

One troubling difference in our results for men and women is the extent to which the rural/urban gap has widened between 1979 and 1987. While the rural/urban gap for men widened from 6.0 to 9.0 percentage points, for women it widened from 11.5 to 17.9 percentage points. Thus in 1987, the rural/urban gap for women was roughly twice that for men. Unfortunately, this is because rural women have done so poorly, rather than urban women having done better.

- Between 1979 and 1987, men and women in both rural and urban areas experienced a significant increase in their per-

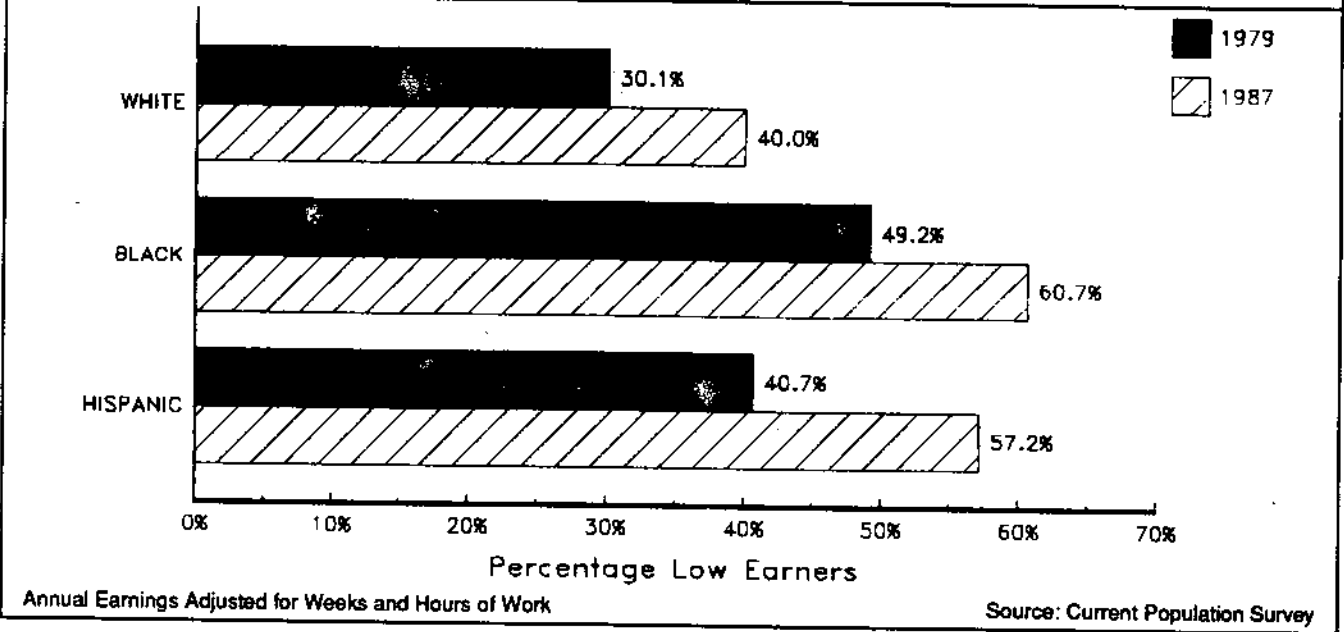
centage of low earners. The increase was greatest in rural areas for both men and women.

- More than half of all rural women were low earners in 1987.
- In 1987, the rural/urban gap in the percentage of low earners increased for both men and women between 1979 and 1987.
- In 1987, the rural/urban gap for women was roughly twice that for men—17.9 percentage points for women compared with 9.0 percentage points for men.

Rural/Urban Differences by Race

Rural areas have never offered great job opportunities to Black and Hispanic workers, and this was even more true in 1987 than it was in 1979. In 1979, 30 percent of rural whites, 40 percent of rural Hispanics, and almost 50 percent of rural Blacks earned below poverty level for a family of four. By 1987, these percentages had increased to 40 percent for whites, 57 percent for Hispanics, and over 60 percent for Blacks (Figure 12). Thus all three race groups showed a

Figure 12 Percentage of Low Hourly Earners—Rural Workers by Race, 1979–1987



dramatic increase in their percentage of low earners in rural areas—9.9 percentage points for whites, 11.5 percentage points for Blacks, and an incredible 16.5 percentage points for Hispanics. Whereas rural Hispanics had a considerably lower percentage of low earners in 1979 than Blacks, by 1987 the position of Hispanics had deteriorated to the point where it almost matched that of Blacks.

The percentage of low earners not only increased for all race groups in rural areas from 1979 to 1987 but in urban areas, as well (Figure 13). The largest increase was among urban Hispanics (10.7 percentage points) followed by Blacks (6.8 percentage points) and whites (4.3 percentage points). For all three race groups, the rural/urban gap has also increased significantly, again because the position of

Figure 13 Percentage of Low Hourly Earners—Urban Workers by Race, 1979–1987

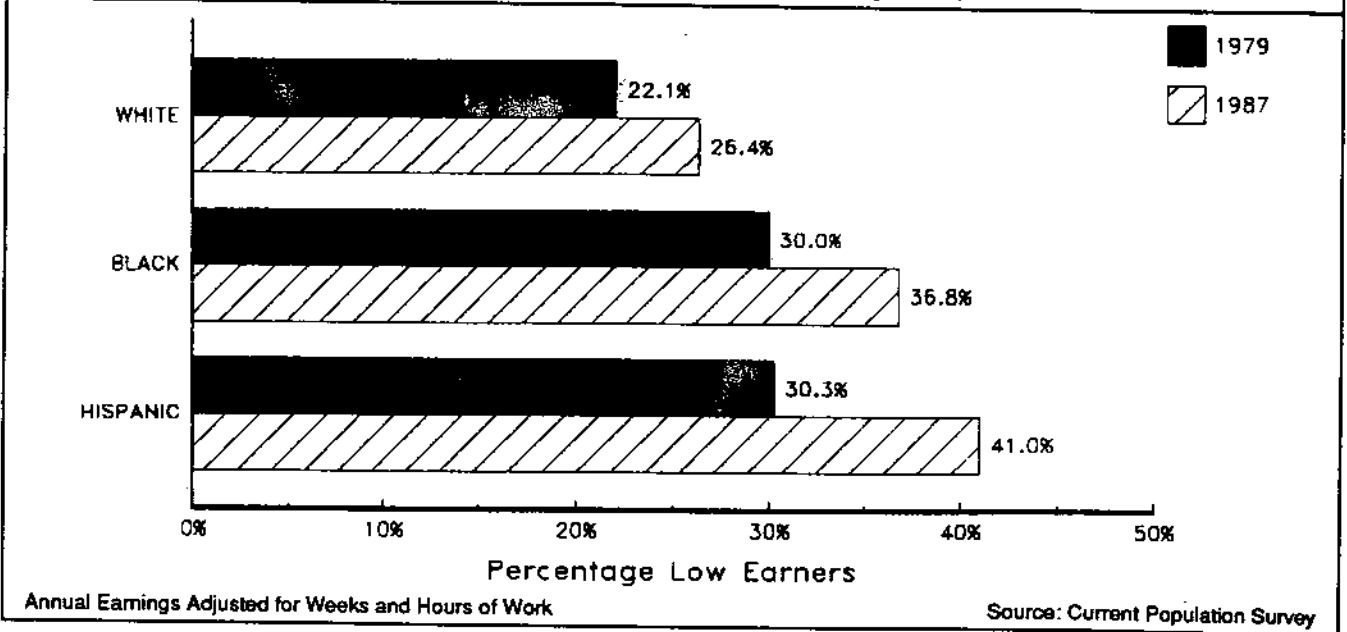
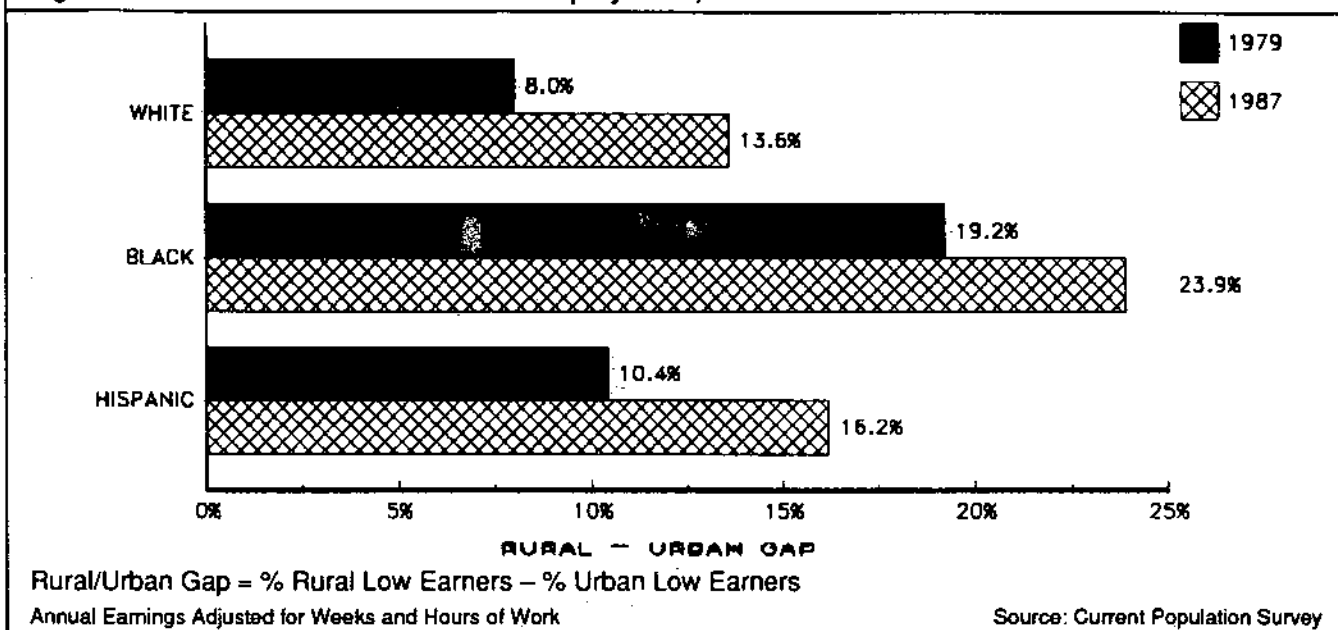


Figure 14 Growth In the Rural/Urban Gap by Race, 1979-1987



rural workers has deteriorated so dramatically (Figure 14).

- Between 1979 and 1987, rural whites, Blacks, and Hispanics all had an increase in their percentage of low earners. The highest increase was for Hispanics, followed by Blacks and then whites.
- In 1987, over 6 out of 10 rural Blacks and close to 6 out of 10 Hispanics earned below the poverty level for a family of four. For whites, 4 out of 10 rural workers were low earners.
- Between 1979 and 1987, the rural/urban gap increased significantly for whites, Blacks, and Hispanics. This is due to the fact that the position of rural workers has deteriorated so dramatically.

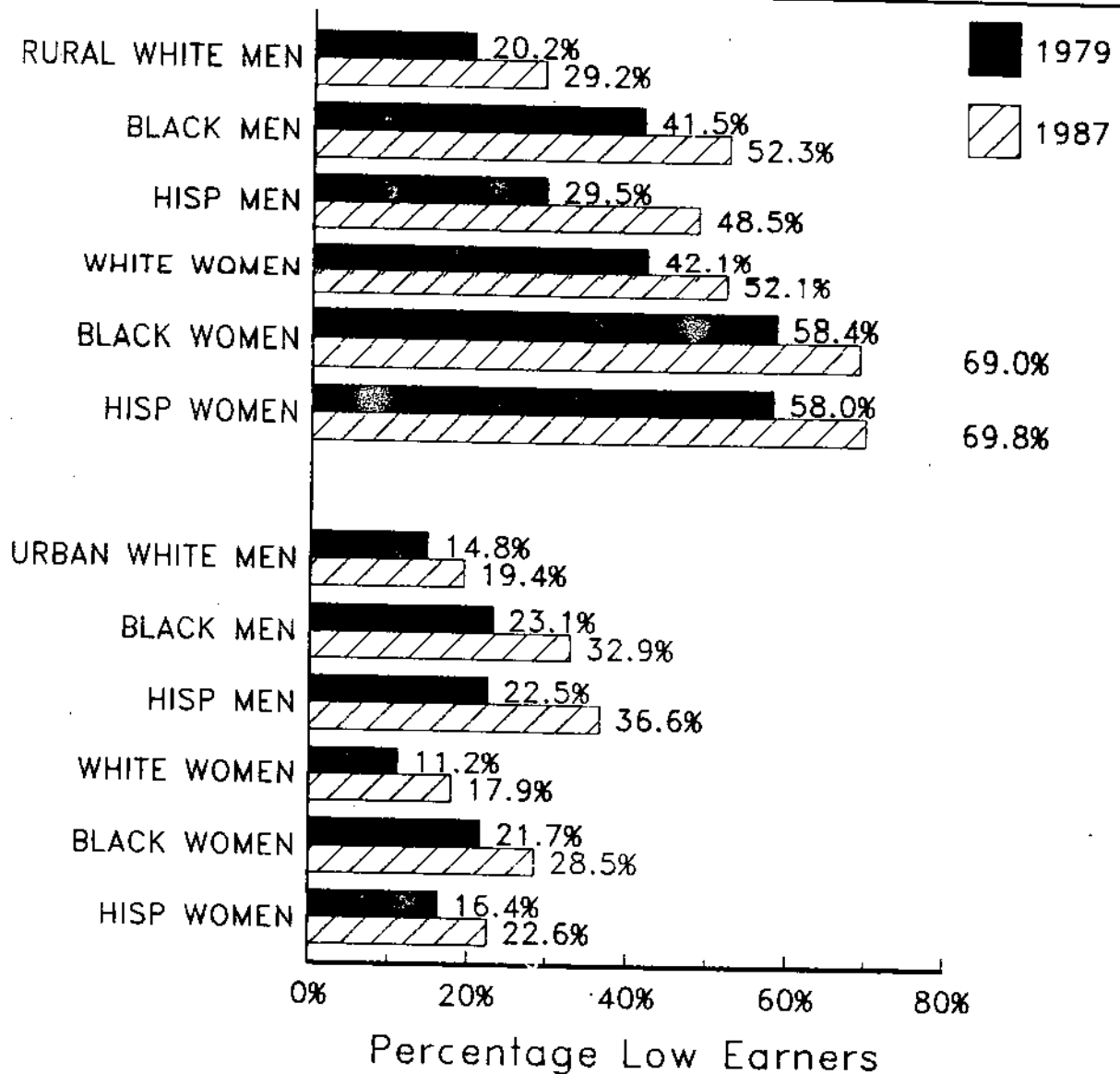
Taking our analysis one step further, we divided each rural and urban race group into men and women (Figure 15). Here again, we find an increase in the percentage of low earners between 1979 and 1987 for all groups, a growing rural/urban gap, and a greater increase in low earners among

rural workers than among urban workers.

However, some important differences between Black and Hispanic men and women emerge out of these results. For white men and all race groups of women, the percentage point increase in low earners in rural areas is two to three times that for urban areas. For Black and Hispanic men, however, the percentage point increase in low earners in urban areas between 1979 and 1987 was much closer to that for rural areas (10.8 compared to 9.8 percentage points for rural and urban Blacks, respectively, and 19.0 compared with 14.1 percentage points for rural and urban Hispanics). This is an indication that Black and Hispanic men are being left behind by the new urban economy. In spite of this, however, the percentage of low earners among urban Black and Hispanic men was still significantly lower in 1987 than for Black and Hispanic women.

- For white men and for white, Black, and Hispanic women, the increase in the percentage of low earners in rural areas was two to three times the increase in urban areas.

Figure 15 Percentage of Low Hourly Earners—Rural and Urban Workers by Race and Sex, 1979–1987



Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

- For Black and Hispanic men, the increase in the percentage of low earners in urban areas was almost as high as that in rural areas—an indication that minority men are being left behind by the new urban economy.

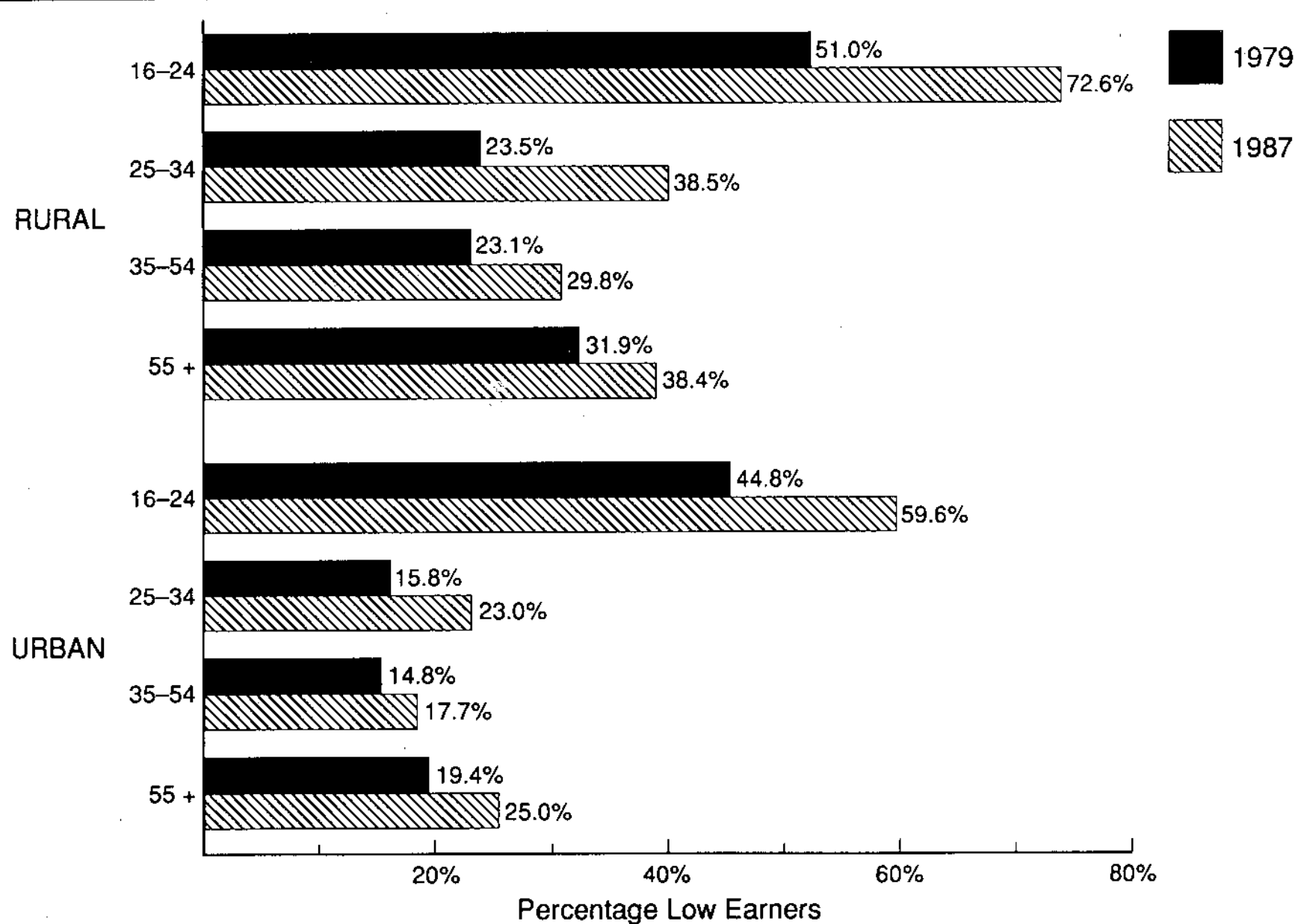
Rural/Urban Differences by Age

Earlier, we tested the hypothesis that the growth of low earners was due to the entrance of large numbers of baby boom workers into the job market. According to

this hypothesis, the influx of new workers would result in an “oversupply” of workers and thereby depress wages. We argued that if this hypothesis were correct, we should not expect to see an increase in the percentage of low earners in older groups of workers, nor in the very youngest group of workers whose numbers were declining in the 1980s.

Our rural and urban results reinforce our earlier conclusions. All age groups of workers show an increase in the percentage

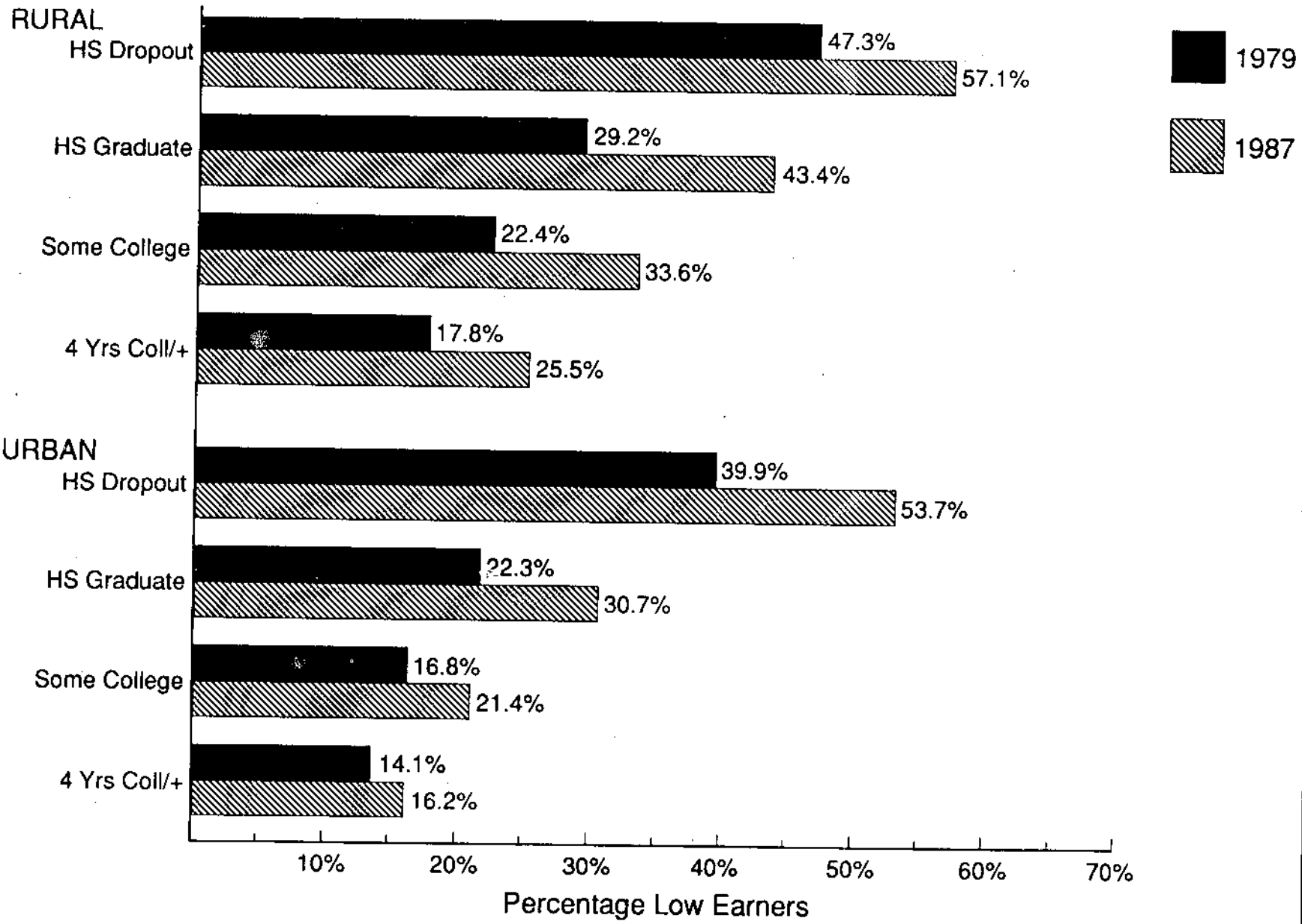
Figure 16 Percentage of Low Hourly Earners—Rural and Urban Workers by Age, 1979–1987



Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

Figure 17 Percentage of Low Hourly Earners—Rural and Urban Workers by Education, 1979–1987



Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

of low earners between 1979 and 1987 in both rural and urban areas (Figure 16). Workers age 16-24 in rural areas showed an increase in low earners of an overwhelming 21.6 percentage points. In 1987, nearly three fourths of all young rural workers earned less than the poverty level for a family of four, compared with just half in 1979. We would expect young workers to have a higher percentage of low earners than older more experienced workers, but this cannot account for the huge increase in low earners between 1979 and 1987. With such a deterioration in earnings prospects for young rural workers, combined with the fact that the levels of earnings are lower in rural areas than in cities, rural areas will have a difficult time in holding onto their most talented young people.

- Between 1979 and 1987, rural and urban workers in all age groups experienced a significant increase in the percentage of low earners.
- In 1979, half of rural workers age 16-24 were low earners. By 1987, three quar-

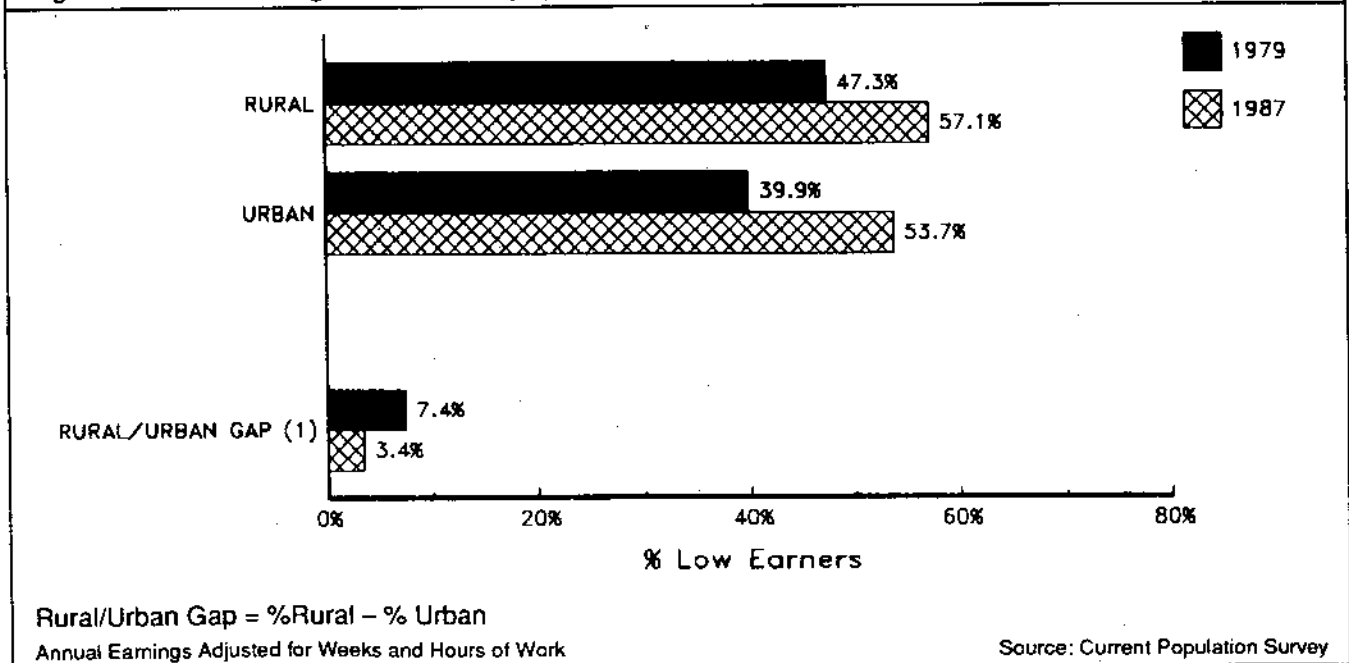
ters of rural workers in this age group were low earners.

Rural/Urban Differences by Education

Perhaps our most interesting rural/urban results are found in Figure 17, where we break down rural and urban workers into the four education categories. For all four education groups in both rural and urban areas, the percentage of workers earning below the poverty line increased significantly between 1979 and 1987.

However, when we separate out our results for high school dropouts we find an important result (Figure 18). Unlike the other three education groups (and in fact unlike our results for any of the other groups we've examined so far), for high school dropouts the percentage point increase in low earners was greater in *urban* areas than in rural areas. The difference is sizeable—a 13.8 percentage point increase for urban high school dropouts compared with a 9.8 percentage point increase for those in rural areas. Also, unlike any of our other results so far, between 1979 and 1987 the rural/urban gap for high school dropouts actually

Figure 18 Percentage of Low Hourly Earners—Rural and Urban High School Dropouts, 1979-1987



declined, a result of the deteriorating position of urban high school dropouts.

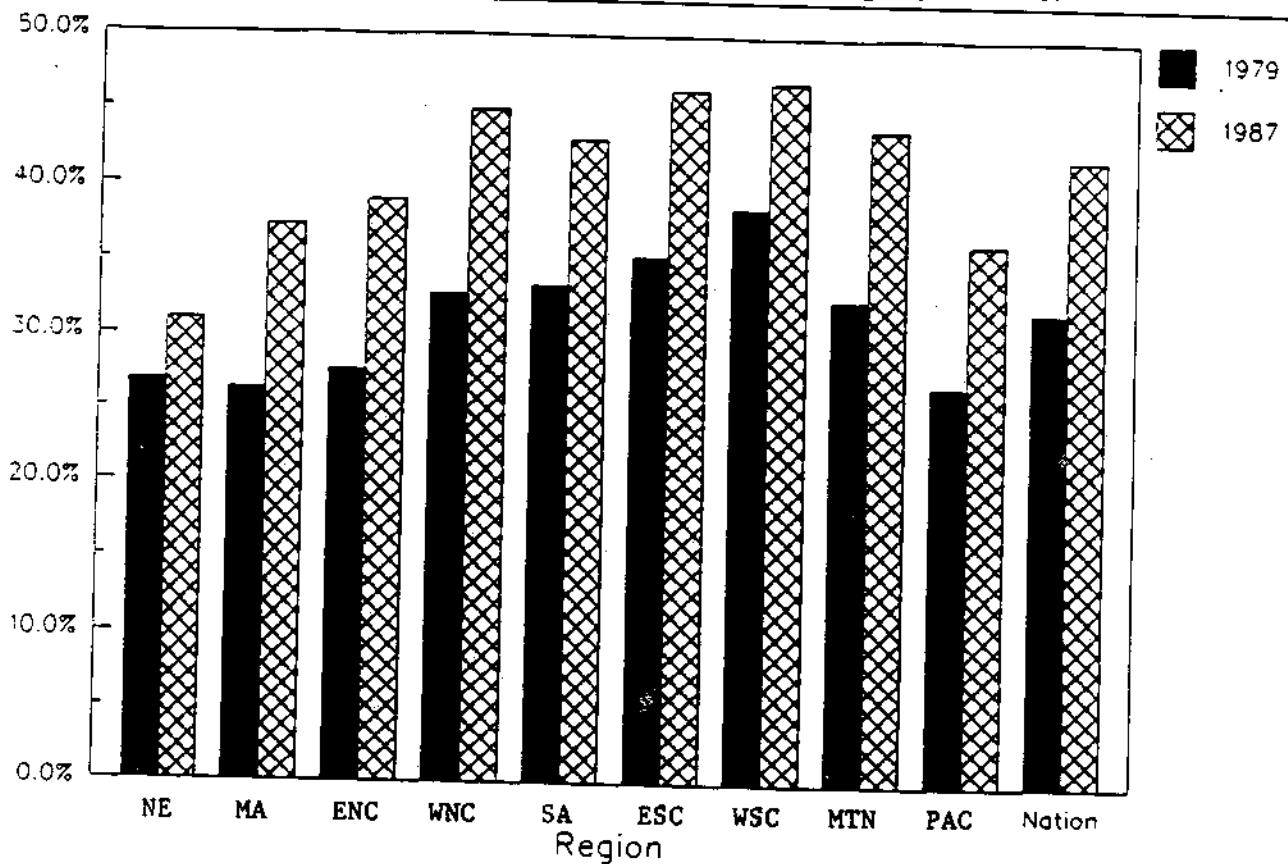
- For all education groups in both rural and urban areas, the percentage of low earners increased significantly between 1979 and 1987.
- In 1987, over half of all rural and urban high school dropouts were low earners. The disadvantage of not completing high school has become extremely severe.
- Unlike the other labor force groups we examined, for high school dropouts the increase in the percentage of low earners in *urban* areas was greater than that in rural areas.

Rural/Urban Differences by Region

As the final part of our rural/urban comparison, we look at the earnings of rural and urban workers in different regions of the country. We know from our earlier results that all regions except New England showed an increase in the percentage of workers earning below poverty level for a family of four. Is this true for all rural areas by region and all urban areas by region? Are labor market opportunities in different regions becoming more similar, or less?

In Figures 19 and 20, we present our results for each region's rural and urban workforce. We find that in every region except New England, both rural and urban workers have shown an increase in the percentage of low earners between 1979 and 1987. In

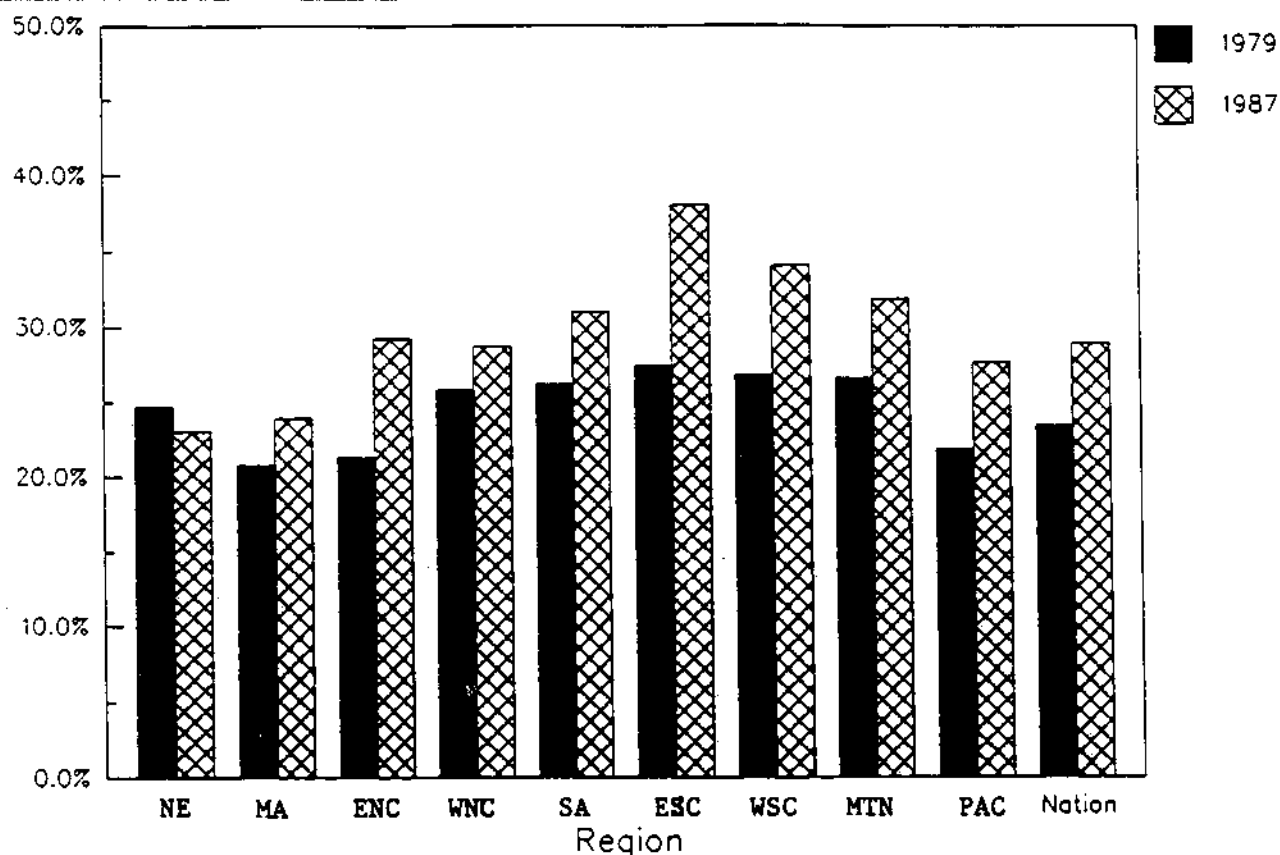
Figure 19 Percentage of Low Hourly Earners—Rural Areas by Region, 1979–1987



Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific

Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

Figure 20 Percentage of Low Hourly Earners—Urban Areas by Region, 1979–1987

Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific
Annual Earnings Adjusted for Weeks and Hours of Work

Source: Current Population Survey

New England, rural workers have also experienced an increase in low earners, but urban workers show a slight decrease.

In all regions, including New England, rural workers have had a larger increase in low earners than have urban workers. Rural workers show the biggest increase in the percentage of low earners in the West North Central region—the traditional farm belt states of Iowa, Minnesota, Missouri, Kansas, Nebraska, North Dakota, and South Dakota. However, somewhat surprisingly, the urban workforce in this same farm region showed the second smallest increase in the percentage of low earners. So while the farm belt's rural workforce has been hard hit by the troubles of farming and other natural resource-based industries such as

mining and timber, its urban workforce appears to have emerged relatively unscathed.

The region with the biggest increase in the percentage of low earners in its urban workforce between 1979 and 1987 is the East South Central region: Kentucky, Tennessee, Alabama, and Mississippi. In 1987, 38 percent of urban workers in this region earned less than the poverty level for a family of four, the highest percentage for any region's urban area in the country. Not surprisingly because of the difficulties of U.S. manufacturing industries over the past decade, the urban region to show the next highest increase was the East North Central—the industrial midwest.

From Figures 19 and 20, we can see that the gap between rural and urban areas

widened in all regions between 1979 and 1987. The region with the biggest increase in its rural/urban gap is the West North Central—again the traditional farm belt. Because of the declining fortunes of its rural areas, this region also had the largest rural/urban gap of any region in 1987.

- Between 1979 and 1987, the percentage of low earners in rural areas increased in each region of the country. The percentage of low earners in urban areas increased in every region but New England.
- In every region of the country, the increase in the percentage of low earners was greater among rural workers than among urban workers, thereby widening each region's rural/urban gap.

Are labor market opportunities becoming more equal across regions or is interregional labor market inequality increasing? Here again, we are using the percentage of low earners as an indicator of labor market opportunity. If labor market opportunities are becoming more unequal among regions, we will find that the variance (a standard measure of inequality) in the percentage of low earners among regions has grown. Our findings show that, by this measure, interregional inequality across both rural and areas has increased. Among urban areas by region, the variance in-

creased from 6.7 to 22.3. In rural areas by region, it increased from 19.7 to 29.1.

- Labor market opportunities have become more unequal across regions in both urban and rural areas, thereby increasing interregional inequality.

Summary of Rural/Urban Results

Our examination of earnings trends in rural and urban areas reveals that rural workers are once again falling further behind urban workers, no matter in which region of the country they reside. It is also true whether they are men or women; white, Black or Hispanic; young or old; college graduates or high school graduates. The one exception we find is for high school dropouts. The gap between the percentage of low earners in rural and urban areas declined for high school dropouts between 1979 and 1987. Unfortunately, this is not due to the fact that rural high school dropouts have improved their position but because urban high school dropouts have done especially poorly.

The rural workforce of the traditional farm belt—the West North Central region—has been the hardest hit of any of the nine regions, followed by the East North Central Region, another region with many family farms. In the section which follows, we examine how the earnings of farm residents have been affected by the farm crisis of the 1980s.

THE FARM POPULATION

The Census Bureau defines the "farm population" as consisting of persons who reside on land that is used principally for agriculture. It therefore includes farm owners, managers, and laborers, as well as farm family members who work off the farm. Based on our CPS data, 7.5 percent of rural workers lived on farms in 1987. Since the definition of this group was not altered by the CPS between 1979 and 1987, studying the farm population gives us another view of the changes taking place in rural America without the complications of the metropolitan/nonmetropolitan definition change discussed previously.⁹

Our results for the farm population, with annual wage and salary income ad-

justed for weeks and usual hours of work, are presented in Figure 21, where they are compared to the results for the national, rural, and urban populations. We find that in 1987, over 50 percent of the farm population received hourly earnings which were too low to lift them over the poverty line. Moreover, the situation has worsened since 1979, when the equivalent figure was 46 percent.

In fact, as can be seen by the results displayed in the long table in the Appendix, the low earnings position of *each* farm labor force group has worsened since 1979. When we divide the farm population into men and women, we find that the percentage of men low earners rose from 42.8 percent in 1979

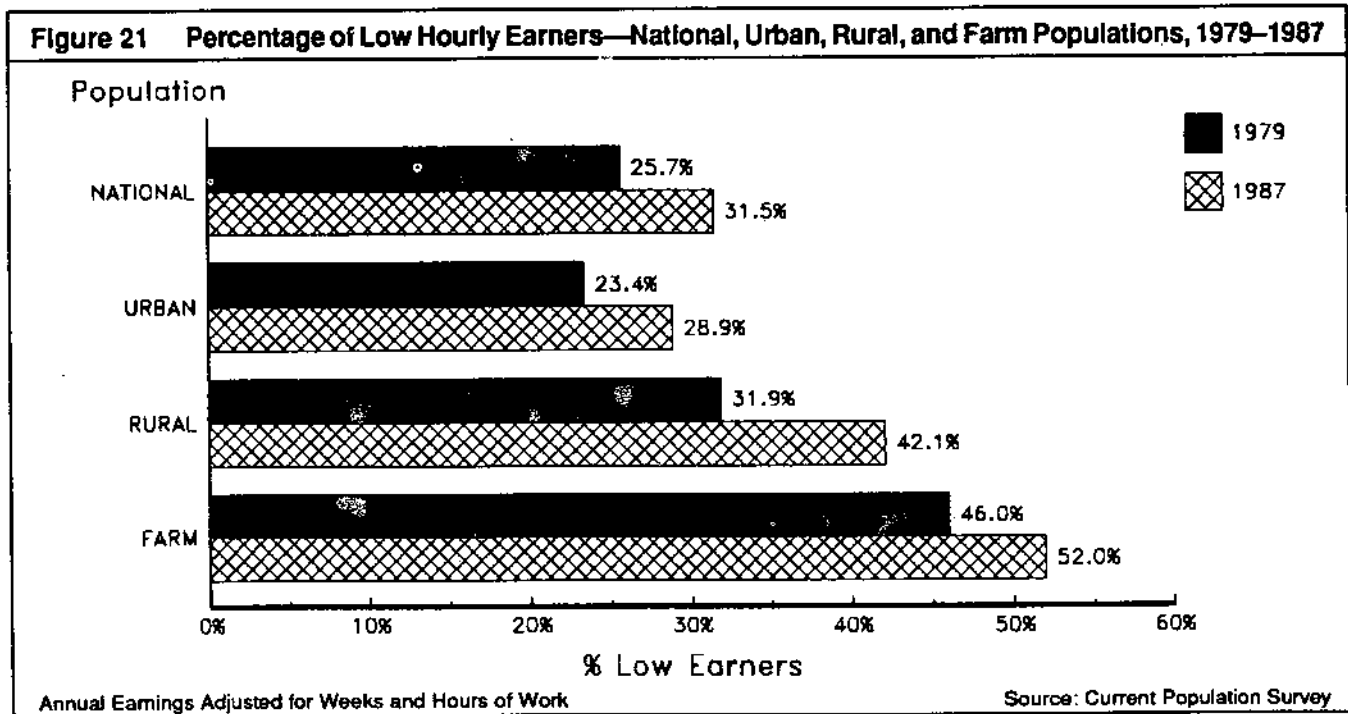
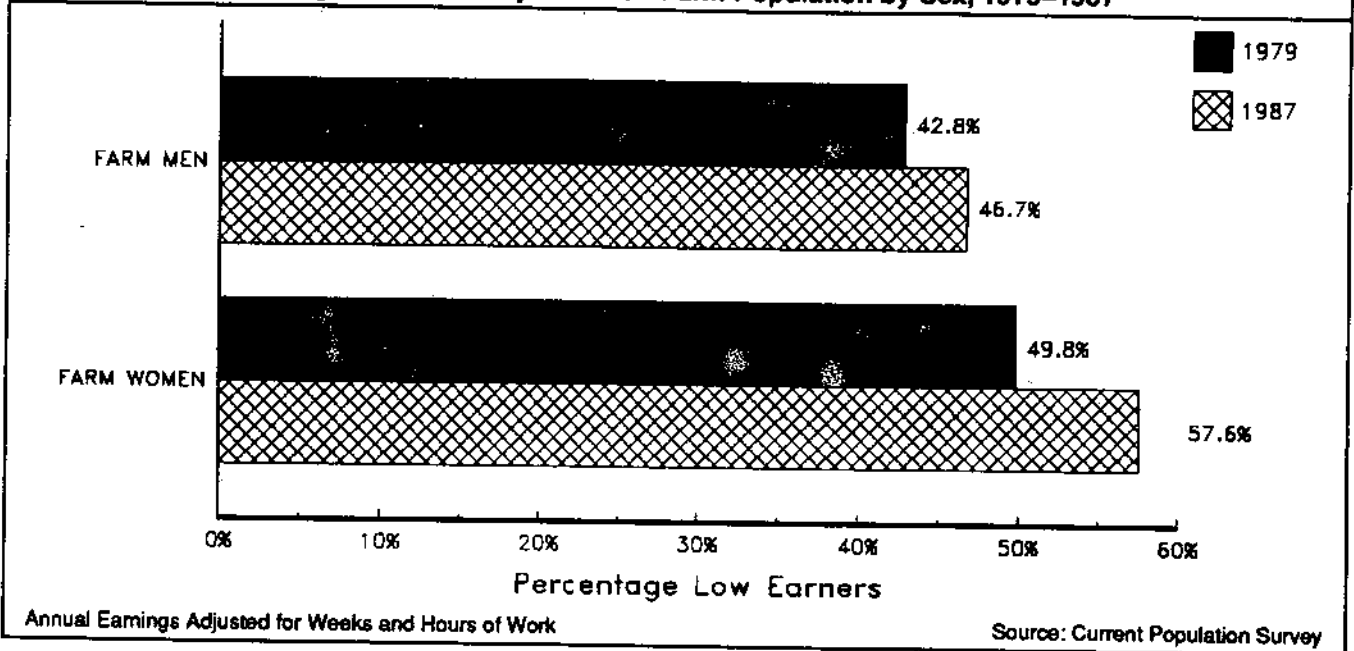


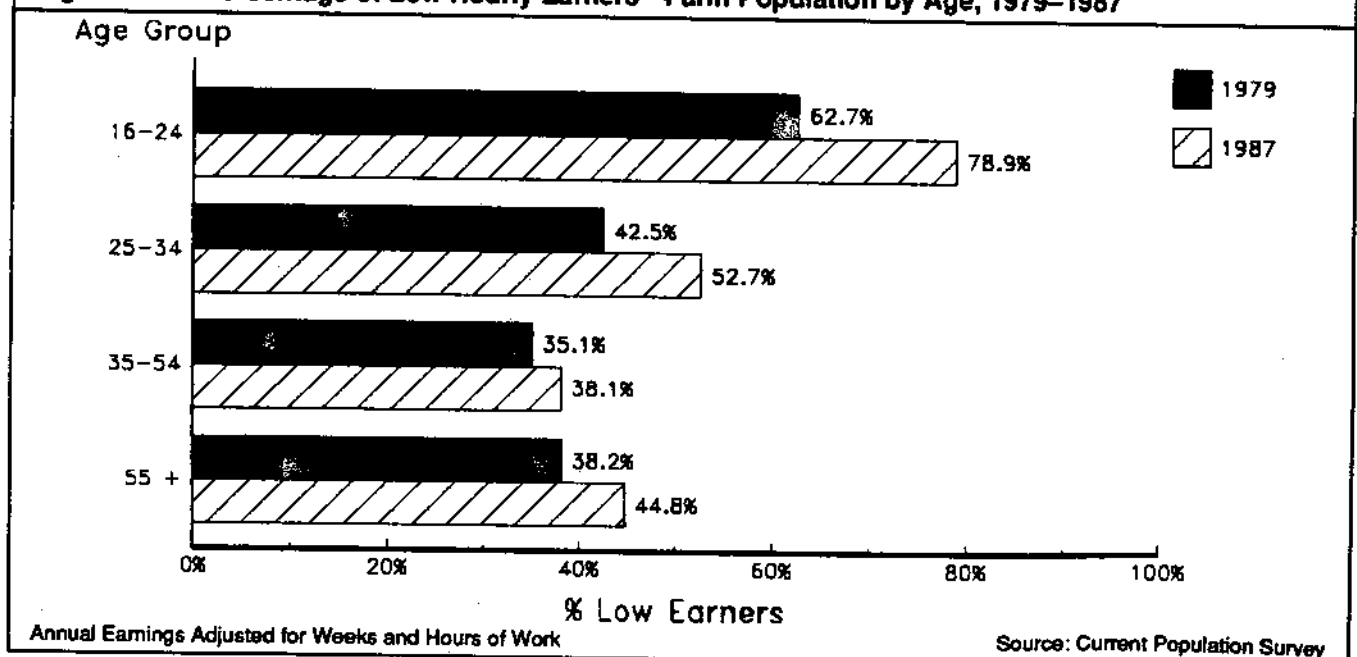
Figure 22 Percentage of Low Hourly Earners—Farm Population by Sex, 1979–1987

to 46.7 percent in 1987. For women, the percentage of low earners rose from 49.8 in 1979 to 57.6 in 1987 (Figure 22). The earnings gap between farm men and women, as measured by the difference in the percentage of men and women receiving low hourly earnings, also widened over this period.

- Both farm men and women experienced an increase in the percentage of low

earners between 1979 and 1987. The earnings gap between farm men and women also widened over this period.

Going to Figure 23, we compare farm residents in different age groups. All age groups in the farm population experienced a substantial increase in the percentage of low earners between 1979 and 1987. Young workers age 16–24 have fared especially

Figure 23 Percentage of Low Hourly Earners—Farm Population by Age, 1979–1987

poorly. In 1987, close to 4 out of 5 young farm residents were low earners. The level of 78.9 percent in 1987 is a 16.2 percentage point increase from the level of 62.7 percent in 1979. As with our results for young workers in the general population, we would expect that a high percentage of young people would be low earners due to less labor force experience and training. But again, this cannot explain why workers in this age group have experienced such a dramatic rise in the percentage of low earners.

- Among the farm population, all age categories of workers have experienced a sharp rise in the percentage of low earners over the past decade. Young workers age 16 to 24 have fared especially poorly. In 1987, close to 4 out of 5 young workers were low earners.

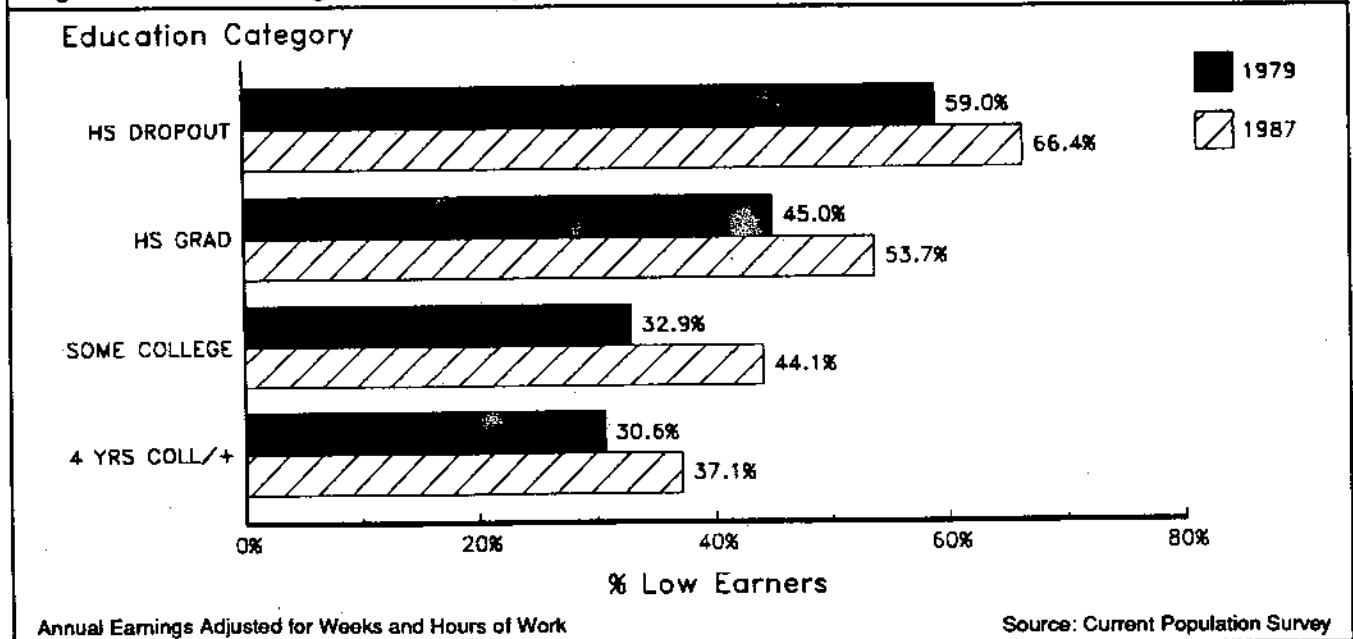
Lastly, our previous results showed that in both rural and urban areas and in all regions, both high school dropouts and high school graduates have fared particularly poorly. As our results for education groups displayed in Figure 24 show, this is also

true for farm residents. In 1987, 66.4 percent of farm high school dropouts were low earners as compared with 57.1 percent of rural high school dropouts. For farm high school graduates, 53.7 percent were low earners in 1987 compared with 43.4 percent of all rural high school graduates.

As in rural areas across the country, all four education groups in the farm population experienced substantial increases in the percentage of low earners over the past decade. In fact, the education group to show the largest increase in the percentage of low earners among farm residents was workers with some college education—an increase of 11.2 percentage points from 32.9 percent in 1979 to 44.1 percent in 1987.

- Among the farm population, workers in all education categories experienced a substantial increase in the percentage of low earners over the past decade. Workers with no years of college education in the farm population were at a particular disadvantage in the labor market, just as they are in the larger population.

Figure 24 Percentage of Low Hourly Earners—Farm Population by Education, 1979–1987



LONGER-TERM TRENDS IN THE DISTRIBUTION OF EARNINGS

Our earlier results for hourly earnings revealed that a growing percentage of workers earned below the poverty line for a family of four between 1979 and 1987, whether those workers were rural or urban, men or women, white, Black, or Hispanic, high school dropouts or college graduates, younger or older. We found the same result in all regions with the exception of urban New England.

The answers to the questions we posed at the beginning of this report thus have disturbing answers. Is a growing proportion of the workforce being denied economic prosperity? Yes. Is regional inequality increasing? Yes. Is the gap between rural and urban workers widening? Yes. Are some groups being put at an increasing disadvantage in the job market? Yes, and they are the same groups which historically have been denied economic opportunity—Blacks, Hispanics, young workers, workers with less education, rural workers generally and farm residents in particular.

Before discussing the policy implications of these findings, we have one more important question which this report will address: are these troubling developments between 1979 and 1987 simply a continuation of a longer-term trend, or do they actually reverse the earnings trends of the 1970s?

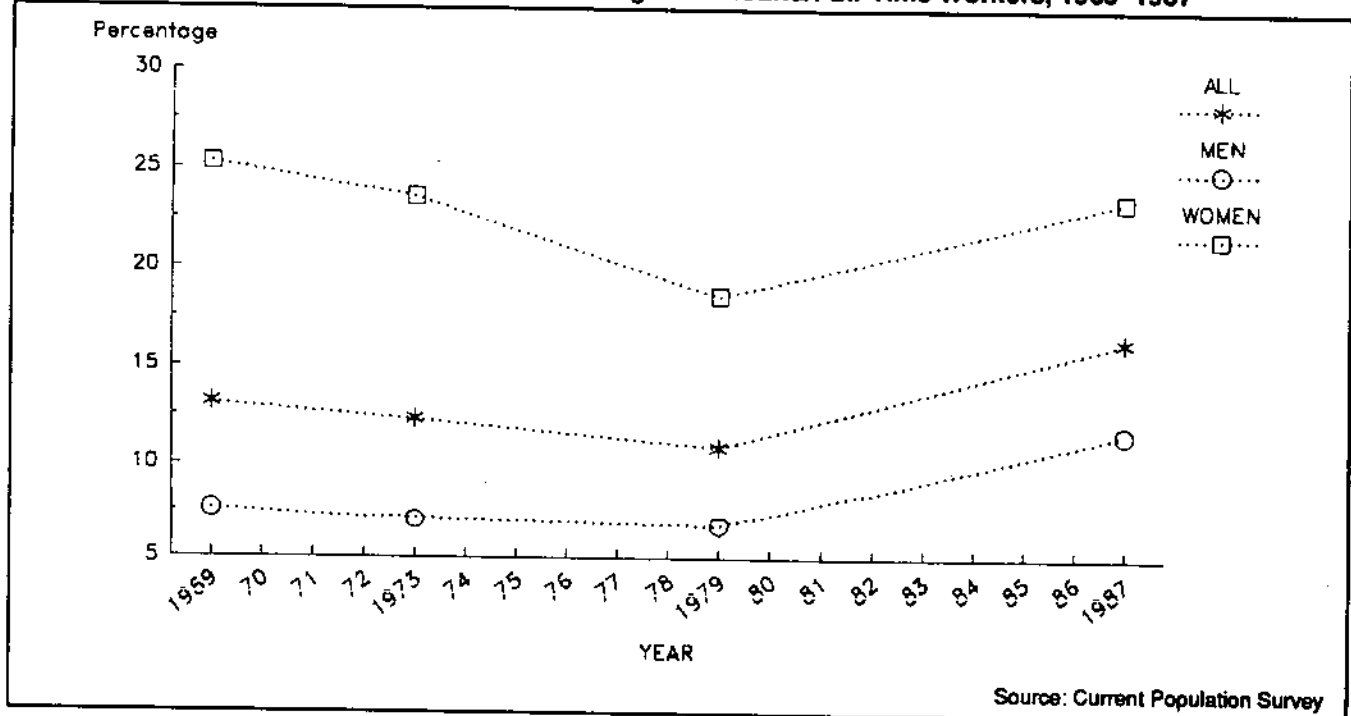
In this next section, we examine earnings trends for two additional time periods: 1969 to 1973 and 1973 to 1979. All three years—1969, 1973, and 1979—are business cycle peaks. To control for differences in

weeks and hours of work, we can no longer estimate hourly earnings as we did for 1979 and 1987 (since the CPS doesn't contain information on weeks and hours of work for these earlier years). Instead, we examine earnings trends for year-round and full-time (YRFT) workers, whom we can assume usually work 40 hours per week and 52 weeks per year.

Figure 25 displays our findings for all YRFT workers over the period 1969 to 1987. Keep in mind that our results show only the change from peak year to peak year but that we do not know what happened in the intervening years or what will happen after 1987.¹⁰ Thus, even though there has been a large upward jump in the percentage of low earners between 1979 and 1987, this does not necessarily mean that we are on a path where the percentage of low earners will keep climbing.

From 1969 to 1979, the percentage of workers earning below the poverty level for a family of four gradually declined from 13.1 percent to 10.9 percent, then increased sharply to 16.3 percent in 1987. Thus for all workers, the increase in the percentage of low earners between 1979 and 1987 constitutes a sharp break with this earlier period—what Harrison and Bluestone (and, more recently, *Business Week* magazine) have called the “U-turn” in American earnings inequality.¹¹

- The increase in the percentage of low earners working year round and full

Figure 25 Percentage of Low Earners Among Year-Round/Full-Time Workers, 1969–1987

time between 1979 and 1987 represents a sharp break with the earnings trend of the previous decade when the percentage of low earners declined.

Is this reversal of the earnings trends of the 1970s also true for men and women? We might expect that as women have taken advantage of affirmative action programs and expanded their job opportunities, the percentage of YRFT women workers earning low wages might have declined steadily throughout the 1970s and 1980s. Instead, as our results in Figure 25 show, we find that for both men and women the percentage of low earners declined during the 1970s but then took a sharp turn upward in the 1980s. In fact, the percentage of low earners among men in 1987 is higher than in any previous year of our study by a considerable margin—11.6 percent in 1987 compared with 7.6 percent in 1969.

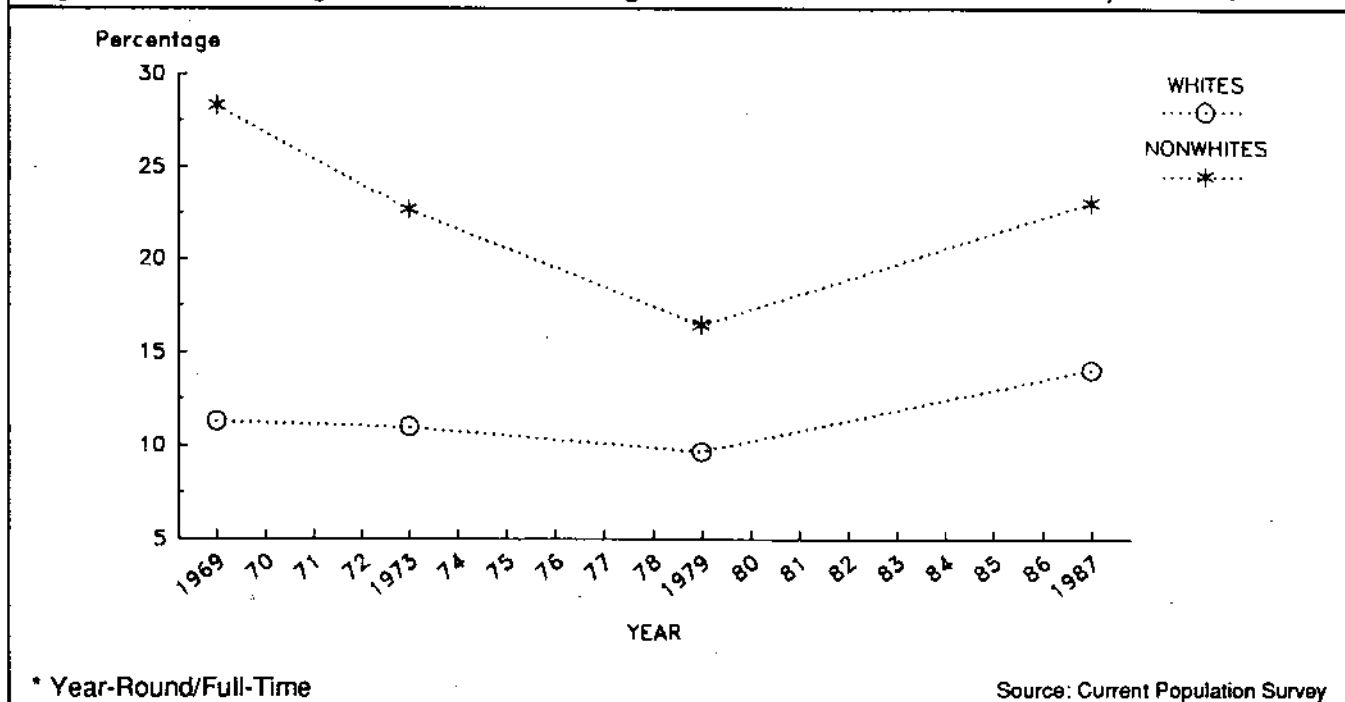
- For both men and women working year round and full time, the increase in the percentage of low earners between 1979

and 1987 reverses the earnings trend of the previous decade.

- For men working year round and full time, the percentage of low earners in 1987 (11.6) is considerably above the level of any previous year of our study going back to 1969 (7.6).

Since we can only separate out Hispanics for 1979 and 1987 due to limitations of our data, we have used white and nonwhite for our race categories for YRFT workers. Approximately 80 percent of nonwhites were Black in both 1979 and 1987, with the remaining 20 percent made up of Asians, Hispanics, and Native Americans.

Again, we find a gradual decline in the percentage of low earners among whites from 1969 to 1979 and then a sharp turn upward from 1979 to 1987 (Figure 26). Similar to our results for men, in 1987 the percentage of low earners among YRFT white workers was actually *higher* than in 1969. Even white male workers, who have historically had a privileged position in the

Figure 26 Percentage of Low Earners Among White and Nonwhite YRFT* Workers, 1969–1987

labor market relative to other workers, have experienced a decline in their earnings prospects.

For nonwhites, the decline in the percentage of low earners between 1969 and 1979 was substantial—from 28.3 to 16.5 percent—but then it jumped back up to 23.1 percent in 1987. Thus, again, we see that this increase in the percentage of low earners over the past decade has been a reversal of the earnings trends of the previous decade.

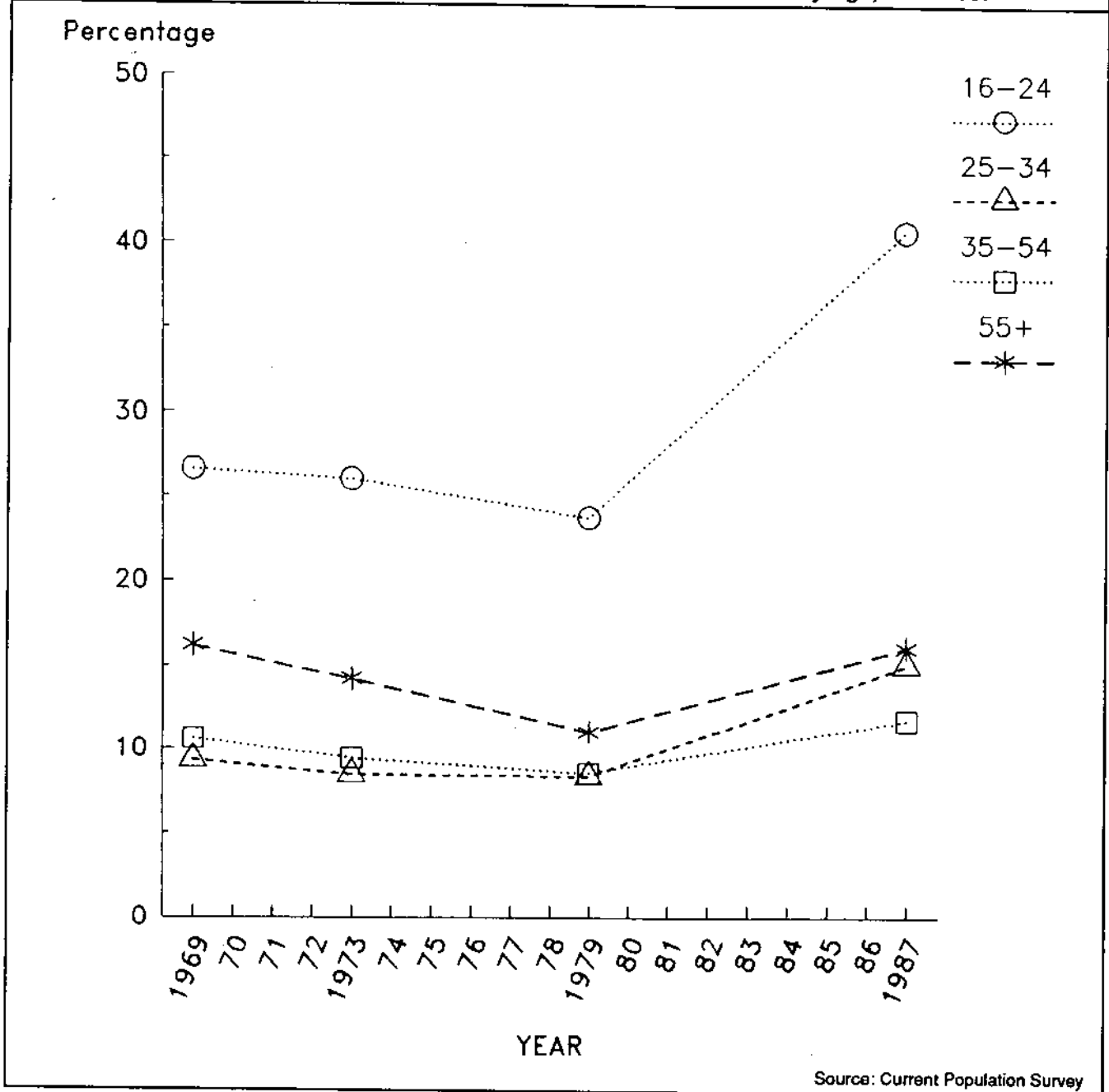
- For both whites and nonwhites working year round and full time, the increase in the percentage of low earners between 1979 and 1987 represents a reversal of the trend of the previous decade when the percentage of low earners declined. For white workers, the percentage of low earners in 1987 was higher than in any previous year of our study, going back to 1969.

Looking at our age categories (Figure 27), we find the same pattern for all groups of workers, young and old alike. For each

age group, the increase in the percentage of low earners over the past decade reversed the earlier trend of a decline in low earners. In fact, for each age group except for workers over age 55, the level of earners working below the poverty line was higher in 1987 than in 1969.

Our results for young workers are particularly disturbing. In 1969, 26.6 percent of workers age 16 to 24 earned less than the poverty level for a family of four. In 1973, this incidence had fallen slightly to 26.0 percent and then again to 23.7 percent in 1979. But in 1987, the percentage of low earners leapt to an astounding 40.6 percent—very much higher than its starting point of 26.6 percent in 1969. While we expect young workers to earn less than older workers with more experience, there is no easy explanation for this jump in the percentage of low earners in this age group. We find this erosion in the labor market prospects of young YRFT workers troubling, particularly in light of the crucial need to provide youth with evidence that they can succeed by entering the traditional

Figure 27 Percentage of Low Earners—Year-Round/Full-Time Workers by Age, 1969–1987



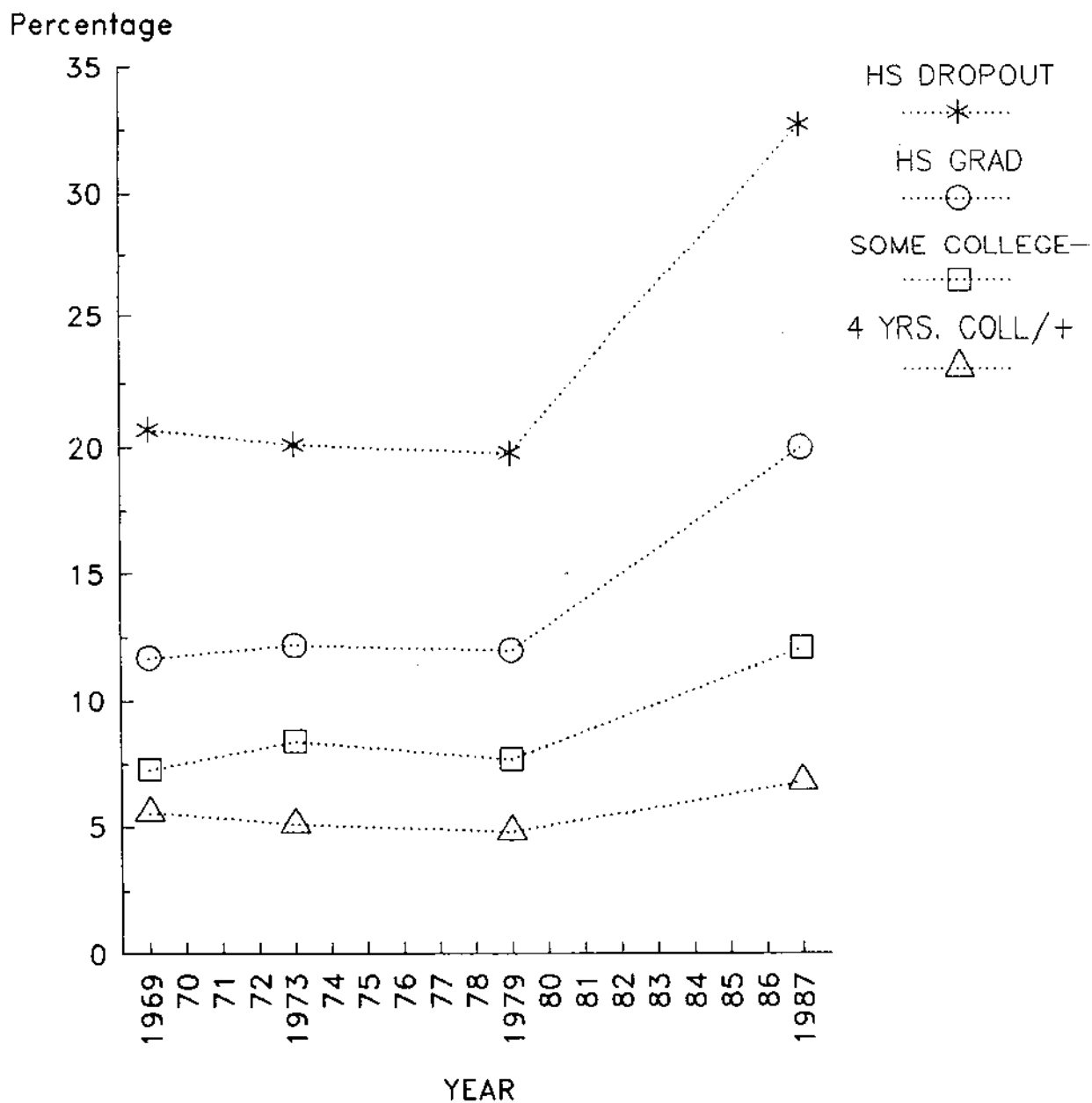
job market, rather than resorting to the underground economy or trying to find fulfillment through teenage parenthood.

- For all age groups working year round and full time, the percentage of low earners increased between 1979 and 1987, reversing the trend of the previous decade. For each age group except workers over 55, the percentage of low

earners was at a higher level in 1987 than in any previous year of our study going back to 1969.

Do each of our four education groups exhibit this same pattern of a decline and then an increase in low earners among YRFT workers? Starting in 1969, 20.7 percent of high school dropouts were low earners (Figure 28). This declined only slightly to

Figure 28 Percentage of Low Earners—Year-Round/Full-Time Workers by Education, 1969–1987



The category "4 YRS Coll/+" equals at least 4 years of college education

Source: Current Population Survey

20.1 percent in 1973, then slightly again to 19.8 percent in 1979. Thus over the 10 year period from 1979 to 1979, the percentage of low earners among high school dropouts remained relatively constant. From 1979 to 1987, however, the level suddenly jumped up to 32.7 percent—a 65 percent increase. Whereas 1 in 5 high school dropouts working YRFT were low earners in 1979, by 1987 this figure had jumped to almost 1 in 3.

Our three remaining education groups—high school graduates, workers with some college, and workers with four years of college or more—all exhibit a pattern similar to high school dropouts, though the turnaround between 1979 and 1987 is not quite as dramatic. For each group, the percentage of workers earning below the poverty line for a family of four fluctuated only slightly between 1969 and 1979, then rose substan-

tially from 1979 to 1987. Workers with four years of college or more working YRFT are the best trained segment of the workforce. The fact that this group also shows an increase in the percentage of low earners between 1979 and 1987 is a strong indication that the cause does not lie simply in a demand for more skilled workers.

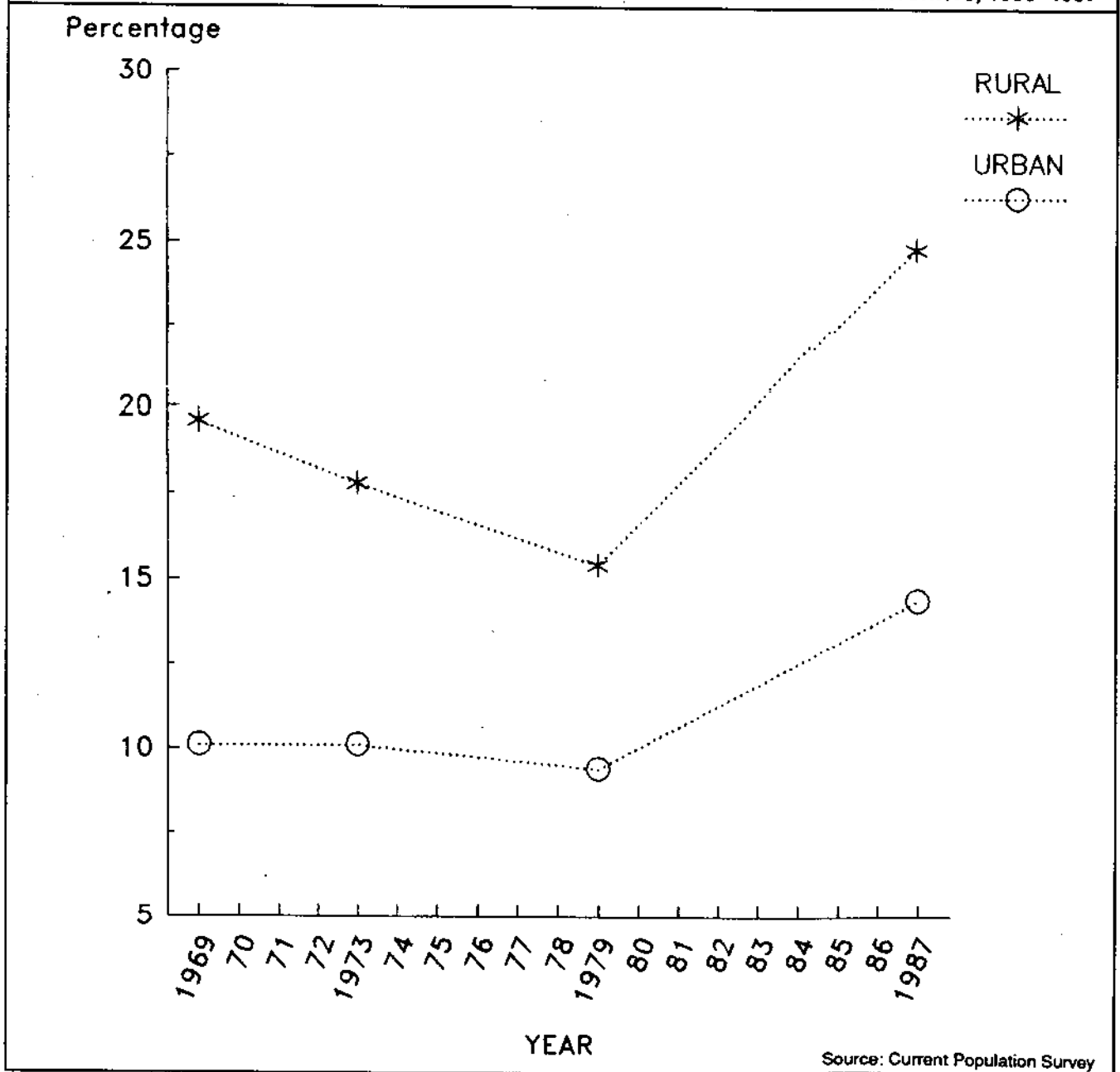
- Year-round/full-time workers in all education groups experienced a decline in

the percentage of low earners during the 1970s, followed by a sharp increase in the 1980s. For workers in each education category, the level of low earners in 1987 was higher than in any previous year of the study, going back to 1969.

Year-Round/Full-Time Workers in Rural and Urban Areas

If we divide the nation into rural and urban areas for YRFT workers, do our

Figure 29 Percentage of Low Earners—Rural and Urban Year-Round/Full-Time Workers, 1969–1987



findings differ from those of the nation as a whole? Figure 29 displays our results for rural and urban YRFT workers. In both rural and urban areas, the pattern of a declining percentage of low earners from 1969 to 1979 followed by an increase from 1979 to 1987 is clearly present. This duplicates our results for YRFT workers in the nation as a whole. We can also see from Figure 30 that in both rural and urban areas, the percentage of low earners in 1987 is at an unprecedented level when compared to previous years going back to 1969.

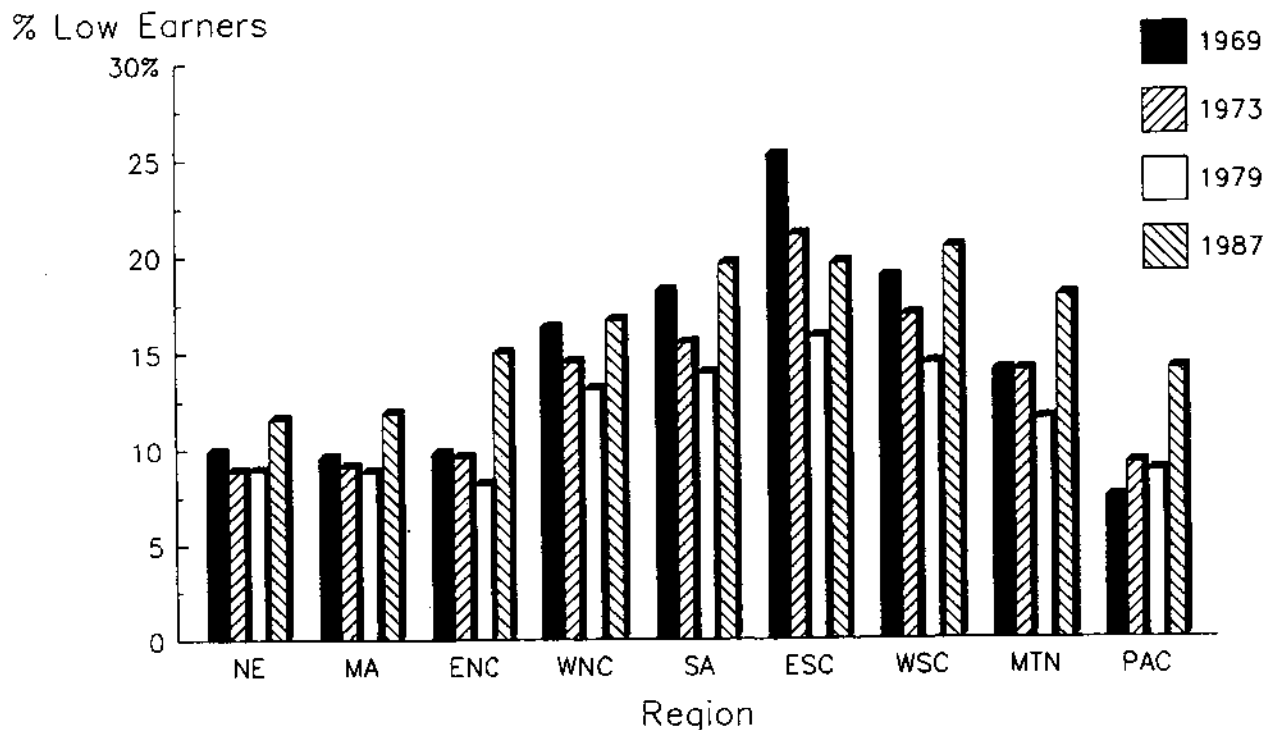
This "U-Turn" effect is most dramatic among rural workers. Over the 1970s as rural wages and income rose, the percentage of low earners dropped steadily. After 1979 when the economies of so many rural areas were in crisis, the percentage of low earners jumped up dramatically. Since the increase in the percentage of low

earners was greater in rural areas than in urban areas over the past decade, the gap between rural and urban YRFT workers also increased.

- Year-round/full-time workers in both rural and urban areas experienced an increase in the percentage of low earners over the past decade which reversed the earnings trends of the previous decade. This "U-Turn" effect is most dramatic among rural workers.

The national trend of a decline in the percentage of YRFT low earners from 1969 to 1979 followed by a substantial increase in the percentage of low earners between 1979 and 1987 cuts across each of the twenty labor force groups we examined. Does this national trend mask differences among the nine regions, or simply echo regional patterns?

Figure 30 Percentage of Low Earners—YRFT* Workers by Region



Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific

* Year-Round and Full-Time

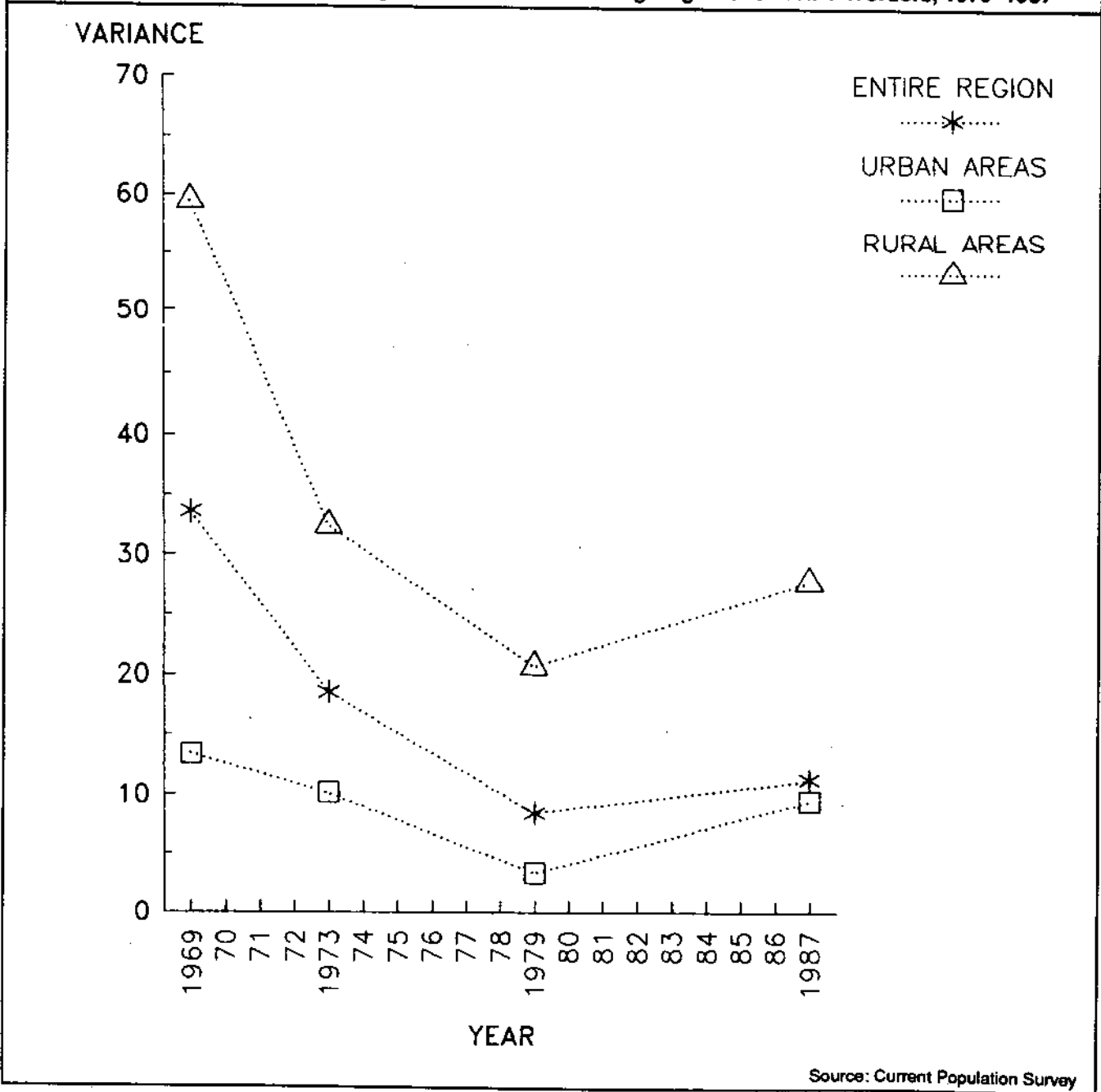
Source: Current Population Survey

As the results displayed in Figure 30 indicate, all nine regions repeat the same trend found in the nation as a whole, with one minor permutation in the Pacific region. (In the Pacific, the percentage of low earners rose from 1969 to 1973, declined from 1973 to 1979, then increased again from 1979 to 1987). In fact, the percentage of low earners was higher in 1987 than in any previous year of our study in every

region except the East South Central (Kentucky, Tennessee, Alabama, and Mississippi). In the Pacific region, the percentage of low earners in 1987 (14.1 percent) was nearly twice that of 1969 (7.4 percent).

Recall that in our examination of hourly earnings, we found that labor market inequality had increased among regions from 1979 to 1987. Using our information on YRFT workers, we can see the longer-term

Figure 31 Variance in Percentage of Low Earners Among Regions for YRFT Workers, 1979-1987



trend in regional inequality (Figure 31). Our findings show that the variance in the percentage of low earners among regions declined from 33.6 in 1969 to 18.5 in 1973, dropped further to 8.4 in 1979, then increased to 11.2 in 1987. This same pattern also holds for all rural areas by region and among all urban areas by region. While the level of regional inequality was much lower in 1987 than it was in either 1969 or 1973, the increase in inequality between 1979 and 1987 is nevertheless disturbing. The increase also supports our speculation that the changes in the structure of earnings between 1979 and 1987 may reflect a fundamental shift in the labor market.

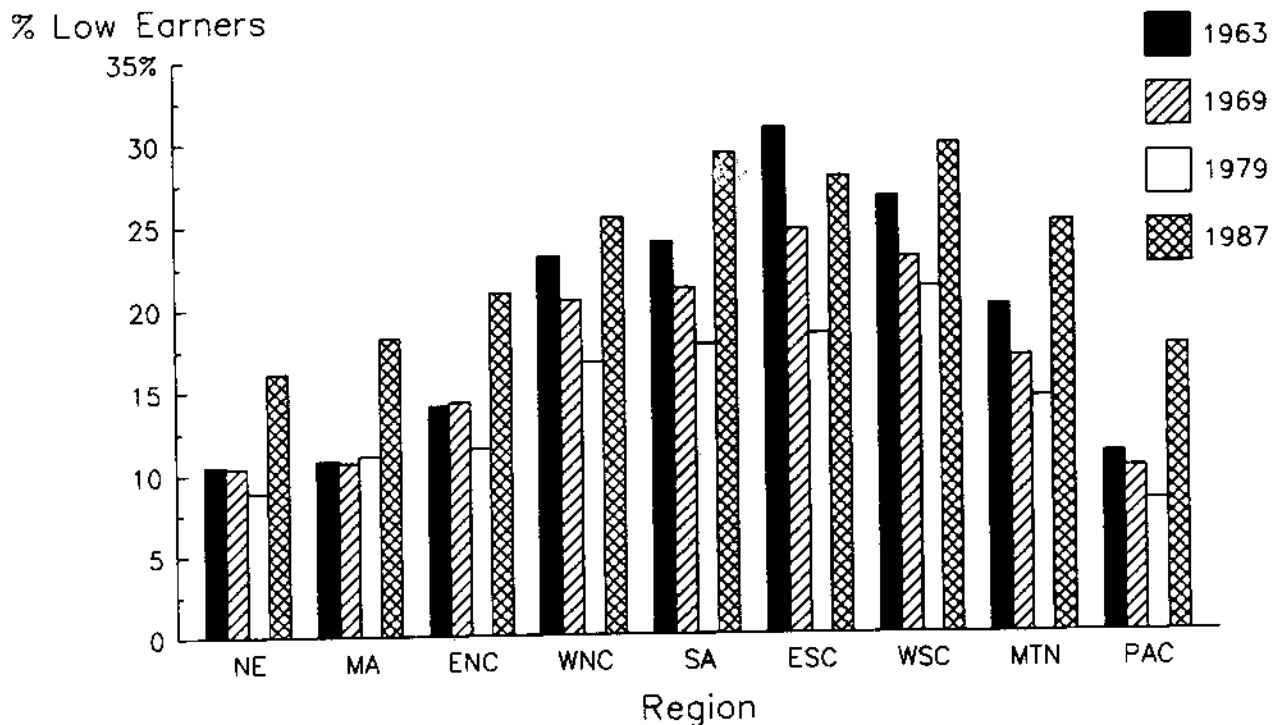
- In every region except the East South Central, year-round/full-time workers experienced a higher percentage of low earners than in any previous year of our study going back to 1969.

- Consistent with our findings on hourly earnings, we find the same increase in inequality among regions for year-round/full-time workers over the past decade. This same growth of inequality is evident whether we look at regions as a whole or break each region down into rural and urban areas.

Finally, if we divide each region into rural and urban areas, we again find the same pattern of a decline and then an increase in the percentage of low earners. This is true for rural and urban workers in all regions, including New England. In rural areas in each region (Figure 32), the percentage of low earners in 1987 was higher than in any previous year we examined going back to 1969.

- When we divide each region into rural and urban areas, we find the same pat-

Figure 32 Percentage of Low Earners—Year-Round/Full-Time Rural Workers by Region



Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific

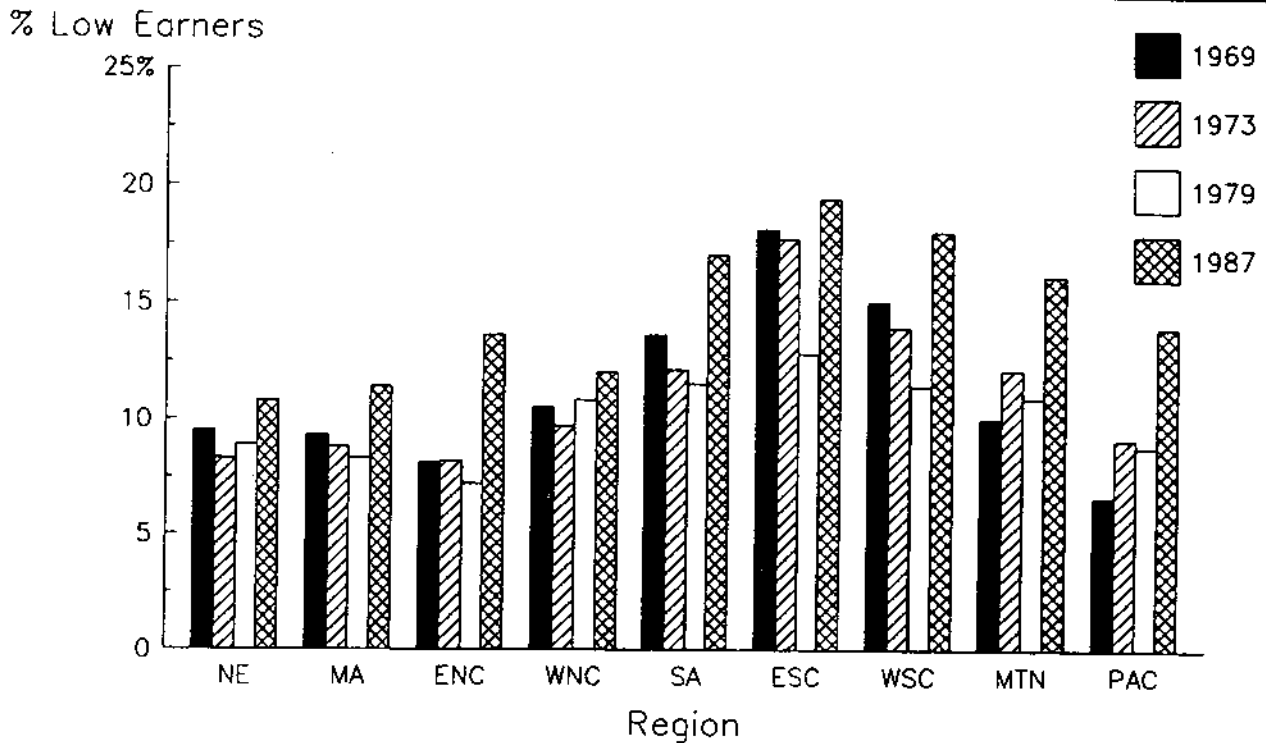
Source: Current Population Survey

tern of an increase in the percentage of low earners from 1979 to 1987 which reversed the trend of a decline in low earners over the previous decade.

- In every region's rural areas, the per-

centage of low earners in 1987 was at a higher level than in any previous year studied going back to 1969. This was also true for urban areas in every region except the East South Central (Figure 33).

Figure 33 Percentage of Low Earners—Year-Round/Full-Time Urban Workers by Region



Region Codes: NE = New England, MA = Middle Atlantic, ENC = East North Central, WNC = West North Central, SA = South Atlantic, ESC = East South Central, WSC = West South Central, MTN = Mountain, PAC = Pacific

Source: Current Population Survey

IMPLICATIONS FOR POLICY

The policy options which can be used to address the problem of low earnings are many and varied. They cross the lines of trade, labor law, education, welfare, minimum wage, macroeconomic, anti-discrimination, and economic development policies. While we can't undertake an exhaustive

review of these options, we do wish to discuss several policy alternatives which we feel are the most important. These fall into three areas: improving education and training, increasing the dividends from work, and implementing a development policy for rural America.

IMPROVING EDUCATION AND TRAINING

Our results show that the likelihood of an individual receiving low hourly earnings declines with increased education. The disadvantage of being a high school dropout or graduate when compared with being a worker with some college education increased dramatically over the past decade. In order to improve the education and skill level of the workforce, we need to devote more attention and resources to the following:

Basic Skills and Literacy

Much attention has been given to the problems of our country's basic education system and to the need to begin to correct them. While more money is not the whole answer, we will not be able to address the problems of our schools without increasing real spending for education.

For those who leave school before completing high school, they must be given every opportunity through literacy, high school equivalency (GED) classes, English as a Second Language, and other second chance programs to obtain a high school

diploma and to continue on to more advanced education and training. At present, even the U.S. military, once an option for those without a high school degree seeking further training, is not accepting recruits without a high school education. Tuition assistance should be made available to those who need it, as well as child care and transportation assistance when appropriate.

The Job Corps

The Job Corps is a more intensive education and training program for disadvantaged youth aged 14 to 21 who are out of school. Because participants live in a common residence during their training, the cost per trainee tends to be high. However, evaluations of the program have found it to be highly effective and have shown that the benefits outweigh the cost. The Job Corps was endorsed by the Council of Economic Advisors in the 1990 *Economic Report of the President*. Since the current funding level allows only a small percentage of those eligible to enroll in the program, funding levels should be increased.

The Job Training Partnership Act (JTPA)

JTPA is the primary workplace training program for adults. Unlike its predecessor, CETA, it contains no public service employment and emphasizes working closely with the private sector.

There has been some concern that JTPA is not working effectively enough with the most disadvantaged segments of the labor force, at least in part because of performance standards which encourage local programs to choose workers who are as close to job-ready as possible. In addition to correcting any such disincentives to work with more disadvantaged workers, funding levels should be increased so that more workers can receive the depth of training they need

for a sufficient length of time to ensure success. This training should include remedial education when appropriate.

Head Start

The Head Start program provides education and child development for impoverished children even before they reach school age. While studies have shown that Head Start children are more likely to complete high school, enroll in college, and become economically self-supporting, many eligible children remain unserved because of inadequate funding.¹² As with the Job Corps, this is a case where increased investment now could reap many rewards, not only for the families involved, but for society as a whole.

INCREASING THE DIVIDENDS FROM WORK

As a society, we place a high value on work. However, our results show that a growing share of workers are low earners and in danger of being in poverty, even though they are working year round and full time. If we believe in "making work pay," there are some relatively simple policies we can undertake.

Raise the Minimum Wage

The real value of the minimum wage declined significantly when it was not raised from 1981 to 1989. The minimum wage should be indexed to 50 percent of the average hourly pay for all nonsupervisory workers, slightly less than the level it attained in the 1960s and 1970s. Even with the increases in the minimum wage contained in recent legislation, it still falls below this fifty percent level.

Our low earner cutoff in 1987 of \$11,200 is equivalent to \$5.58 per hour and is thus considerably above the current minimum wage of \$3.35 per hour (and also above 50% of the average nonsupervisory wage, which

would have been \$4.49 in 1987). However, the ripple effect of raising the minimum wage would push wages up generally to a certain extent, especially wages at the lower end of the scale. Thus, raising the minimum would push some workers from our low earner to our low middle earner category. It would also assist families with two low wage workers to boost their family income over the poverty line. In addition, the enforcement of minimum wage provisions should be strengthened and penalties increased to discourage violations.

Increase the Earned Income Tax Credit (EITC)

The Earned Income Tax Credit allows low income households with children to earn a tax credit on a percentage of their earnings. As earnings for the year increase, the tax credit phases out until it drops to zero. If the tax credit exceeds the amount of tax owed, the credit is refundable. Raising the tax credit would be a simple means to give additional relief to the working poor.

Welfare Reform

Income maintenance policies, such as Aid to Families with Dependent Children (AFDC), are placing an increasing emphasis on welfare-to-work transition programs as a route to economic self-sufficiency for those able to work. In fact, recent changes in AFDC regulations now require all states to offer work training programs to a substantial proportion of their welfare caseload that is able to work.

However, a growing percentage of jobs do not allow workers to leave poverty, even if they work year round and full time. Therefore, these programs need to be designed so that combining work and income support simultaneously is an acceptable option, rather than forcing participants to cycle back and forth between working poverty and welfare. Ongoing financial support for health care and child care will increase the likelihood that, once working, people will become self-supporting.

Reducing Employment Discrimination

Our research shows that Black, Hispanic, and women workers are still at a significant disadvantage in the labor market compared with whites, even when their level of educational attainment is the same. For example, whereas 26.1 percent of whites with four years of college or more were low earners in 1987, the equivalent figure for Blacks was 41.6 percent.

The lack of progress in affirmative action cannot be blamed entirely on an inadequate legal framework, but also stems from the lack of vigorous enforcement of existing statutes. This has been particularly true of the Federal government over the past ten years, which not only has been lax in enforcement but has made repeated attempts to weaken existing law. This unwillingness on the part of the Federal government to eradicate discrimination with all available resources sends out a message that discrimination is no longer a central concern. In a society dedicated to the principle of equal opportunity, this message is destructive and must be reversed.

IMPLEMENTING A DEVELOPMENT POLICY FOR RURAL AMERICA

Our results show that rural areas are falling further behind urban areas, both nationally and in each region of the country. This reverses the trend of the past decade when the rural/urban gap was narrowing. Now that the economies of many rural areas are still in distress, policies are needed to assist rural economies to recover and diversify. While the exact mix of policies must be tailored to local conditions, some examples would include programs to

upgrade education and training, infrastructure development including telecommunications, programs to support indigenous business development, housing development, programs to enhance the domestic and international marketing of local products, etc. While the specifics of such a rural development initiative are open to debate, it should have the enhancement of rural labor market opportunities as one of its primary goals.

APPENDIX

Appendix Table Percentage of Low Hourly Earners Among Farm Residents, 1979-1987						
<i>All workforce numbers are in 1,000s</i>	Hourly Earnings				Change	
	1979		1987		1979 to 1987	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
All Workers						
< poverty	943	46.0%	1,026	52.0%	83	8.8%
pov - < 2 x pov	717	35.0%	592	30.0%	(125)	-17.5%
2 x pov - < 3 x pov	243	11.9%	241	12.2%	(3)	-1.0%
3 x pov & above	148	7.2%	116	5.9%	(33)	-22.0%
Total	2,051	100.0%	1,974	100.0%	(77)	-3.8%
Men						
< poverty	482	42.8%	476	46.7%	(7)	-1.4%
pov - < 2 x pov	353	31.3%	293	28.7%	(61)	-17.2%
2 x pov - < 3 x pov	184	16.4%	161	15.8%	(23)	-12.5%
3 x pov & above	107	9.5%	89	8.8%	(18)	-16.4%
Total	1,127	100.0%	1,019	100.0%	(108)	-9.6%
Women						
< poverty	461	49.8%	550	57.6%	90	19.5%
pov - < 2 x pov	364	39.4%	299	31.3%	(65)	-17.8%
2 x pov - < 3 x pov	59	6.4%	80	8.3%	20	34.5%
3 x pov & above	41	4.5%	26	2.7%	(15)	-36.6%
Total	925	100.0%	955	100.0%	30	3.3%
Age 16-24						
< poverty	423	62.7%	371	78.9%	(52)	-12.3%
pov - < 2 x pov	209	30.9%	87	18.5%	(122)	-58.2%
2 x pov - < 3 x pov	28	4.2%	8	1.8%	(20)	-70.1%
3 x pov & above	15	2.2%	4	0.8%	(11)	-74.5%
Total	675	100.0%	470	100.0%	(204)	-30.3%
Age 25-34						
< poverty	146	42.5%	216	52.7%	70	47.7%
pov - < 2 x pov	126	36.6%	150	36.5%	24	18.7%
2 x pov - < 3 x pov	38	11.1%	35	8.5%	(3)	-8.4%
3 x pov & above	34	9.8%	9	2.2%	(25)	-73.7%
Total	344	100.0%	409	100.0%	65	18.9%

Appendix Table Percentage of Low Hourly Earners Among Farm Residents, 1979-1987, continued

	Hourly Earnings				Change	
	1979		1987		1979 to 1987	
	Number	%	Number	%	Number	%
Ages 35-54						
< poverty	235	35.1%	292	38.1%	57	24.3%
pov - < 2 x pov	233	34.8%	256	33.4%	23	9.8%
2 x pov - < 3 x pov	128	19.0%	137	17.9%	9	7.4%
3 x pov & above	74	11.1%	82	10.6%	7	9.8%
Total	670	100.0%	767	100.0%	96	14.4%
Age 55+						
< poverty	139	38.2%	147	44.8%	8	5.8%
pov - < 2 x pov	149	41.2%	99	30.2%	(50)	-33.8%
2 x pov - < 3 x pov	49	13.6%	60	18.4%	11	22.1%
3 x pov & above	25	6.9%	21	6.5%	(4)	-14.9%
Total	362	100.0%	327	100.0%	(35)	-9.7%
High School Dropout						
< poverty	377	59.0%	275	66.4%	(102)	-27.0%
pov - < 2 x pov	189	29.5%	93	22.3%	(96)	-51.0%
2 x pov - < 3 x pov	48	7.4%	28	6.7%	(20)	-41.9%
3 x pov & above	26	4.0%	19	4.7%	(6)	-24.2%
Total	639	100.0%	415	100.0%	(224)	-35.1%
High School Graduate						
< poverty	401	45.0%	502	53.7%	101	25.1%
pov - < 2 x pov	315	35.3%	284	30.4%	(30)	-9.6%
2 x pov - < 3 x pov	114	12.8%	112	11.9%	(2)	-2.0%
3 x pov & above	62	7.0%	37	4.0%	(25)	-40.1%
Total	892	100.0%	936	100.0%	43	4.9%
Some College						
< poverty	72	32.9%	109	44.1%	38	52.9%
pov - < 2 x pov	98	45.2%	97	39.2%	(1)	-1.1%
2 x pov - < 3 x pov	26	11.9%	23	9.4%	(3)	-10.4%
3 x pov & above	22	10.0%	18	7.4%	(4)	-16.1%
Total	218	100.0%	248	100.0%	30	14.0%
4 Yrs. College/+						
< poverty	93	30.6%	139	37.1%	47	50.4%
pov - < 2 x pov	115	38.2%	118	31.3%	2	1.9%
2 x pov - < 3 x pov	56	18.5%	78	20.9%	22	40.0%
3 x pov & above	38	12.7%	41	10.8%	2	5.5%
Total	302	100.0%	376	100.0%	73	24.3%

NOTE: Slight inconsistencies in column totals or in percentage figures are due to rounding error

Source: Current Population Survey

REFERENCES

"A U-Turn in the Road to Riches," *Business Week*, Sept. 25, 1989, 94-95.

Bane, Mary Jo, "Household Composition and Poverty," in *Fighting Poverty*, edited by Sheldon Danziger and Daniel Weinberg, Harvard University Press, Cambridge, 1986.

Blackburn, McKinley, David Bloom and Richard Freeman, "Why Has the Economic Position of Less-Skilled Male Workers Deteriorated in the U.S.?", *Brookings Discussion Papers in Economics*, March 1989.

Bluestone, Barry and Bennett Harrison, "The Great American Jobs Machine: The Proliferation of Low-wage Employment in the U.S. Economy," Joint Economic Committee of the United States Congress, December 1986.

_____, "The Growth of Low-Wage Employment 1963 to 1986," *Papers and Proceedings of the American Economic Association* 78, no. 2 (May 1988).

Burtless, Gary, "Earnings Inequality over the Business Cycle," *Brookings Discussion Papers in Economics*, February 1989.

Danziger, Sheldon, Peter Gottschalk and Eugene Smolensky, "How the Rich Have Fared: 1973-1987," *American Economic Association, Papers and Proceedings*, May 1989.

Danziger, Sheldon and Peter Gottschalk, "How Have Families with Children Been Faring?" report to the Joint Economic Committee, U.S. Congress, November 1985.

Harrison, Bennett and Barry Bluestone, *The Great U-Turn: Corporate Restructuring and the Polarizing of America*, Basic Books, New York, 2nd edition, 1990.

_____, "Increasing Wage Inequality in the U.S. and the 'Flexibilization' Debate," *Cambridge Journal of Economics*, forthcoming.

Levitan, Sar and Isaac Shapiro, *Working But Poor*, Johns Hopkins University Press, Baltimore, 1988.

Levy, Frank, "Incomes, Families, and Living Standards," in Robert Litan, Robert Lawrence, and Charles Schultze, eds., *American Living Standards; Threats and Challenges*, Washington, D.C., The Brookings Institution, 1988.

Mishel, Larry, "The Quality of Jobs," *Economic Policy Institute*, Washington, D.C., July 1988.

Noyelle, Thierry and Thomas M. Stanback, Jr., *The Economic Transformation of American Cities*. Rowman and Allanheld, Totowa, New Jersey, 1984.

Silk, Leonard, "Rich-Poor Gap Gets Wider in U.S.," *New York Times*, May 12, 1989.

FOOTNOTES

1. See Levitan and Shapiro, *Working But Poor*, page 81.

2. During the mid-1980s, two controversial publications prompted a lively debate among researchers, policy makers, and journalists about the evolving shape of the American distribution of income. These were Robert Kuttner's "The Declining Middle," published in *The Atlantic Monthly* in July 1963, and the U.S. Congressional Joint Economic Committee's "Great American Jobs Machine," written on commission by Barry Bluestone and Bennett Harrison and released in December of 1986. Both claimed that the national distribution of income from work was becoming more polarized in the 1980s than it had been in the previous two decades. Objections were immediately raised from several quarters, including the U.S. Department of Labor [William Brock, "They're Not McJobs," *Washington Post*, June 11, 1986; Janet Norwood, "The Job Machine Has Not Broken Down," *New York Times*, February 22, 1987], the Brookings Institution [Robert Z. Lawrence, "Sectoral Shifts and the Size of the Middle Class," *Brookings Review*, Fall 1984], the American Enterprise Institute [Marvin Kosters and Murray Ross, "The Quality of Jobs," July 1988] and a number of journalists [Warren Brooks, "Low-Pay Jobs: The Big Lie," *Wall Street Journal*, March 25, 1987; Robert Samuelson, "The American Jobs Machine," *Newsweek*, February 23, 1987].

The debate provoked a flurry of research projects and public meetings. Over the past two years, a surprising degree of consensus has emerged. Serious scholars of several camps now agree that both family incomes

and individual wages are becoming distributed more unequally and that the continuation of such trends six years or more into an economic recovery (the trough of the last recession was 1982) constitutes both a puzzle for conventional economic wisdom and a serious challenge to public policy. While particular viewpoints, methods, results, and interpretations inevitably differ, an unmistakable consensus on these basic points may be found in the following writings cited more completely under References: Blackburn, Bloom, and Freeman, 1989; Burtless, 1989; Costrell, 1988; Danziger, Gottschalk, and Smolensky, 1989; Harrison and Bluestone, 1990(a); Harrison and Bluestone, 1990(b); Levy, 1988; Mishel, 1988; Silk, 1989.

3. The number of persons age 16 and above with at least some wages in each of the four years is (in 1000s):

1969:	85,882
1973:	93,243.4
1979:	104,236.2
1987:	118,841.4

4. We have defined Hispanic as categories 10 through 17 under the 1980 CPS Ethnicity variable. These categories are Mexican American, Chicano, Mexican, Mexicano, Puerto Rican, Cuban, Central or South American, and Other Spanish.

5. The nine geographic subregions designated by the U.S. Bureau of the Census are: New England, Middle Atlantic, East North Central, West North Central, South Atlantic, East South Central, West South Central, Mountain, and Pacific.

6. We use the CPS variable "personal wage and salary income" for our definition of wage and salary income (WSI). This measure excludes such benefits as health insurance and vacation time, which tend to be positively correlated with money wages. Only persons with WSI of at least one dollar per year are counted.
7. In 1983, the U.S. Census Bureau of Labor Statistics adopted the CPI-X1 as its default option for adjusting its wage series for inflation, whereas previously it had used the Consumer Price Index for all urban consumers (CPI-U). This CPI-X1 substitutes an imputed rental value for the full housing purchase price found in the CPI-U, an adjustment for the overstatement of inflation in the CPI-U due to the high inflation of housing purchase prices in the 1970s. In 1979, the CPI-X1 had a value which was 7 percent below that of the CPI-U. Since then, the two series have converged so that, in 1987, the BLS published only one CPI series. All inflation adjustments in our work use the CPI-X1.
 We also adjusted our data to compensate for different WSI topcodes found in the CPS. For example, the values for WSI in 1979 range from \$0 to \$50,000, whereas in 1987 they range from \$0 to \$99,000. In order to get a consistent series, the topcodes must be made consistent, accounting for inflation. Thus, we chose the year for which the topcode was lowest in real (inflation-adjusted) dollars which was \$50,000 in 1979. We then recoded the WSI topcodes in other years to correspond to this. The new topcode figures, using the CPI-X1, were \$22,622 in 1969, \$31,892 in 1973, and \$76,757 in 1987.
8. The 1987 poverty threshold is from "Money Income and Poverty Status in the United States: 1987," Current Population Reports Series P-60, No. 161, p. 8. We then deflated this 1987 poverty threshold by the CPI-X1 to obtain poverty threshold figures for 1969, 1973, and 1979.
9. Because farm income tends to be somewhat volatile due to crop failures, etc., we checked to make certain that neither 1979 nor 1987 were anomalous years for a number of indicators of farm income. For example, between 1978 and 1988, the average annual net farm income for all U.S. farms was 29.3 billion dollars (in 1982 dollars). In 1979, net farm income for the U.S. was \$34.9 billion, and in 1987 it was \$40.0 billion. Thus, as we would expect for peak years in the business cycle, both 1979 and 1987 were better than the average over this period. Net farm income in 1987 was also considerably above that in 1979. If we look at the total cash income of farm operators, in 1982 dollars the average over the 1978 to 1988 period was \$80.8 billion. For 1979, it was \$85.6 billion and for 1987 \$88.7 billion. In terms of our 1979 to 1987 comparison, therefore, if anything our 1987 endpoint should bias our results in favor of having fewer low earners on farms in 1987 than in 1979. Since there were fewer farms in 1987 than in 1979 (2.4 million dropping to 2.2 million), this would also be the case if we looked at net farm income or cash income of farm operators per farm. The above figures are from "Economic Indicators of the Farm Sector, National Financial Summary, 1988," U.S. Department of Agriculture, September 1989, Table 2.
10. Note that the estimates for 1979 and 1987 derived from this YRFT sub-sample will not agree with those estimates presented earlier in the paper. Since part time and part year workers, who were included earlier, often have lower hourly earnings than YRFT workers, a smaller percentage of YRFT workers will fall into the low earner category.
11. Harrison and Bluestone (1990); "A U-Turn in the Road to Riches" (1989).
12. See Levitan and Shapiro, *Working But Poor*, page 81.