

## Executive Summary

This is a divisive time in America. One contributing factor is nearly 40 years of economic stagnation, with some workers, families and communities going backwards economically. Particularly when political leaders fail to offer those hurt by a restructuring economy a realistic promise of better days, anger and despair can spread and undermine the fabric of our society. Some may even be led to resent “other” groups—to think that their lack of progress results from the undue gains made by another group.

*The State of Working Pennsylvania 2016* documents the reality of difficult economic times for many groups. It tells a fairly simple story: most Pennsylvania workers have shared little of the economic gains of the last four decades because a tiny slice at the top has garnered so much of those gains. Whatever group people see themselves belonging to, in many cases that group has not done well. But our numbers also validate that most of those “other” groups have not done well either. The data show that if you think some “other” group is unfairly receiving some of the economic well-being that is rightfully yours, you are mostly wrong—unless that “other” group is the highest-income 1 percent.

Below are some of our main findings.

Even today, the largest group of Pennsylvanians—seven out of 10 working-age adults<sup>1</sup>—have less than a bachelor’s degree. For men and women, this largest group has gone backwards substantially since the end of the 1970s.

- White men without a bachelor’s degree experienced a dramatic decline in their wages in the early 1980s in Pennsylvania from which they still have not recovered. The inflation-adjusted median wage for white Pennsylvania men without a four-year degree in 2013-15 remained \$2.18 per hour below the 1979-81 level, which is \$4,500 less per year for a full-time, full-year worker.
- Black men without a four-year college degree experienced a similar decline in dollars, earning \$3.90 less per hour in 2013-15 than in 1979-81, and a larger decline in percentage terms. Black men without a four-year degree now earn 75 percent as much as their similarly educated white counterparts.
- Both white and black Pennsylvania men without a bachelor’s degree have also experienced an alarming decline in their labor force participation:
  - Just over one fifth (21 percent) of adult working-age white men (age 18 to 64) in this group do not participate in the labor market (work or actively look for work).
  - Just over one third (34 percent) of black men do not participate in the labor market.
- White and black women without a bachelor’s degree did better than their male counterparts, but women’s median earnings remain far below men’s. White women with less than a bachelor’s degree earn 76 percent of what white men with the same education earn. Black and Hispanic women have median earnings 69 percent and 60 percent of the median earnings of white men with the same education level.

College graduates in Pennsylvania enjoyed earnings gains until the early 2000s but have not since then.

- White and black men with a bachelor’s degree saw their earnings climb 23 and 14 percent between 1979-81 and 2000-02. Since 2000-02, though, wages for white and black men with a bachelor’s degree have fallen 5 percent and 8 percent respectively.
- Up to the early 2000s, white and black women with a bachelor’s degree had the best earnings growth of any group, experiencing increases of 31 and 39 percent respectively in their median hourly earnings. Since then, however, white women’s wages have flat-lined and black women’s plunged 22 percent. Despite strong earnings growth until 2000-02, white women now earn only 78 percent as much as white

male college graduates and female black college graduates earn 65 percent of the wages earned by similarly-educated white males.

In sum, our report validates the view of many Pennsylvanians that economic times have been difficult for a long time. This has a simple explanation: the economy has not been deliberately organized in a way that favors hard-working families. At the federal and state level, it has been “rigged” so that economic gains flow to the top.

The solution to the economic stagnation experienced by so many groups in Pennsylvania is an economy in which policies instead support broader sharing of the gains (and greater gains overall because smart policies would make our economy more productive). The conclusion to this report outlines “The Agenda to Raise Pennsylvania’s Pay” that would restore more broadly shared prosperity in Pennsylvania. We contrast that agenda with the policy priorities of Pennsylvania’s self-described “free market” think tank, the Commonwealth Foundation, which coincide with the priorities of some of Pennsylvania’s most influential legislators. We term these contrasting priorities, “The Agenda to Lower Pennsylvania’s Pay” because that would be the impact of implementing these policies.

This report presents data on the common economic experiences of many different groups of Pennsylvania workers to encourage shared understanding and to help build a winning coalition for the agenda to raise Pennsylvania’s pay. If divisiveness in our state wins the day, Pennsylvania workers may get stuck with an economy still further rigged to benefit the top 1 percent.