

# **WHO'S ON OUR SIDE?**

A REPORT ON THE STATE OF

# America's Working Families

FEBRUARY 2006 AN ANALYSIS PREPARED BY THE AFL-CIO

**"Our economy is healthy  
and vigorous...."**

**PRESIDENT BUSH, STATE OF THE UNION ADDRESS, 1/31/06**

Last month, President Bush attempted to paint a rosy picture of the economy and the State of our Union. But a close look at the daily lives of working families across the nation tells a different story. Things are moving in the wrong direction for working families. And it's a direct result of policy choices that have been made by our nation's leaders.<sup>1</sup>

Working families throughout America are increasingly being squeezed—they are working longer today to pay for middle-class living than they had to 25 years ago.<sup>2</sup> Nationally, today's families are facing a combination of stagnant incomes and staggering cost increases for health care, education, housing, transportation and, especially now, fuel. In 2005, the average two-earner family needed to work 31.5 weeks a year to pay for taxes and health care, housing, college and transportation costs, compared with 30.2 weeks in March 2001 and 28.7 weeks in March 1979. After paying for those basic needs, that average family had \$951 less than families in 2000 and \$1,702 less than families in 1980 to pay for other basic items as well as to save for retirement.<sup>3</sup>

Between March 2001 and June 2005, housing costs increased by 13.3 percent nationally, gasoline and fuel costs increased by 43.7 percent and food costs increased by 10.6 percent.<sup>4</sup> Since President Bush took office, health insurance premiums have increased by more than 50 percent, winter heating costs have increased by 79 percent, a four-year college education at a public university has increased by 57 percent

**America's working families are being squeezed by stagnant incomes and soaring costs.**

## **ONE WORKER'S STORY**

### **CHRIS JOHNSON**

**Newton, Iowa**

Chris, a UAW member, has worked at the Maytag plant in Newton for 19 years. She has seen the number of union workers there plunge from a height of 2,800 to 1,000. "I've never seen it this low," she says. The impact on her community, whose economy has depended on the Maytag plant, has been devastating. "I know one fellow who lost his house and truck and just about everything he owns," Chris notes. "He's now working at a nonunion shop, working a tremendous amount of overtime just trying to make ends meet."

Chris has four children, two of whom still live at home, and one grandchild. She is a strong believer in the union movement. "There's a lot of reasons why unions are important," she says. "It's your voice. They help you from being taken advantage of. They're the check and balance on the employer." She has helped other workers organize in Illinois, Wisconsin and northeastern Iowa.

Her biggest concern right now is the loss of good jobs. "It all boils down to exporting of jobs," she says. "It's created this landslide of jobs going overseas." The result is that Chris never knows when her last day of work may be or what she will do if and when she gets laid off.

and median monthly homeownership costs have increased nearly 5 percent.<sup>5</sup>

To round out the picture, it is important to look at who is not being squeezed. Corporate profits are increasing faster than during any previous business cycle.<sup>6</sup> CEO compensation is surging. The wealthiest Americans and corporations are receiving big tax cuts.

Across America, working families have continued to lose good jobs that pay well. They are forced to make ends meet with lower wages and household incomes, more debt and a less secure retirement, and they are more likely to be uninsured. At the same time, the costs of college are going up, fewer businesses are providing health insurance or pension benefits and tax breaks are going to the wealthiest Americans and big corporations.

It is time for our elected officials to recognize the burdens that working families live with every day and fight for working families' best interests—not the special interests.

The following analysis summarizes the state of America's working families under our current leaders' policies in five key issue areas—jobs and wages, retirement security, health care, tax fairness and education.

## **JOB S AND WAGE S**

The president's claim that "*our economy is healthy and vigorous*"<sup>7</sup> ignores the reality faced by most working families. For the first time on record, household incomes have failed to increase for five straight years—and that record includes the Great Depression. Over the past year, real hourly wages fell by 1.3 percent for the typical worker, and by 1.9 percent for workers earning the lowest wages.<sup>8</sup> Real hourly earnings have fallen in 18 of the past 20 months and real weekly earnings have fallen in 17 of the past 20 months.<sup>9</sup>

Only in the area of corporate profits has economic recovery performed above average. Corporate profits have increased 50 percent in real terms since the last quarter of 2001. In 2004, the average CEO of a major company received \$9.84 million in total compensation—a 12 percent increase over 2003.<sup>10</sup> In contrast, the average nonsupervisory worker's pay increased just 2.2 percent in 2004.<sup>11</sup>

### **Too Many Americans are Unemployed**

→ Although the country has gained jobs since President Bush took office in January 2001, the growth in jobs has fallen 1.7 million jobs short of the number needed to keep up with

population growth in the United States.<sup>12</sup> In the four years since the recession ended in November 2001, the states have experienced heavy job losses in industries that typically provide higher wages and good benefits—a net 1.6 million lost manufacturing jobs and 391,000 lost jobs in the information sector.<sup>13</sup>

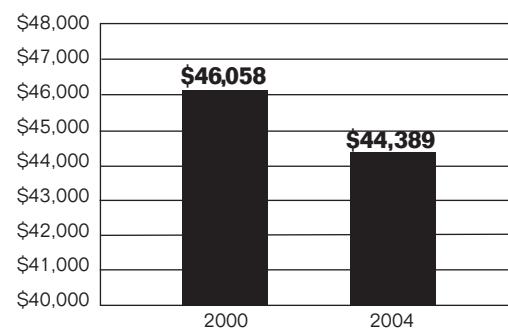
- In December 2005, 1.4 million more Americans were unemployed than in January 2001.<sup>14</sup>

### America's Families are Earning Less While Owing More

- The median household income in 2004 was \$44,389—a 3.6 percent drop from \$46,058 in 2000, after adjusting for inflation.<sup>15</sup>
- Between 2000 and 2004, the number of personal bankruptcy filings in the United States increased by 37.9 percent.<sup>16</sup>

### AMERICA'S MEDIAN HOUSEHOLD INCOME

(Adjusted for inflation)



### Income Inequality in the United States Has Increased Over the Past Two Decades

- The income of the richest 20 percent of America's families grew twice as fast as that of the middle 20 percent of families (58.5 percent growth compared with 27.9 percent) over the past two decades.<sup>17</sup>

### An Insufficient Minimum Wage

Currently, a full-time, year-round minimum wage worker earns \$10,712 per year. To reach the \$15,067 poverty threshold for a family of three in 2004, a full-time, year-round worker would need to earn \$7.25 an hour—\$2.10 more than the current minimum wage.<sup>18</sup> Instead of working to improve the quality of life of America's workers, President Bush and his allies in Congress have consistently blocked attempts to increase the minimum wage. In fact, the last federal minimum wage increase occurred nearly a decade ago—in 1997.

This year, members of Congress once again will have the opportunity to pass legislation to raise the federal minimum wage. The Fair Minimum Wage Act<sup>19</sup> would increase the federal minimum wage by \$2.10 in three steps.

- A \$2.10 increase—from \$5.15 to \$7.25 an hour—would directly benefit 7.7 million workers across the United States.<sup>20</sup>

## **ONE WORKER'S STORY**

### **TOM SIMMONS St. Louis, Mo.**

Tom Simmons is a third-generation pipefitter in St. Louis, working mainly in commercial and industrial construction. For years, Tom never had problems finding work—until about three years ago. Right now, he has been unemployed for a month, but over the past three years he has been unemployed for as long as six months at a time.

"I've had to move in with other people," he says. "I certainly can't afford a mortgage. It's been difficult." He is not alone. Unemployment is taking a large toll on other people he has worked with. They are struggling to find health insurance, make the mortgage payments and provide for their families. Some are being forced out of their homes and their marriages are falling apart as they struggle to get by.

"People are beginning to feel helpless and don't have a lot of faith in the future," Tom notes. "I can't cite chapter and verse on how the economy has affected us, but it doesn't take a rocket scientist to know that if we're not building industry in this area, then people like me who are building factories will be affected. There's a connection between the free trade mania and my ability to make a living."

If Congress fails once again to pass a minimum wage increase, the real value of the minimum wage will continue to fall and by 2008 will reach its lowest level since 1955.<sup>21</sup>

## **Unfair Trade Agreements Lead to Job Exporting and Hurt America's Workers**

President Bush signed CAFTA (the Central America Free Trade Agreement) into law last year, saying it would "help create jobs and opportunities for our citizens." But America's economy has been hurt by past trade agreements. As more and more companies ship jobs overseas, more workers are losing their jobs here at home.

- ➔ By 2004, NAFTA (the North American Free Trade Agreement) alone had caused the United States to lose 1,015,290 jobs since its enactment in 1993.<sup>22</sup>
- ➔ Between 1989 and 2003, the United States lost 1,452,440 jobs due to trade with China.<sup>23</sup>

## **RETIREMENT SECURITY**

Forty-eight million Americans depend on Social Security.<sup>24</sup> But if President Bush and congressional leaders had their way, they would privatize Social Security and destroy a critical safety net for working families. At the same time, private companies are cutting retiree benefits—including pensions—for their workers, which is putting working Americans' retirement security more at risk.

### **Americans Depend on Guaranteed Benefits of Social Security**

- ➔ Between 2000 and 2002, an average of 984,000 children and 12,896,000 seniors in the United States were lifted out of poverty each year because of Social Security.<sup>25</sup>

### **Fewer Employers are Providing Pensions for Their Workers**

- ➔ Maintaining guaranteed benefits under Social Security is becoming even more critical. Only 45.6 percent of private-sector workers in the United States who worked at least half-time had employer-provided pensions in the three-year average for 2002–2004, down from 48 percent in the three-year average for 1997–1999.<sup>26</sup>

## HEALTH CARE

Across the country, health care coverage is shrinking and costs are exploding. In 2004, 45.8 million Americans lacked medical coverage. Since 2000, the number of uninsured Americans younger than 65 has increased by 6 million,<sup>27</sup> and the share of Americans with employment-based coverage has declined from 63.6 percent to 59.8 percent in 2004.<sup>28</sup> Between 2000 and 2004, the average annual health premium employees pay for family coverage increased by two-thirds.<sup>29</sup>

Job loss and exploding health care costs are shrinking the rolls of Americans with employer-based health coverage, too, making it harder for individuals to obtain coverage and prompting an increase in the number of uninsured.

### More Americans are Uninsured

- 45.8 million Americans did not have health insurance in 2004—that is more than 6 million more uninsured Americans than four years earlier.<sup>30</sup>

**In 2004, 45.8 million Americans were uninsured. Almost 44 percent of employers do not offer health insurance to their workers.**

### More Working Americans are Uninsured as Companies Cut Benefits

- Many of America's uninsured are workers. Some 43.8 percent of employers in the United States do not offer health insurance to their workers.<sup>31</sup> In 2004, more than 27 million workers were uninsured, representing nearly one of every five (19 percent) workers. Twenty-one million of these workers worked full-time.<sup>32</sup>
- The share of people with employer-provided health insurance has fallen in the past four years by 4.5 percentage points—from 67.7 percent of people younger than 65 to 63.2 percent.<sup>33</sup>

### Workers' Health Insurance Premiums Have Increased Far More Than Wages

- While a private-sector production worker's average weekly wages increased 15.5 percent between 1998 and 2003, the premium a worker must pay to get family health insurance at work increased by 65.1 percent.<sup>34</sup>

## TAX FAIRNESS

President Bush and the congressional leadership have been working hard to cut taxes—for millionaires and big corporations. The majority of Americans will receive little from these cuts.

## **Tax Cuts Benefit Wealthiest Americans at the Expense of Working Families**

### **ONE WORKER'S STORY**

#### **MARIA KAPETANOVICH Hazleton, Pa.**

Maria is the daughter of Croatian immigrants. After her father came to this country, he found a job in the coalmines of eastern Pennsylvania. Maria studied hard in high school, earned good grades and graduated in 2003 with a transcript strong enough to get her into Temple University in Philadelphia. "I was the first one in my family who had the chance to get as far as I did. I got to college on my own," she recalls. However, after just one semester it became apparent that the options available to her for financial aid were simply not enough for her to stay in school. "I was devastated," she says.

Today Maria is working, sometimes two jobs at a time, to try to earn enough money to return to school and finish her degree. She's worked in a factory, a ski resort, at swimming pool construction and now at a pizza shop where she cooks the food, works the register and takes customer orders.

Maria knows first hand how hard it is to earn a living, let alone to save, while working in a low-wage job. She knows she's not alone. "There are lots of kids who would love to go to school but can't afford it," she says. "It's not fair to those who want to learn. I'm going to try to get there, but it seems far to get to."

→ The median household income in the United States in 2004 was \$44,389—a drop from \$46,058 in 2000, after adjusting for inflation.<sup>35</sup> But the Bush tax cuts are tilted toward the wealthiest taxpayers, with very little benefit going to America's working families. The wealthiest 1 percent of Americans received an average tax cut of \$40,990 in 2004—not even counting the big estate and corporate tax cuts—compared with only \$980 for the middle 20 percent of Americans. The lowest 20 percent received only \$230 in 2004 from the Bush tax cuts.<sup>36</sup> More than 118 million taxpayers—88 percent of all Americans—will receive less than \$100 in 2006 tax cuts.<sup>37</sup>

→ President Bush's tax cuts actually are hurting working families—all Americans are shouldering the burden of the debt associated with these tax cuts for the wealthy. While American taxpayers will have received \$1.036 trillion from the Bush tax cuts between 2001 and 2006, these cuts will have cost the United States \$3.763 trillion in additional federal debt. The net additional debt of \$2.727 trillion translates into a debt burden of \$37,826 for a family of four.<sup>38</sup>

## **EDUCATION**

Access to a quality education is more critical than ever to ensure Americans get the skills and training they need to be productive and successful in the workforce. But President Bush and his allies in Congress have moved our schools—and Americans' access to higher education—in the wrong direction.

### **Education Cuts Harm Students of All Ages**

→ Despite promises to "leave no child behind," the federal budgets proposed by President Bush and passed by the congressional majority have repeatedly underfunded the No Child Left Behind Act since it was enacted in 2001. Because of the failure to provide promised funding for education reforms, 2.9 million children have gone without help in reading and math and 1.7 million have gone without after-school programs.<sup>39</sup>

## **College is Becoming Less Affordable for Working Families**

For most of America's working families, college is less affordable now than it was a decade ago. The rising cost of college has outpaced the growth in family income. And although there has been an increase in financial aid, it has not kept pace with the cost of attendance.

- Nationally, the cost of public higher education has increased by 46 percent since 2001, while the maximum Pell Grant award has stayed constant at \$4,050 for four years in a row. Compared with the purchasing power of the Pell Grant maximum award in 1978–1980, the Pell Grant today has lost more than half its purchasing power.<sup>40</sup>
- In the United States, 7.7 million student borrowers would be affected by the cuts in student loans in the 2006 Republican budget reconciliation package.<sup>41</sup> These education cuts are the largest in the program's history. The higher fees imposed on students and parents will make it even harder for America's working families to afford a college education.<sup>42</sup>

**Cuts in student loans in the federal budget will hurt 7.7 million U.S. students.**

## **CONCLUSION**

The statistics show what America's working families already knew:

While CEO pay skyrockets and many companies enjoy record profits, working people across the nation are being squeezed. The growing gap between the prosperity of working families and the wealthy is alarming. For millions of hard-working Americans, it threatens to shatter the notion that they can achieve the American Dream. If this trend continues, today's workers could be the first generation to hand their children a lower standard of living than the one handed to them by their parents—a devastating direction for our nation.

The economic deep disparities and displacement documented in this report add force to the question working people are asking: "Who's on our side?" It's an urgent question that demands attention and an answer in the form of concrete policy solutions from our elected leaders.

## ENDNOTES

- <sup>1</sup> For an AFL-CIO midterm report card for key congressional delegations, reviewing the record of each senator and representative to see how their agenda and votes in the 109th Congress have affected working families, see <http://www.aflcio.org/issues/legislativealert/reportcards.cfm>.
- <sup>2</sup> Christian Weller, "Middle-Class Progress? Families Work Longer to Pay for Middle-Class Living than a Quarter Century Ago," Center for American Progress, 10/05.
- <sup>3</sup> Christian Weller, 10/05.
- <sup>4</sup> Christian Weller, 10/05.
- <sup>5</sup> Democratic Policy Committee, 1/10/06.
- <sup>6</sup> Christian Weller, 10/05.
- <sup>7</sup> State of the Union Address, 1/31/06.
- <sup>8</sup> Jared Bernstein, "Economy Up, Wages Down," Economic Policy Institute, 1/24/06.
- <sup>9</sup> Jared Bernstein and Sylvia Allegretto, "Wages down for second full year in 2005," Economic Policy Institute, 1/18/06.
- <sup>10</sup> Paul Krugman, "The Joyless Economy," *The New York Times*, 12/5/05; Claudia H. Deutsch, "My Big Fat C.E.O. Paycheck," *The New York Times*, 4/3/05.
- <sup>11</sup> Bureau of Labor Statistics.
- <sup>12</sup> Bureau of Labor Statistics, 1/06; Economic Policy Institute, 1/06.
- <sup>13</sup> Bureau of Labor Statistics, 1/06.
- <sup>14</sup> Bureau of Labor Statistics, 1/06.
- <sup>15</sup> U.S. Census Bureau, Historical Income Tables—Households, Table H-8. Median Household Income by State: 1984 to 2004.
- <sup>16</sup> American Bankruptcy Institute, Annual U.S. Non-Business Bankruptcy Filings by Chapter 2000–2004.
- <sup>17</sup> Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends*, 1/06.
- <sup>18</sup> Calculation by the AFL-CIO using poverty threshold data from the U.S. Census Bureau.
- <sup>19</sup> S. 1062; H.R. 2429.
- <sup>20</sup> Heather Boushey and John Schmitt, *Impact of Proposed Minimum-Wage Increase on Low-Income Families*, Center for Economic and Policy Research, 12/05.
- <sup>21</sup> Heather Boushey and John Schmitt, 12/05.
- <sup>22</sup> Robert E. Scott and David Ratner, *NAFTA's Cautionary Tale: Recent history suggests CAFTA could lead to further U.S. job displacement*, Economic Policy Institute, 7/20/05.
- <sup>23</sup> Robert E. Scott, *U.S.–China Trade, 1989–2003: Impact on jobs and industries, nationally and state-by-state*, Economic Policy Institute, 1/05.
- <sup>24</sup> Social Security Administration, *Annual Statistical Supplement*, 2005, p. 5.83, t. 5.J2, 12/05.
- <sup>25</sup> Arloc Sherman, *Social Security Lifts 1 Million Children Above the Poverty Line*, Center on Budget and Policy Priorities, 5/2/05; Arloc Sherman and Isaac Shapiro, *Social Security Lifts 13 Million Seniors Above the Poverty Line: A State-by-State Analysis*, Center on Budget and Policy Priorities, 2/24/05.
- <sup>26</sup> Economic Policy Institute, 12/05.
- <sup>27</sup> U.S. Census Bureau, Historical Health Insurance Tables, Table HI-6. Health Insurance Coverage Status and Type of Coverage by State—People Under 65: 1987 to 2004.
- <sup>28</sup> Paul Fronstin, "Uninsured Unchanged in 2004, But Employment-Based Health Coverage Declined," *EBRI Notes*, Employee Benefit Research Institute, 10/05.
- <sup>29</sup> John Gabel, Gary Claxton, Isadora Gil, Jeremy Pickreign, Heidi Whitmore, Benjamin Finder, Samantha Hawkins and Diane Rowland, "Health Benefits in 2005: Premium Increases Slow Down, Coverage Continues to Erode," *Health Affairs*, 9-10/05.
- <sup>30</sup> U.S. Census Bureau, Historical Health Insurance Tables, Table HI-4. Health Insurance Coverage Status and Type of Coverage by State, All People: 1987 to 2003; U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement, Table HI05. Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2004.
- <sup>31</sup> Kaiser Family Foundation, [www.statehealthfacts.org](http://www.statehealthfacts.org).
- <sup>32</sup> Matthew Broaddus and Arloc Sherman, *Health Insurance Coverage Tables*, Center on Budget and Policy Priorities, 10/05.
- <sup>33</sup> U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement, Table HI05. Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2004; U.S. Census Bureau, Historical Health Insurance Tables, Table HI-6. Health Insurance Coverage Status and Type of Coverage by State—People Under 65: 1987 to 2003.
- <sup>34</sup> Bureau of Labor Statistics; Kaiser Family Foundation, [www.statehealthfacts.org](http://www.statehealthfacts.org).
- <sup>35</sup> U.S. Census Bureau, Historical Income Tables—Households, Table H-8. Median Household Income by State: 1984 to 2004.
- <sup>36</sup> David Kamin and Isaac Shapiro, *Studies Shed New Light on Effects of Administration's Tax Cuts*, Center on Budget and Policy Priorities, 9/04.
- <sup>37</sup> Citizens for Tax Justice, *Most Taxpayers Get Little Help from Latest Bush Tax Plan*, 5/03.
- <sup>38</sup> Citizens for Tax Justice, *We're Paying Dearly for Bush's Tax Cuts*, 9/03.
- <sup>39</sup> Calculated from Congressional Research Service data, 1/06.
- <sup>40</sup> Emergency Campaign for America's Priorities, 1/23/06; *Affordability in Post-Secondary Education*, Center for American Progress, 1/05.
- <sup>41</sup> Student Aid Action; Campaign for America's Future.
- <sup>42</sup> Emergency Campaign for America's Priorities, 1/23/06; *Affordability in Post-Secondary Education*, Center for American Progress, 1/05.