



WAGE TRENDS IN CALIFORNIA

October 2004

➤ **Although California wages show growth over 2000 levels...**

Despite recent economic troubles, wages of California workers are now higher than in 2000. In 2003, working men in California earned a median wage of \$668 per week, about the same as in 2000. In 2004, the median increased by 3 percent to \$689 (Figure 1). At the low end (the 10th percentile), male wages were also up 3 percent over 2000 levels to \$272 per week in 2004. At the high end (the 90th percentile), they grew 6 percent to \$1,757 per week. For women, wage growth has been slower, increasing by less than 2 percent at the median to \$531 per week in 2004, by only 1 percent at the low end to \$191, and by less than 3 percent at the high end to \$1,264.

➤ **...Male wages have fallen and wage inequality has grown during the last 25 years.**

In 1979, the median male worker earned \$758 per week. In 2004, the median wage (\$689) is about 9 percent lower. Over the same period, male wages fell by 21 percent at the low end of the wage scale and grew by 23 percent at the high end. Income inequality — the ratio of wages at the 90th percentile to wages at the 10th percentile — increased substantially during the recessions of the early 1980s and early 1990s and by a smaller amount in 2001 (Figure 2). Between 1979 and 2004, the 90/10 ratio of male wages grew from 4.1 to 6.5. For women, the median wage grew by 17 percent over this period, in part due to movement from part-time to full-time employment; and the 90/10 ratio grew from 4.6 to 6.6.

➤ **Hispanic and black workers earn lower wages.**

In recent years, Hispanic workers earned less than 60 cents for every dollar earned by white workers (among full-time workers). Among U.S.-born workers, Hispanic men earned 81 cents, and black men earned 74 cents, per dollar earned by white men. U.S.-born Hispanic women earned 79 cents, and black women earned 86 cents, per dollar earned by white women. U.S.-born Asians tend to earn higher wages than whites; relative wages were \$1.04 for men and \$1.15 for women.

➤ **Earnings are higher in California than nationally but vary substantially across counties.**

In 2003, California men earned \$41,640 per year at the median; the national median was \$40,560 (among full-time workers). California women earned \$35,250 at the median, compared to \$30,600 nationally. Santa Clara County had substantially higher median earnings of \$63,170 for men and \$47,760 for women. Tulare County had substantially lower median earnings of \$28,560 for men and \$26,019 for women.

➤ **Minimum wages provide poverty-level income.**

The minimum wage in California is \$6.75 per hour and recent legislation, if signed, will increase it to \$7.75 in 2006. In 2004, 7 percent of adult workers reported hourly wages of \$6.75 or less and 14 percent reported wages of \$7.75 or less. At \$6.75 per hour, a full-time minimum wage worker would have earned about \$13,500 in 2003. After a reduction of \$1,154 for payroll taxes, and the federal earned income credit of \$4,204 with two qualifying children, the total earned would be \$16,550. The federal poverty threshold in 2003 was \$14,824 for an adult with two children and \$18,660 for two adults with two children.

➤ **Local governments have turned to living wage ordinances.**

Responding to concerns about low wages, 20 local governments in California have adopted living wage ordinances -- more than any other state in the country. These ordinances range from \$7.25 per hour in Pasadena and West Hollywood to \$13 per hour in Fairfax (with health benefits). Unlike federal or state minimum wages, living wage ordinances set a minimum wage for only a small fraction of the workforce, typically local government contractors and firms that receive financial assistance from cities.

Figure 1
Wage Trends for Working Men in California, 1979-2004

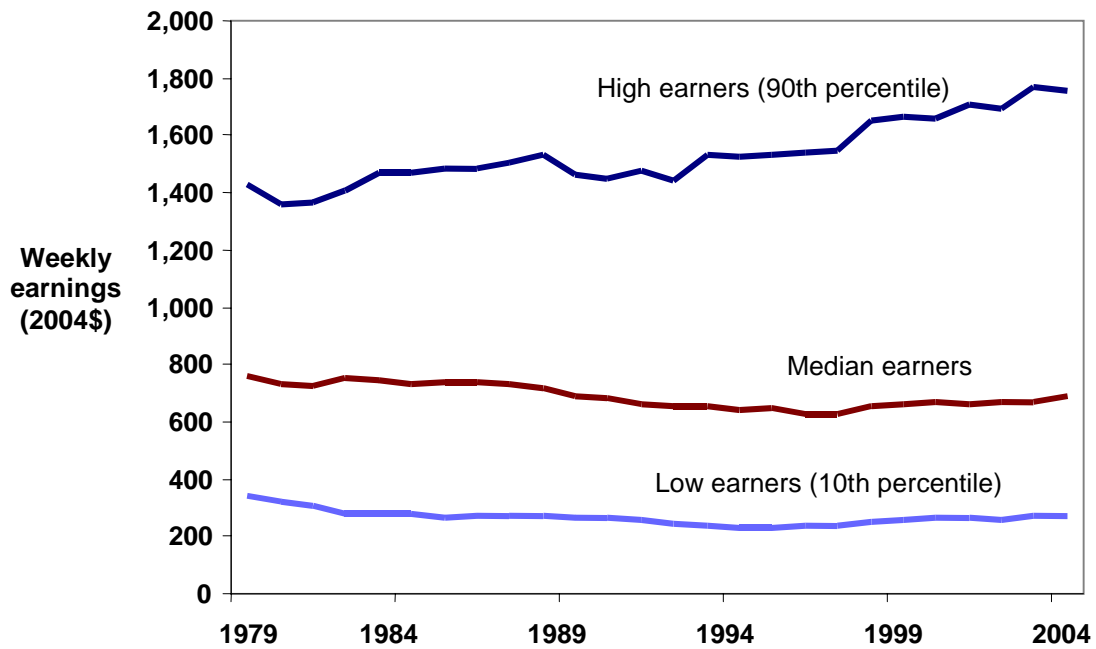
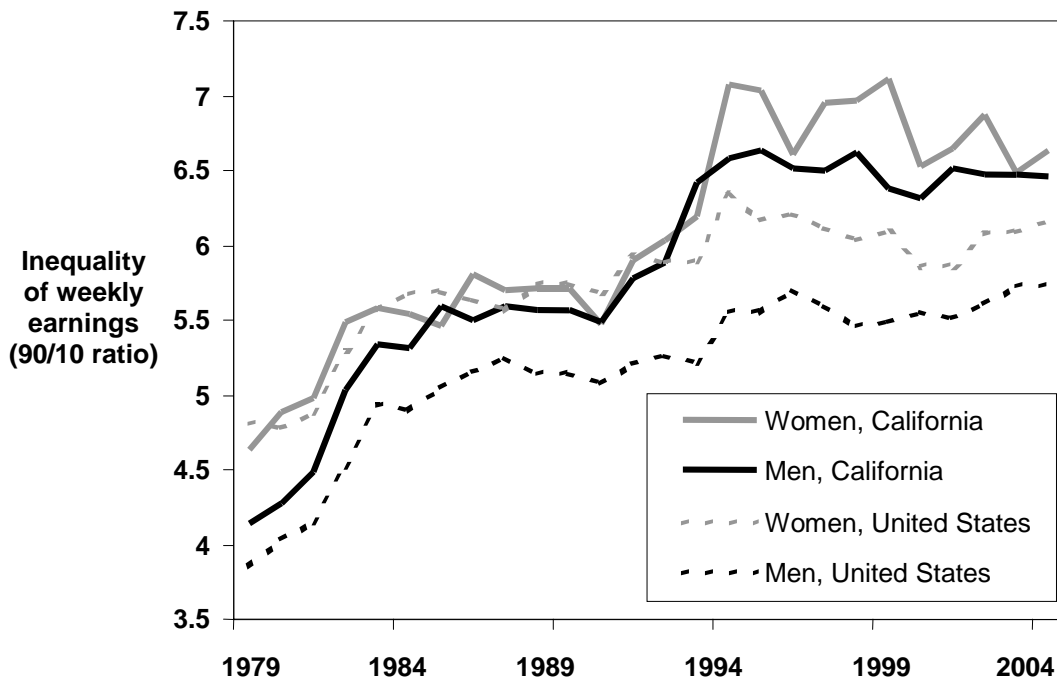


Figure 2
Wage Inequality in California and the United States, 1979-2004



Source: Wage trends are from PPIC calculations based on the Current Population Survey, Earner Study, January 1979 to August 2004 (adjusted for inflation to 2004 dollars using the CPI-U-RS, 2004 statistics annualized). County data are from American Community Survey, 2003. Living wage information comes from the Employment Policies Institute (www.epionline.org) and from the Employment Policy Foundation (www.epf.org).