American workers have enjoyed the benefits of both strong job growth and rising wages during the Clinton–Gore administration. Wage inequality began to decrease and real wages began to rise during the late 1990s, following two decades of increasing wage inequality and stagnating average wages.

Employment Has Been Growing Robustly

Employment experienced unprecedented growth during this administration—adding 19 million new jobs in the last 6 years. As a result of this growth, the unemployment rate during 1996 fell to 4.2 percent, the lowest rate in 29 years. This strong growth will continue into the next decade, according to projections by the Department of Labor's Bureau of Labor Statistics (BLS).1

Growth is resuming for stagnant wages and benefits

Since the end of World War II, real wages for production workers have risen by more than half. Most of this growth occurred, however, in the 1950s and 1960s. (See chart 2.1.) After reaching a peak in 1973, real hourly earnings for production workers either fell or stagnated for two decades. During 1996–1998, growth in hourly earnings resumed, accelerating to over two percent in 1998.

For many workers, the stagnating wages of the last quarter century were offset in part by growth in expenditures for other employer-provided compensation, such as healthcare and pension benefits. Dollars spent on benefits grew more rapidly than those spent on wages and salaries during most of the 1980s and the first half of the 1990s, accounting for 28 percent of total compensation in 1995. Beginning in 1995, the benefit portion of workers' compensation grew more slowly, as employers increasingly chose to offer less expensive types of health care and pension plans in order to minimize the growth of labor costs.2

Stagnating real wages and cutbacks in other compensation, however, do not necessarily mean stagnating income and living standards. In fact, real family income for most Americans has risen, although slowly, over the past quarter century, reflecting the dramatic rise in two-earner families and the increase in the number of hours many families work.

Healthcare coverage. Even though wage growth surpassed benefit growth in the second half of the 1990s, employers responded to increased costs of benefits by moving rapidly to managed-care arrangements, shifting costs to workers in the form of higher premiums, copayments, and deductibles, or dropping healthcare plans altogether. The proportion of the nonelderly population without any form of health insurance increased from 15 percent in 1987 to 18 percent in 1997, primarily due to the decline in employer-provided coverage.3

Average medical-care costs of a 50-year-old are two to three times those of a 30-year-old. Population aging is likely to contribute to higher average medical-care costs, further increasing the cost of employer-provided health insurance. As the average age of the workforce, and the proportion of the workforce without healthcare coverage all rise, national debate regarding the effectiveness of employer-provided benefits and appropriate public policy may intensify.4

Pensions. Many employers offer no pension coverage to their employees. Roughly half of the private sector workforce is not covered by any employer-sponsored retirement plan. A large percentage of nontraditional workers are excluded from employer-sponsored retirement plans. (See chapter 7, Implications of workplace changes.) Only 20 percent of workers in small businesses have any retirement plan. Low-wage workers are even less likely to have pension coverage. Only eight percent of low-wage workers are covered by an employer-sponsored plan, and many low-wage workers do not earn enough to contribute anything to a "defined contribution" plan even if they are covered.5

Among those employers who do sponsor retirement plans, many have moved to new types of plans that cause workers to bear more responsibility for retirement planning and expose them to risks associated with financial market performance. Such plans also increase the portability of pensions for workers who change jobs. Employers have traditionally provided "defined benefit" plans, which base benefits on years of work and salary. Workers who become vested in such plans are assured a description of their pension benefits.

Employment, wages, and benefits

1 Employment statistics are available from the Bureau of Labor Statistics (BLS) at www.bls.gov. (See chart 2.1.)

2 See chart 2.1 for more information on benefits.

3 Data are from the Health Resources and Services Administration (HRSA) and the National Center for Health Statistics (NCHS) at www.hrsa.gov.

4 Data are from the BLS at www.bls.gov.

5 Data are from the Employee Benefits Research Institute (EBRI) at www.ebri.org.

6 Data are from the BLS at www.bls.gov.

7 Data are from the Social Security Administration (SSA) at www.ssa.gov.

8 Data are from the BLS at www.bls.gov.
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BOX 2.2 Changing private pensions

The private pension system reflects a mixture of employer efforts to influence and accommodate workers' choices about work and retirement.

From its start at the beginning of the century and into the 1980s, the pension system was dominated by traditional "defined benefit" arrangements—predictable monthly retirement payments based on a worker's pay and years of service. Reflecting companies desire to retain workers once they acquired valuable skills, these plans are "back loaded" providing disproportionately more generous benefits to workers following "traditional" patterns—spending many years with a single company and retiring at a specified time—than to workers following other paths. Defined benefit pensions also reflected the widely shared view that investment management and financial risk were better handled by companies than by workers.

Beginning in the 1980s, "defined contribution" pensions, which provide rewards more directly linked to each separate year of work, began to challenge the leading role of defined benefit pensions. These newer arrangements are more adaptable to the needs of workers who change jobs or follow varied career paths. Such pensions, which typically credit a specified fraction of pay to worker-owned accounts each year, reflect employer desire to limit long-term financial exposure.
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Where are pensions headed in the future? At least a few trends seem likely.

- With technological change and skills depreciation accelerating, companies will redouble their efforts to attract workers with the latest skills. There is already rapid movement toward "cash balance" pensions and other new or "reinvented" defined benefit, defined contribution, and hybrid arrangements designed to calibrate pension rewards with recruitment priorities.
- Advances in information technology and financial products and services will improve worker access to financial information, lower transaction costs, and increase financial options. This will increase worker confidence in planning and managing personal finances and will encourage further shifts of pension responsibility from companies to workers.
- If pay gaps continue to widen and worker savings choices and investment experiences diverge, there is a risk that gaps in worker pensions will grow. In addition, the continuing shift from traditional defined benefit pensions, which provide collective income security, to defined contribution and other pensions—where security resides with each worker’s individual account, whatever its investment value—may have important effects. Retirees who live long and depend on individual retirement accounts—or who do not hedge the risk of outliving their money by purchasing annuity products with their Individual Retirement Account proceeds—may not be as well off as those who have traditional defined benefit pensions.

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as well as a shift in companies’ priorities away from retaining workers with eroding industrial skills to attracting new workers with up-to-the-minute technological and informational skills. Small employers in particular favor defined contribution plans to avoid the financial commitment and administrative complexities associated with a defined benefit plan.

The shift from defined benefit to defined contribution pensions also reflects a growing belief on the part of many companies and workers that workers can successfully plan, and should have responsibility, for their own benefits. In defined contribution plans, workers—not companies—often can and must decide what part of their pay to set aside for retirement benefits. Their eventual benefits will vary accordingly. What is more, workers with defined benefit pensions can expect a monthly check in a promised amount, those with defined contribution plans typically decide for themselves how to invest their accounts and when and how fast to draw them down.

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continued from page 16
Real weekly earnings for workers with less than a high-school diploma fell from $462 in 1979 to $337 in 1998. This downward trend continued for all workers who were not college graduates—nearly three-quarters of the civilian labor force in 1995. (See chart 2.2.) In contrast, workers with a college degree attained gains during the period, with real weekly earnings rising from $758 in 1979 to $821 in 1998.

Over the past quarter century, wage gaps between workers with different education levels have increased, largely due to falling real earnings for those with less education. Even with improvements in the late 1990s, workers who lack the required education and skills will continue to face declining job opportunities and wages.

Over the long term, not only have the earnings of more highly educated workers been increasing relative to the wages of less highly educated workers, but inequality has increased even within groups of workers with the same educational attainment. The spread between lower-paid and higher-paid workers in each education group widened, particularly in the 1980s, reflecting the fact that education level is just one dimension of skill. This increased wage inequality within groups having similar educational attainment may indicate increased differentials in other workers’ skills for those with similar education. The rapid growth in employers’ need for more skilled workers may be the key to explaining rising inequality and changing wage structure.

ChART 2.2  Average weekly earnings by educational attainment level, 1979–1998 (1998 dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Less than high school</th>
<th>High school</th>
<th>Some college</th>
<th>College graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$200</td>
<td>$400</td>
<td>$600</td>
<td>$800</td>
</tr>
<tr>
<td>1982</td>
<td>$220</td>
<td>$420</td>
<td>$620</td>
<td>$820</td>
</tr>
<tr>
<td>1985</td>
<td>$240</td>
<td>$440</td>
<td>$640</td>
<td>$840</td>
</tr>
<tr>
<td>1991</td>
<td>$260</td>
<td>$460</td>
<td>$660</td>
<td>$860</td>
</tr>
<tr>
<td>1994</td>
<td>$280</td>
<td>$480</td>
<td>$680</td>
<td>$880</td>
</tr>
<tr>
<td>1997</td>
<td>$300</td>
<td>$500</td>
<td>$700</td>
<td>$900</td>
</tr>
<tr>
<td>1998</td>
<td>$320</td>
<td>$520</td>
<td>$720</td>
<td>$920</td>
</tr>
</tbody>
</table>

**SOURCE:** BLS, Current Population Survey

WAGE INEQUALITY: WILL THE RICH GET RICHER AND THE POOR, POORER?

The last few years of the 1990s have provided significant real earnings growth for nearly all groups. However, this recent trend does not counter a trend of the past two decades. Earnings among high-, middle-, and low-wage workers have grown at different rates.

Wage gaps between workers with different levels of education have increased, largely due to falling real earnings for those with less education. Even with improvements in the late 1990s, workers who lack the required education and skills will continue to face declining job opportunities and wages.

Box 2.3  The wage gap

A commonly accepted way of assessing the change in wage inequality is to measure the extent to which change occurs in the ratios of high-wage, middle-wage, and low-wage workers. For the period 1979 to 1998, chart 2.3 illustrates the wage gap as the ratio of a high-wage worker’s earnings (at the 90th percentile of the wage distribution) to those of a low-wage worker (at the 10th percentile). Similarly, to learn whether the wage gap is growing or falling across the entire wage distribution, we can compare the ratio between high- and middle-wage workers (at the 50th percentile) and between middle- and low-wage workers (at the 10th percentile). (See chart 2.4.)

We can see in chart 2.3 that the gap between high- and low-wage workers expanded rapidly during the 1980s. After forty years of narrowing inequality, the high-to-low-wage ratio increased by 19 percent between 1979 and 1998 (from 3.7 to 4.4), largely because low-wage workers’ earnings fell dramatically.

During the 1980s, the 90/50 and 50/10 ratios both increased rapidly, relatively speaking. During the 1990s, however, low-wage workers began to catch up with middle-income workers, due in part to increases in the minimum wage and similar government policies. The steady widening of the gap between high and middle earners is largely responsible for the overall increase in inequality over the last 25 years.
Real weekly earnings for workers with less than a high-school diploma fell from $462 in 1979 to $337 in 1998. This downward trend continued for all workers who were not college graduates—nearly three-quarters of the civilian labor force in 1995. (See chart 2.2.) In contrast, workers with a college degree attained gains during the period, with real weekly earnings rising from $758 in 1979 to $821 in 1998.

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What the fastest growing jobs require
Among the 30 occupations the BLS projects to grow the fastest (from 1996-2006), educational requirements and earnings of workers are quite varied. Only about half of these occupations require education or training beyond high school. However, jobs requiring an associate’s degree or higher are projected to grow faster than the average for all occupations. Occupations requiring a bachelor’s degree will grow almost twice as fast as the overall average. The three fastest growing occupations, which are all computer-related, require at least a bachelor’s degree and have average earnings much higher than the average for all full-time wage and salary workers. And all of the 20 highest paying occupations require at least a bachelor’s degree. Note, however, that while jobs usually requiring an associate’s degree or higher are expected to grow faster than average over the 1996-2006 period, the majority of new jobs are expected to be in occupations requiring less than an associate’s degree. Thus, most low-skilled workers may not lack employment opportunities. The challenge is how to make those jobs pay more than they currently do.

Factors driving high- and low-skilled workers’ wages farther apart
Why did workers’ earnings become more unequal during the 1980s and early 1990s? Experts disagree on the exact causes, but five factors are generally cited: technological change, trade liberalization, increased immigration, reduced value of the minimum wage, and declining unionization. Real wages of high-skilled workers increased on average while the real wages of low-skilled workers tended to decline.

Trade. Expanded trade can drive down the wages of low-skilled workers because it displaces the goods they produce. Immigration. Immigration has increased significantly since 1965, particularly among less-skilled workers with lower education levels, causing greater competition for unskilled jobs and lower wages for unskilled workers. Minimum wage and unionization. The decline in the real value of the minimum wage and declining unionization have also contributed to the decline in earnings for low-wage workers. The
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BOX 2.4 Who are the working poor?
More than nine million working Americans were living in poverty in 1997, and one quarter of those worked full time year round. For those in poverty it is a struggle just having a roof overhead and food on the table. A family of three living in poverty did not even make $13,000 in 1997.

The working poor are disproportionately — nearly 60 percent — women. And minority women are more than twice as likely to be poor as white women. Workers in families with children, especially young children, are more likely to be living in poverty. Almost three million low-wage workers were in families with children under six years of age. In 1995, ten percent of all full-time workers with significant disabilities were poor — and they were more than three times as likely to fall below the poverty line as people without disabilities.

Many of the working poor are teachers' aides and childcare providers. They are home health aides, caring for the sick, elderly, and severely disabled. They serve coffee at lunch counters and clean office buildings in communities across the country. They also work in security at the nation's airports, screening passenger luggage and operating metal detectors.

Nationwide, soup kitchens, food pantries, and homeless shelters are increasingly serving the working poor, not just the unemployed. In 1997, requests for emergency food aid increased in 86 percent of the cities surveyed by the U.S. Conference of Mayors. More than two-thirds of cities cited low-paying jobs as one of the main causes of hunger. Another study confirmed that three of five families seeking emergency food aid did so even though one or more family members was working.

While there are fewer working Americans living in poverty than just a few years ago, particularly given the expansion of the Earned Income Tax Credit and the increase in the minimum wage, success is still a long way off. No working family should have to live in poverty.

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futurework

Employment

Federal minimum wage declined considerably in real value during the 1980s, because it remained fixed at $3.35 per hour despite price increases. After having reached a postwar peak in 1968, the minimum wage fell in real terms during both the 1970s and 1980s, reaching a level in 1990 significantly below its 1960 level. Failure to raise the minimum wage during the 1980s left low-wage workers further behind.10

Future legislated increases in the minimum wage would help to reduce or stabilize wage inequality. Declining unionization in the 1980s has also contributed to increased wage inequality. The American labor movement has always had a goal to help workers earn more and thereby gain access to the middle class. With declines in union membership, fewer workers benefited from the higher wages typically achieved through collective bargaining. The impact is probably greatest on men, whose union membership rates (in private-sector employment) fell by 50 percent between 1973 and 1993.39

Pay gaps persist between groups

Pay gaps between different groups of American workers—between men and women, between whites and minorities, and between people with disabilities and those without—are another dimension of wage inequality. Though they have narrowed over the past several decades as a result of passage and enforcement of antidiscrimination laws and narrowing gaps in skills, such pay gaps remain and are likely to continue.

Men and women. Although the pay gap between men and women workers shrank by more than one-third between 1979 and 1998, women have yet to achieve parity with men. Overall, women’s earnings have risen from 63 percent to 76 percent of men’s earnings. While earnings of young women are nearly on par with young men (at about $31,600 a year), older women lag further behind comparably aged men. Women 45 to 54 years old earn just 67 percent of what men earn, and women 55 to 64 years old earn just 66 percent.

The pay gap between men and women can be explained primarily by three factors. Roughly one-third of the pay gap between men and women is due to differences in labor market experience and, to a lesser extent, educational attainment. Women have roughly the same average educational attainment as men, and their test scores are roughly comparable (though women tend to score slightly higher in verbal areas while men do so in math). Differences in courses taken by men and women contribute somewhat to the differences observed between college-educated men and women, but not to those between men and women with high-school or less education. Work experience levels are lower among women, many of whom withdraw temporarily from the labor force to rear children.

Another 28 percent of the gap reflects differences in the occupations and industries in which men and women work and differences in their union status. Women continue to be concentrated in certain occupations (e.g., teaching and clerical work) and industries (e.g., retail trade and services). Some of this concentration, or “segregation,” no doubt reflects women’s choices, while some likely reflects barriers they continue to face in gaining entry to male-dominated fields.

More than 40 percent of the pay gap remaining between men and women cannot be explained by differences in the characteristics of female and male workers or the jobs they hold and is often interpreted as discrimination. Some of this concentration, or “segregation,” no doubt reflects women’s choices, while some likely reflects barriers they continue to face in gaining entry to male-dominated fields.

Women workers also face a pension gap. Fewer than 40 percent of all women working in the private sector are covered by a pension, compared with 46 percent of men, and only 32 percent of current female retirees receive a pension, compared with 55 percent of men. The lower earnings of women contribute to lower pensions when they retire. The average pension benefit received by new female retirees is less than half that of men. White women and minority women. Since 1979, the earnings of white women have risen 16 percent, twice as much as the 8 percent with 55 percent of men. The lower earnings of women contribute to lower pensions when they retire. The average pension benefit received by new female retirees is less than half that of men. White women and minority women. Since 1979, the earnings of white women have risen 16 percent, twice as much as the 8 percent
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Declining unionization in the 1980s has also contributed to increased wage inequality. The American labor movement has always had a goal to help workers earn more and thereby gain access to the middle class. With declines in union membership, fewer workers benefited from the higher wages typically achieved through collective bargaining. The impact is probably the greatest on men, whose union membership rates (in private-sector employment) fell by 50 percent between 1973 and 1993.\footnote{Future legislated increases in the minimum wage would help to reduce or stabilize wage inequality.}

Pay gaps persist between groups. Pay gaps between different groups of American workers—between men and women, between whites and minorities, and between people with disabilities and those without—are another dimension of wage inequality. Though they have narrowed over the past several decades as a result of passage and enforcement of antidiscrimination laws and narrowing gaps in skills, such pay gaps remain and are likely to continue.

More than 40 percent of the pay gap between men and women workers shrank by more than one-third between 1979 and 1998, women have yet to achieve parity with men. Overall, women’s earnings have risen from 63 percent to 76 percent of men’s earnings. While earnings of young women are nearly on par with young men (at about 91c on the dollar), older women lag further behind comparably aged men. Women aged 45 to 54 years old earn just 67 percent of what men earn, and women aged 55 to 64 years old earn just 66 percent.

The pay gap between men and women can be explained primarily by three factors. Roughly one-third of the pay gap between men and women is due to differences in labor market experience and, to a lesser extent, educational attainment. Women have roughly the same average educational attainment as men, and their test scores are roughly comparable (though women tend to score slightly higher in verbal areas while men do so in math). Differences in courses taken by men and women contribute somewhat to the differences observed between college-educated men and women, but not to those between men and women with high-school or less education. Work experience levels are lower among women, many of whom withdraw temporarily from the labor force to rear children.

Another 28 percent of the gap reflects differences in the occupations and industries in which men and women work and differences in their union status. Women continue to be concentrated in certain occupations (e.g., teaching and clerical work) and industries (e.g., retail trade and services). Some of this concentration, or “segregation,” no doubt reflects women’s choices, while some likely reflects barriers they continue to face in gaining entry to male-dominated fields.

More than 40 percent of the pay gap remaining between men and women cannot be explained by differences in the characteristics of female and male workers or the jobs they hold and is often interpreted as discrimination.\footnote{Discrimination can take many forms, such as being hired less frequently in high-wage firms, receiving less training and fewer promotions, particularly into the executive suite, and being assigned to lower-paying jobs within the same occupations. For example, in 1998, waiters earned 22 percent more than waitresses.}

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Women workers also face a pension gap. Fewer than 40 percent of all women working in the private sector are covered by a pension, compared with 46 percent of men, and only 32 percent of current female retirees receive a pension, compared with 55 percent of men. The lower earnings of women contribute to lower pensions when they retire. The average pension benefit received by new female retirees is less than half that of men.

White women and minority women. Since 1979, the earnings of white women have risen 16 percent, twice as much as the 8 percent...
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Working in a world of work

Limited early work experience. Young blacks have a particularly difficult time transitioning from school to work and thereby lose valuable early work experience. Such experience has proven important to employment stability and wage growth.

Spatial mismatch. Residents of inner-city or rural areas may have limited access to available jobs in other cities and outer suburbs because of transportation limitations and lack of information and contacts in those neighborhoods.

Involvement in crime. Whether their perceptions are based on reality or stereotypes, many employers are unwilling to hire applicants that they suspect may have been involved in criminal activity. These lost opportunities to gain work experience most adversely affect young minorities.

Workers with disabilities and those with no disabilities. As a result of their low employment rates, people with disabilities are more likely to live in poverty than those without disabilities. In 1995, 30 percent of working-age people with disabilities had incomes below the poverty level—three times the poverty rate of working-age Americans without disabilities. Among people with significant disabilities that prevent them from working at all or qualify them to receive Medicare or social security insurance, 36 percent have incomes below the poverty level. The poverty rate is even higher for certain segments of the population of people with disabilities. Of single women with disabilities who have children under six, for example, 73 percent are living in poverty. (See chapter 1, Workforce for more details.)

Even for people with disabilities who have jobs, income levels may be below average due to a combination of lower hourly wages and reduced work hours. People with disabilities who work full-time earn only 86 percent as much, on average, as full-time workers without disabilities. Among people working part time, those with disabilities earn only 64 percent as much as those without disabilities. People with disabilities may have lower wages than those without disabilities because they lack the skills and education needed for better-paying jobs. As shown in chapter 1, the educational attainment of people with disabilities is much lower than that of those without disabilities.

Other factors contribute to persistent labor force inequality among racial and ethnic groups:

Employer perceptions. Differences employers perceive in the “soft skills”—such as attitude and communication ability—contribute to differences in their willingness to hire youths and minorities.

Racial discrimination. Discrimination by employers, patrons and coworkers—especially against black males—and the “glass ceiling” blocks advancement opportunities for minority men as well as minority women. (See chapter 5, Workplace conditions, for further discussion.)

Employment rates.

Dramatic differences in educational attainment and English language ability across these groups of workers reflect a high concentration of immigrants. Differences in educational attainment and language ability seem to account for much of the wage gap between whites and Asians and especially between whites and Hispanics. Based upon historical experience, the education, and thus the earnings, of the sons and daughters of these immigrants will soon surpass those of their parents.

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White men and minority men. The wages of black men improved dramatically between 1940 and 1990. In 1940, black men earned on average only 40¢ for every dollar earned by white men. By 1990, black men’s wages had climbed to about 75 percent of white men’s, and, by 1998, to 76 percent. Although the real wages of black men overall have stagnated or even declined since 1975, more experienced workers benefited disproportionately compared to the newest workers. Black men with 10 or more years of labor market experience continued to enjoy improvements in relative wages in the 1980s, but black men in the lowest experience category lost ground relative to white males with similar experience. Furthermore, the unemployment rate of black men remains twice that of white men, and their labor force participation rate lags behind that of whites. While these rates have improved dramatically with the strong economy in the period 1993 to 1999, the unemployment rate of adult black men is still in the range of 6 to 7 percent, and that of black teens in the range of 25 to 30 percent.

Wage gaps vary among Hispanic, Asian, and white men. Indian and Japanese men earned somewhat more than white males, Mexican, Puerto Rican, and Vietnamese men earned less than two-thirds as much. The primary reason for the continuing earnings inequality between white and nonwhite men is the persisting gap in educational attainment. While the gaps in the quantity and quality of education between native-born whites and minorities, as measured by test scores, have narrowed somewhat in the past few decades, the demand for skills appears to be rising even more rapidly. Blacks, Hispanics, and other minority groups frequently have fewer years of education and a poorer quality education. This contributes significantly to their lower employment and earnings levels.

Dramatic differences in educational attainment and English language ability across these groups of workers reflect a high concentration of immigrants. Differences in educational attainment and language ability seem to account for much of the wage gap between whites and Asians and especially between whites and Hispanics. Based upon historical experience, the education, and thus the earnings, of the sons and daughters of these immigrants will soon surpass those of their parents.

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Wages and benefits futurework employment
behavior also seems to decline in tight labor markets, as employers hire workers whom they might not otherwise consider. Thus, if a tight labor market persists, people with limited education as well as women, minorities, and people with disabilities may gain valuable work experience that will improve their future employability and wages.

Nevertheless, negative influences such as the rising costs of higher education, reduced support for poor families, and economically segregated neighborhoods will continue to pose challenges for America's poor.

Technological changes, coupled with rising educational attainment, offer opportunities and provide the potential for increased competitive employment for people with disabilities. Thus over time, this will narrow the gap between their average earnings and those of people without disabilities.

However, significant employment barriers remain, particularly for those who need but cannot get healthcare coverage when they return to work. The loss of Medicare or Medicaid coverage can prevent individuals with disabilities from maximizing their employment and earning potential.

Any attempt to eradicate employment differences—between men and women, whites and minorities, or people with disabilities and people without disabilities—will have to address the wide range of labor market and social barriers that these groups continue to face.

THE FUTURE

Most American workers will continue to enjoy the robust economy projected for the future, with its strong employment growth, stable prices, and increasing family income. Fundamental trends are positive, and while business cycle fluctuations in employment and growth will undoubtedly occur, they are likely to be minimal.

Workers will continue to benefit from rising productivity, thus supporting continued growth in the purchasing power of American families. The Social Security Administration projects that real earnings will continue to grow at about one percent per year through 2010, even as employers feel continued pressure to contain labor costs to compete in the global economy.

Technological change—perhaps accelerating in the future with the expansion of the Internet and other rapidly evolving telecommunications technologies—could continue to increase the gap between workers who have high levels of education and skills and those who do not. The increased premium on skills would by itself increase wage inequality, but it will also motivate more people to invest in their skills. If enough people obtain the higher skill levels required by rapidly changing technologies, wage inequality may continue to shrink. Wage inequality between middle- and low-wage earners may also narrow if lawmakers pass increases in the minimum wage sufficient to stabilize its real value.

The pay gap between men and women will likely continue to narrow as women gain increased labor-market experience and enter into higher-paying occupations. The trend may be slowed, however, by continued discrimination and by “segregation” of women in certain occupations and industries.

Signs of long term progress in narrowing white-black pay gaps are apparent in the educational attainment of the black community including the higher college enrollment rates. Discriminatory
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**wages and benefits**

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