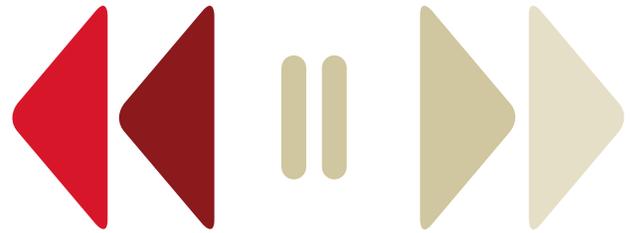


Setback
The State of Working Virginia
Part One: Wages and Income



November 2012

By Sara Okos and Michael Cassidy



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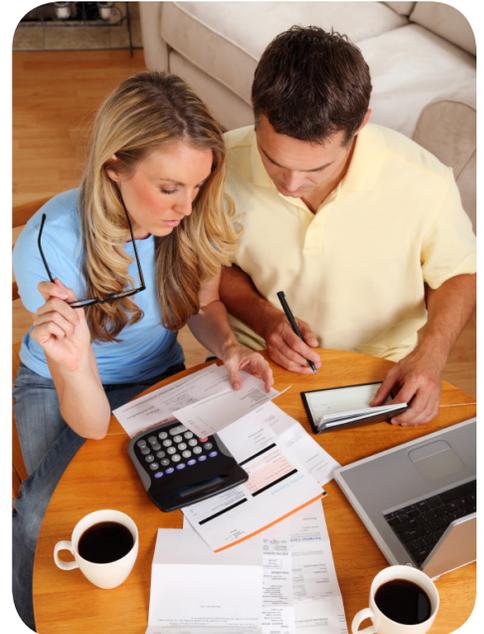
Setback

For the first time since the recession, Virginia's median wage fell in 2011, and median household income slid even further away from its pre-recession peak of \$64,628, resetting at \$61,882, about the same as it was a decade before. In addition, the lingering effects of the recession pulled down even Virginia's highest wage earners in 2011 and hit men harder than women across all wage groups. Meanwhile, for workers at the lower end of the wage spectrum, losses continued to mount with wages falling even further below pre-recession levels, and their wage advantage over workers in other states shrinking.

All told, for workers in the state's economy 2011 was a year of setbacks. By examining the latest income figures and wage data across a number of demographic slices – and across the wage distribution – this report provides insight into how Virginia's workers are navigating the shifting currents of the state's precarious economy and slow recovery.

Key Findings Include:

- Median household income was \$61,882 in 2011, which is down over 4 percent from its pre-recession peak, setting the state back nearly a decade in terms of income growth.
- Wages fell in 2011 for the first time since the recession began. The 4 percent decline was the largest single-year drop in the past decade.
- Workers at all positions in the wage distribution took a hit in 2011, but higher wage workers in Virginia took a bigger blow than they did nationally. Despite the hit, Virginia still has the third-highest wage gap in the nation with the highest wage workers making more than five times as much as the lowest.
- Women fared better than men at every position in the wage distribution in 2011, experiencing smaller losses than men – who saw declines across the board – and sometimes small gains. As a result, the gender wage gap narrowed in 2011 to its smallest point in the past 30 years.
- Virginia continues to reward more educated workers with higher wages. Over the 2007-2011 period, wage growth for college graduates was the third highest in the nation. Virginia workers without a college degree, had wage losses more extreme than the national averages.
- Middle-wage industries in Virginia continue to be the hardest hit in terms of net employment levels since the start of the recession. Barely 7 of the state's 20 industries employed more people in 2011 than in 2007, and just three of those paid wages above the statewide average.



For the first time since the recession, Virginia's median wage fell in 2011.

At the Median

Wages, Income, Inequality and Education

Median Household Income

Virginia had the 8th highest median household income in 2011 at \$61,882. As shown in Figure 1, the state's median income trended upward during the period of economic expansion following the 2001 recession. It peaked in 2007 at \$64,628, and has been on the decline ever since.

In 2011, two years after the official end of the Great Recession, median household income is still down about 4.2 percent from its pre-recession peak, and also below its lowest point during the depths of the recession in 2009. Virginia is not alone: The median household income of all but three states and the District of Columbia remained below pre-recession levels in 2011. Virginia's decline between 2007 and 2011 was about half the national decline.

Still, looking at income growth over the past 10 years Virginia workers made no real gains, with 2011 median household income roughly the same as it was in 2001.

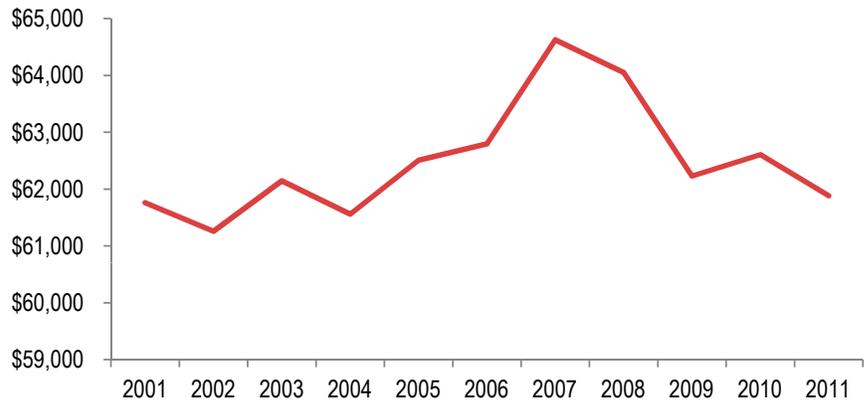
Median Wages

While the median wage either held steady or even grew during the depths of the downturn in Virginia, it fell in 2011 for the first time since the recession began, posting the largest single year decline in the past decade (see Figure 2). Like median household income, despite some upticks, there has been no measurable progress in real median wages over the past 10 years.

Still, despite a 4 percent single-year decline, Virginia's real median wage in 2011 was \$17.64, the 12th highest in the nation and over 9 percent higher than the national average.

Downward Slide

Figure 1: Real Median Household Income in Virginia, 2001-2011



Source: EPI analysis of ACS data.

Median Wage Falls

Figure 2: Annual Change in Real Median Wages, 2001-2011



Source: TCI and EPI analysis of CPS data.

Virginia has consistently enjoyed median wages higher than the national average over the 2001-2011 time period (see Figure 3). But that advantage declined in 2011 from its 2010 peak of 11.45 percent (a premium of about \$1.89 per hour). While over 20 states saw increases in real median wages over the course of the decade, Virginia's real median wages basically held steady, down slightly (1.45 percent) in 2011 from their 2001 level. Nationally, real median wages fell just about 1.6 percent.

Virginia's Shrinking Advantage

Virginia workers throughout the wage distribution had equivalent or better wages than their counterparts nationally in 2011, outearning them by wider margins at the higher end. As shown in Figure 4, for example, the lowest earning workers earned roughly the same in Virginia as they did nationwide, whereas workers earning in the 90th percentile earned about 19 percent more in Virginia per hour than they did nationally (\$45.74 in Virginia versus \$38.46 nationally).

While Virginia's wage advantage had grown over time for all but the lowest earning workers, 2011 was a tough year for workers across the board.

As shown in Figure 5, Virginia workers at all positions in the wage distribution took a hit in 2011. But higher wage workers in Virginia took a bigger blow than they did nationally. While workers in the bottom 30 percent of the wage distribution saw their wages decline by less than the national average, most workers in the top 70 percent (with the exception of the 70th percentile) saw declines exceeding the national average. The top 10 percent of earners in the state, for example, experienced a decline in real median wages of roughly 4.4 percent, compared to a decline of just 2.5 percent nationally.

Still, because Virginia's wages overall endured the recession better than in other states – even including the single-year declines of 2011 – they are still well above the national average. As shown in

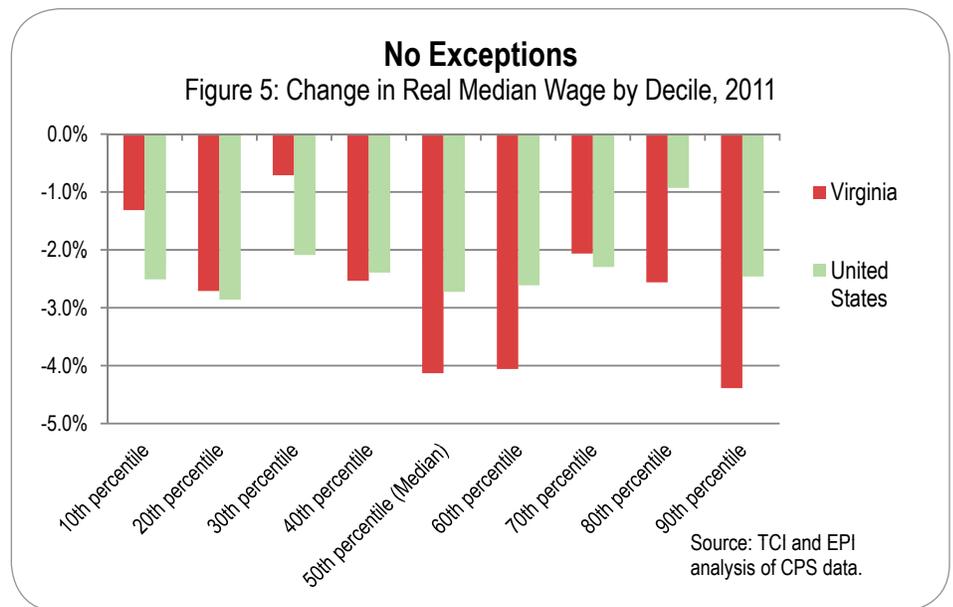
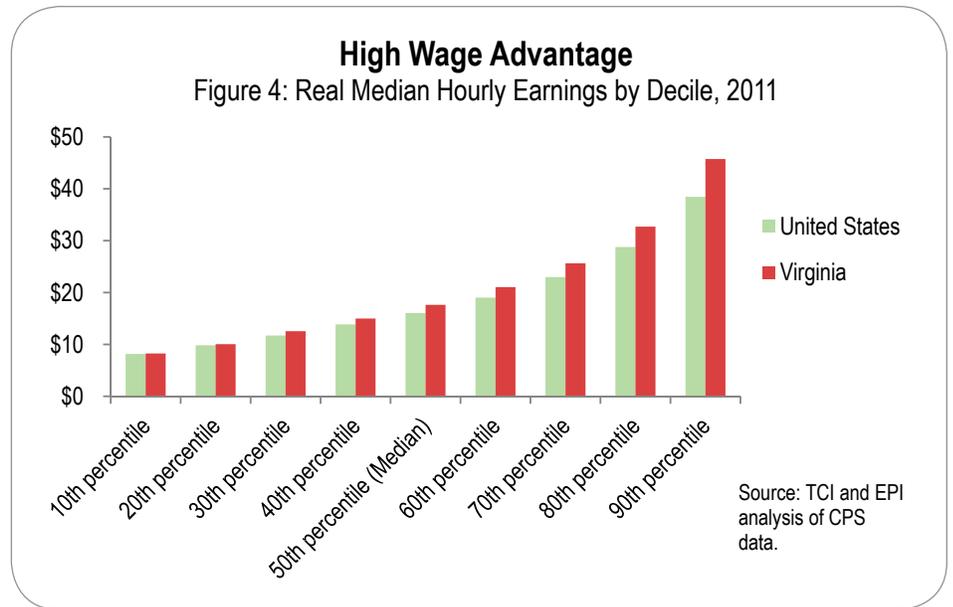
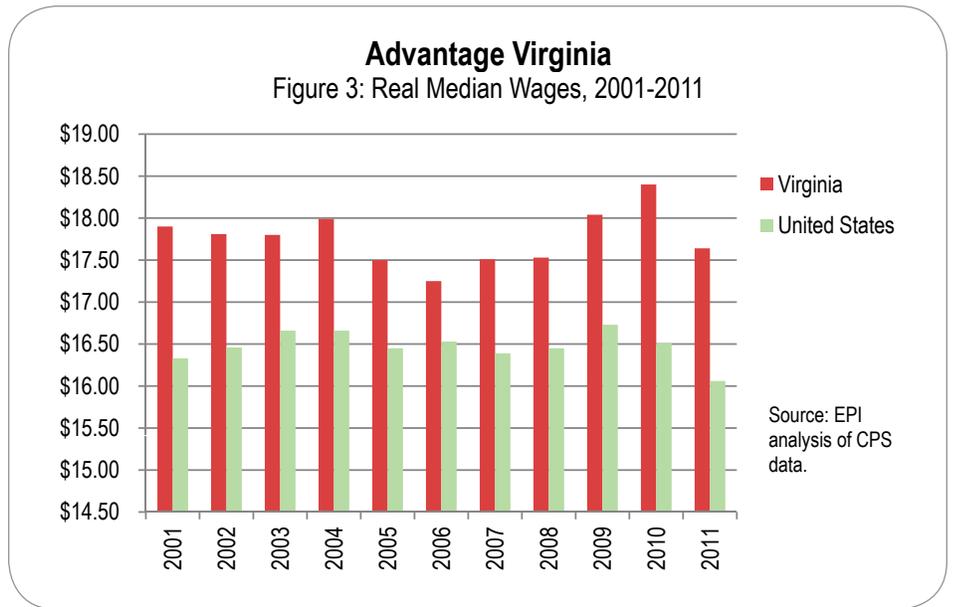
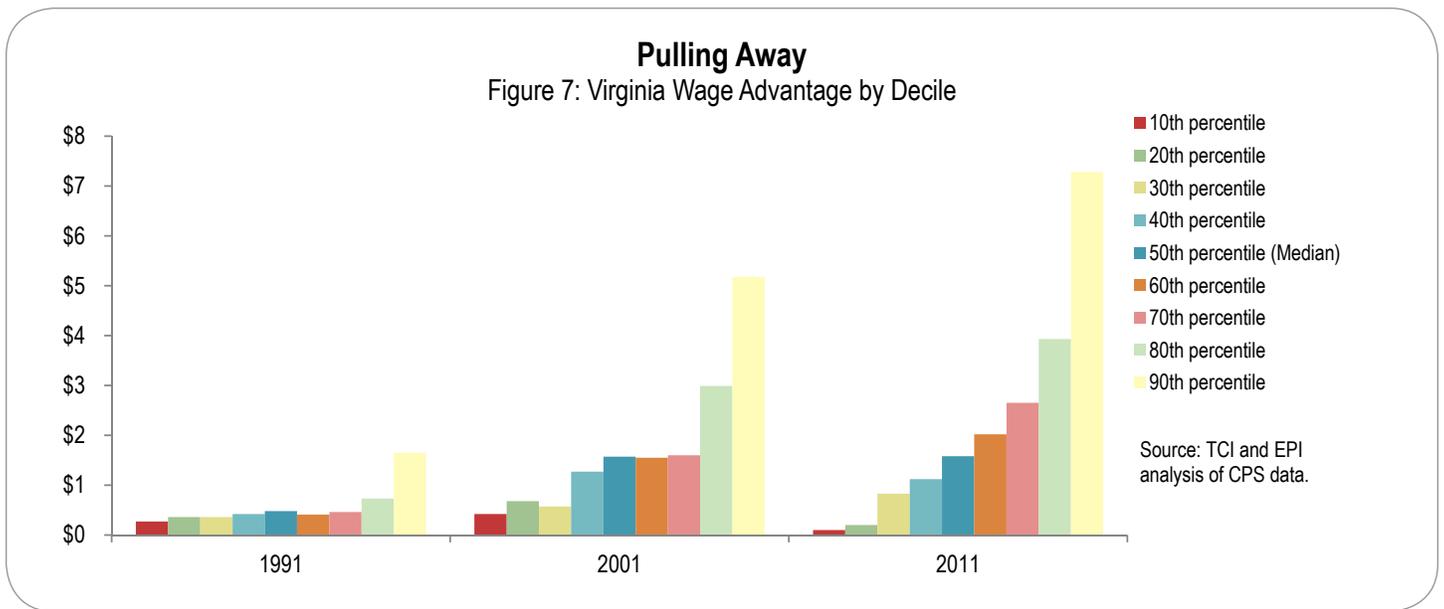
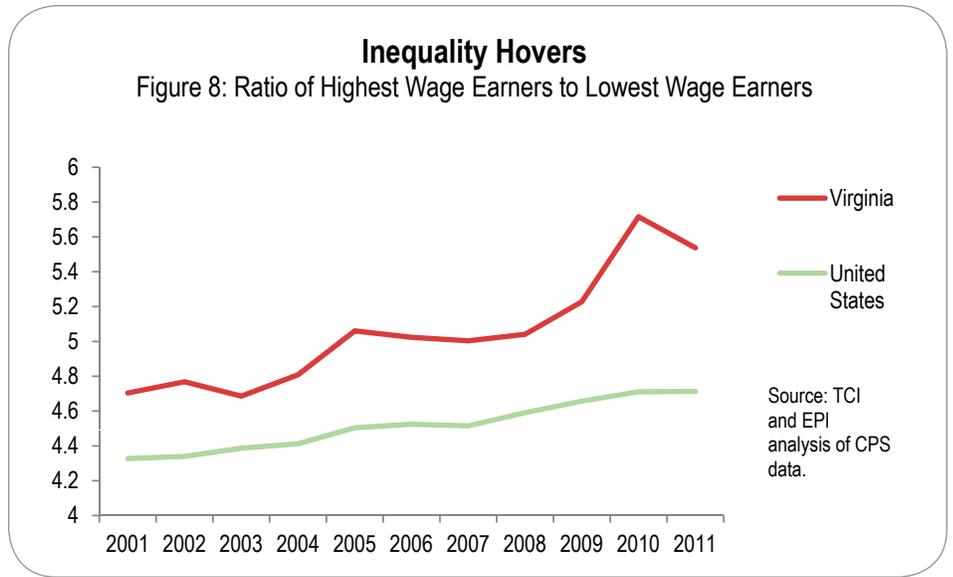
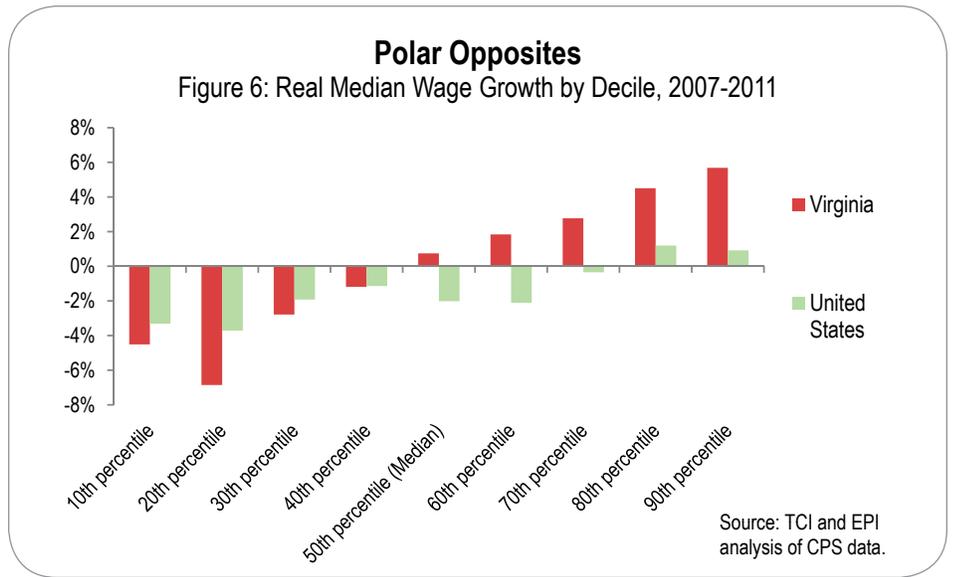


Figure 6, the wages of Virginia's highest earners are up about 5.7 percent from their pre-recession level compared to extremely minimal gains, if any at all, at the national level. At the other end of the spectrum, however, the wages of lower earners in Virginia fell even farther below their pre-recession levels. Even though the single-year declines were smaller for lower earning Virginians than nationally, the wages of these Virginians since the start of the recession have been hit harder than their peers in other states.

As a result, Virginia's lower-wage workers have seen a shrinking relative wage advantage over their counterparts nationally, and middle earners have held steady or seen slight gains, while the advantage enjoyed by higher earners continues to grow (see Figure 7).

Because higher earners have fared much better in recent years than lower earners, the ratio of wages between the highest and lowest paid workers in Virginia – the wage gap – still lingers at a very high level despite the hit to wages at the high end (see Figure 8). More specifically, in 2011 the top 10 percent of wage earners earned, at least, 5.5 times the wages of the bottom 10 percent of workers. Even given the slight drop, this measure of inequality is still high enough to place Virginia third nationally behind only New Jersey and the District of Columbia.



Inequalities by Gender

Women fared better than men at every position in the wage distribution in 2011 (see Figure 9). While male median wages declined across the board, women earning at the same position in the wage distribution experienced smaller percentage losses than men, and some wage groups even experienced growth. At the very top of the distribution, for example, men in the 90th percentile experienced a single-year decline of almost 9 percent, while the top 10 percent of women earners took a hit of less than 2.5 percent. In the middle of the wage distribution, however, females experienced wage growth of 4.7 percent in the 40th percentile and 2.3 percent at the median (50th percentile), compared to 6.7 and 5.8 percent declines, respectively, for men.

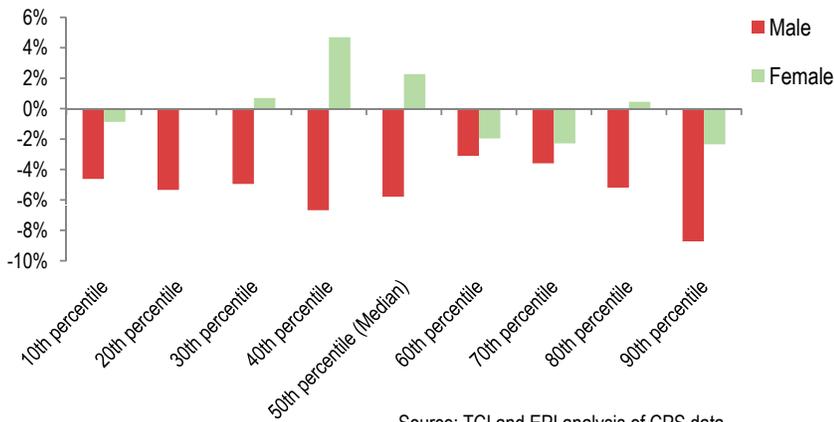
In real terms, Virginia women earned \$16.25 an hour in 2011 at the median, ranking 7th nationally. Virginia men earned \$19.04, ranking 12th.

As a result of these trends, the gender wage gap narrowed in 2011. As shown in Figure 10, the difference between male and female median wages in 2011 was the smallest it has been in 30 years. At the median, women earned roughly \$0.85 per dollar earned by men, which is basically equivalent to the national average (\$0.84). In fact, only 15 other states and the District of Columbia had a smaller gap in 2011.

In addition, looking at the gender wage gap by position in the wage distribution shows some signs of actual progress in Virginia, beyond the 2011 trends. Figure 11 shows that for every wage group, the ratio of female to male wages was higher in 2011 than just 10 years before in 2001. But despite this good news, a gap still exists and it is more pronounced at higher positions in the wage distribution. For example, the gap is greatest among the highest 10 percent of earners, where females made just \$0.78 for every dollar earned by men in 2011.

Female Dominance

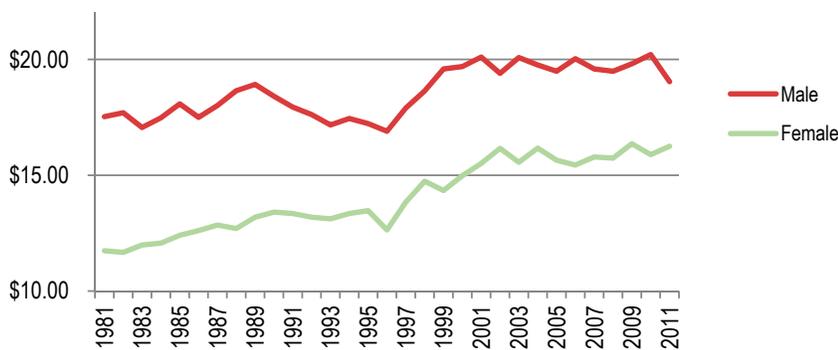
Figure 9: One-Year Change in Real Median Wages by Decile, 2010-2011



Source: TCI and EPI analysis of CPS data.

Narrowing the Gap

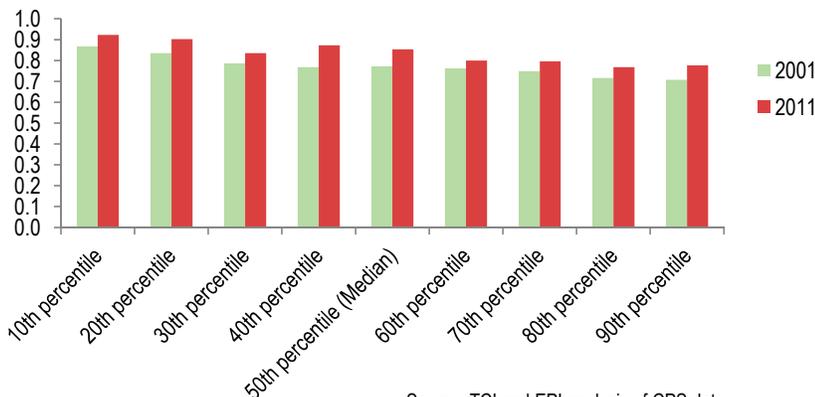
Figure 10: Male and Female Real Median Wages in Virginia, 1981-2011



Source: TCI and EPI analysis of CPS.

Making Progress

Figure 11: Ratio of Female to Male Median Wages by decile, 2001 and 2011



Source: TCI and EPI analysis of CPS data.

The Effect of Education

Virginia's real median wage for college graduates (\$28.10) was the 7th highest nationally for this group of workers in 2011. As shown in Figure 12, at each level of educational attainment, Virginians earned the same or better than their national counterparts in 2011. The difference grows with higher levels of education and is most pronounced among workers with a bachelor's degree or higher, where Virginians earned almost 20 percent more per hour than similarly educated workers nationally.

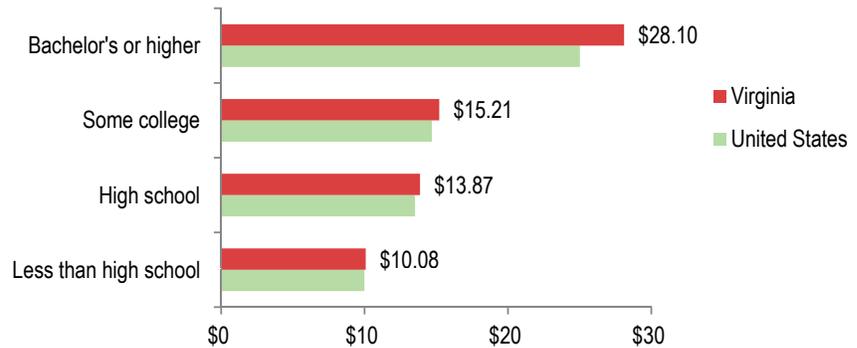
While higher levels of educational attainment are associated with higher earnings, the returns to more education are even greater in Virginia than they are nationally. A college graduate earned roughly two times what a high school graduate earned in 2011, compared to 1.85 times as much at the national level. The wage advantage is even stronger when college educated workers are compared to those with less than a high school diploma (\$28.10 for college graduates versus \$10.08 per hour at the median for less than high school). As shown in Figure 13, the ratio of wages between college graduates and high school graduates has been growing over time, both nationally and in Virginia.

High wage growth among workers with college and advanced degrees is a driving force behind this trend, but another contributing factor is the wage loss among workers with lower levels of education. Together, these trends result in a growing relative wage advantage for workers with higher levels of education.

Over the last 30 years, median wages grew by over 33 percent for Virginia workers with a college degree or higher. But workers with only some college or a high school diploma saw only very modest growth (7.6 percent and 5 percent respectively) and workers with less than a high school diploma saw real wage losses (10.9 percent).

Education Pays

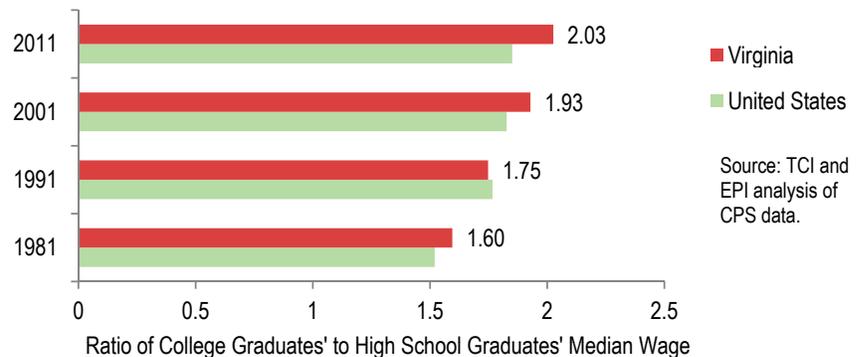
Figure 12: Real Median Hourly Wages by Educational Attainment, 2011



Source: EPI analysis of CPS data.

Graduated Earnings

Figure 13: Ratio of Real Median Wage for College Graduates to High School Graduates

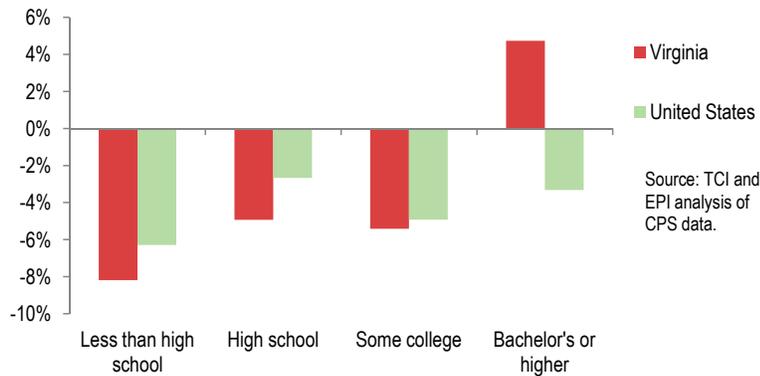


Source: TCI and EPI analysis of CPS data.

A college graduate earned roughly two times what a high school graduate earned in 2011.

Brain Drain

Figure 14: Change in Real Median Wages by Educational Attainment, 2007-2011



Looking back a decade (2001-2011), the picture is similar: gains for college grads and losses for everybody else. And since the onset of the recession, Virginia workers have experienced more of the same.

Workers with college or advanced degrees have continued to see wage growth of 4.7 percent between 2007 and 2011, while all workers with less than a college degree have lost ground (see Figure 14).

However, unlike other trends that show Virginia workers doing relatively better than their counterparts nationally, the trend here is different. For Virginia workers with educational attainment levels below the completion of a college degree, the losses have been more extreme than nationally.

Yet among college graduates, the opposite is true and the gains have been greater. As shown in Figure 14, even college graduates nationally earned median wages in 2011 that were over 3 percent below their pre-recession level, while in Virginia wage growth for college graduates over the 2007-2011 period was the third highest of any state.



For Virginia workers with educational attainment levels below the completion of a college degree, the losses have been more extreme than nationally.

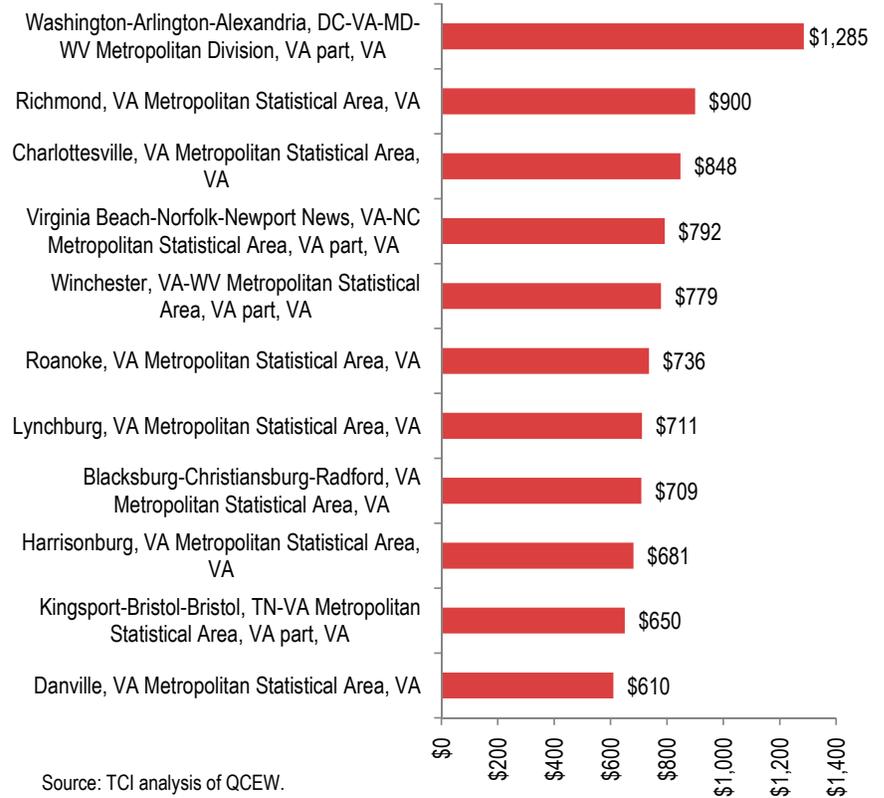
Regional Trends

Statewide, the average weekly wage was \$974 in 2011. But looking at how wages have fared regionally shows some stark disparities across Virginia. As shown in Figure 15, Northern Virginia had the highest average weekly wages in 2011. At \$1,285, Northern Virginia's average weekly wage was more than double the Danville MSA wage, which at \$610 was the lowest in the state. Because Northern Virginia is home to such a large share of the state's workforce, and because of its high wages, it is the only MSA in the state with an average weekly wage above the statewide average.

Yet in looking at regional wages over the course of the recession and into the recovery shows large chunks of the state still hovering at or below their 2007 wage levels in 2011. As shown in Figure 16, only three of Virginia's 11 metropolitan statistical areas have experienced any real wage growth since 2007, and it has been modest at that. The largest growth was experienced in the Kingsport Bristol MSA, where average weekly wages grew by about 3.7 percent. In contrast, the losses were greatest in the Blacksburg-Christiansburg-Radford MSA where the average weekly wage was about 3.6 percent below its 2007 level in 2011. For most MSAs, however, wages were mainly stagnant over the 2007-2011 period.

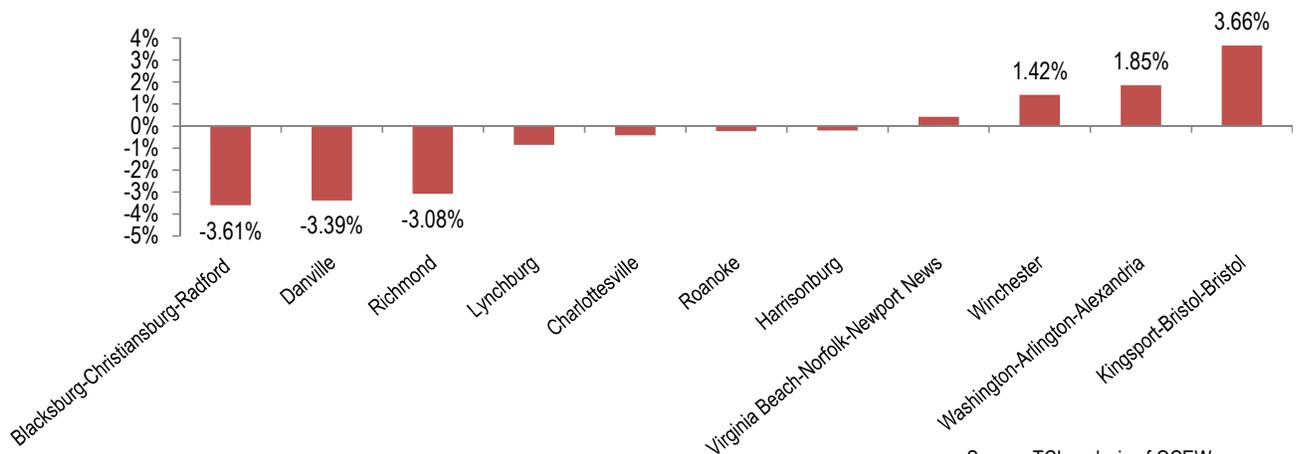
Regional Differences

Figure 15: Average Weekly Wage by Metropolitan Statistical Area (MSA), 2011



Metro Loss

Figure 16: Change in Average Weekly Wage by MSA, 2007-2011



Job Growth and Wage Trends by Industry

Virginia's 2011 average weekly wage of \$974 is just slightly above the state's 2007, pre-recession average of \$960 (inflation-adjusted). In 2011, just nine industries had wages above it while 11 were below it. In Virginia's highest paying industry, Management of Companies and Enterprises, the average weekly wage in 2011 was over twice the statewide average (\$2,006), while in Accommodation and Food Services (the state's lowest paying industry), the average weekly wage of \$321 was less than one-third of the statewide average.

In terms of wage growth, nine of the state's 20 industries paid average weekly wages that were lower in 2011 than they were in 2007, adjusted for inflation. Wage declines in these industries ranged from 1 percent to 5 percent. The decline was greatest in Educational Services, where average weekly wages fell by about \$40.

Of the 11 industries that held steady or experienced growth, increases ranged from zero to 18 percent. Wage growth was highest in Mining, Quarrying, and Oil and Gas Extraction, where average weekly wages jumped \$206 dollars between 2007 and 2011.

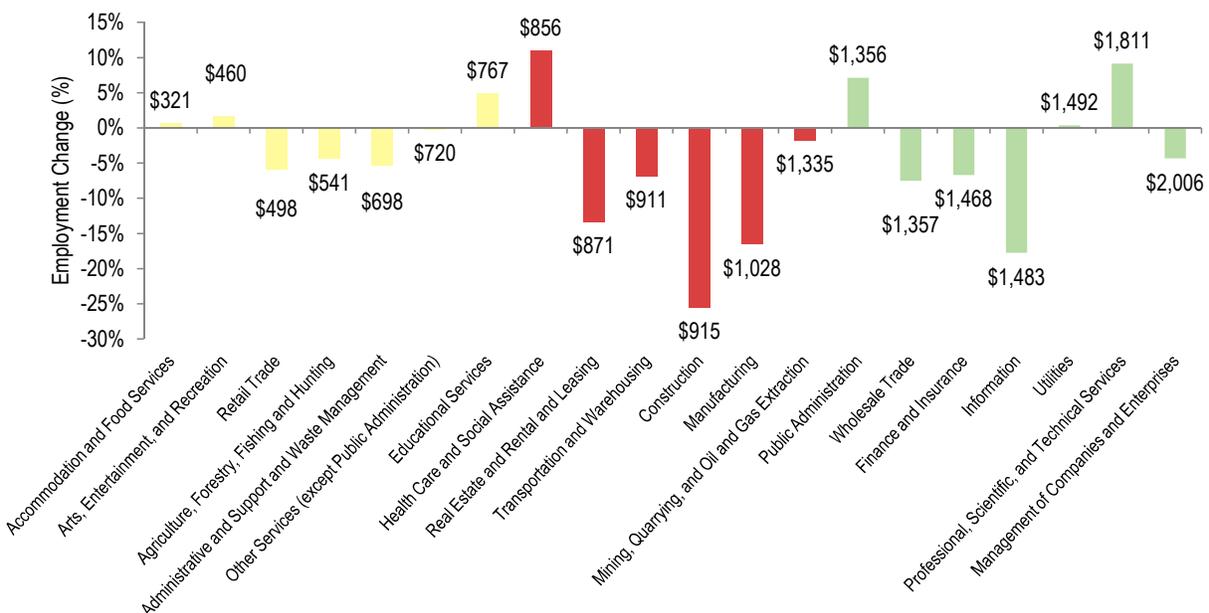
Just looking at wages and recent wage growth by industry, however, misses important data about the job opportunities facing Virginia's workers: Only seven of the state's 20 industries employed more people in 2011 than in 2007 and only three of those paid wages above the statewide average.

Figure 17 shows the total change in employment levels by industry since the start of the recession in order of average weekly wage in 2011. Of the lowest paying industries (those in yellow), modest employment gains in three of the sectors helped compensate for declines in the other four. Among the highest paying industries (those in green), three

experienced net employment gains since the start of the recession, but the remaining, four are still down jobs, with Information down the most (nearly 18 percent, the second largest decline of any industry).

Overall, however, the largest employment losses are concentrated in Virginia's middle wage industries (shown in red). Aside from Health Care and Social Assistance, which is Virginia's fastest growing industry (up 43,429 jobs or 11 percent), all other mid-wage industries have experienced sharp declines in employment since the start of the recession in 2007. Construction has been the hardest hit of any industry, with over one in every four jobs disappearing between 2007 and 2011. This uneven experience of job loss and growth across sectors, with heavy losses falling in the middle-wage jobs, has serious implications for Virginia workers.

Losing the Middle
Figure 17: Change in Employment Level by Industry, 2007-2011 and Average Weekly Wage 2011



Source: TCI analysis of QCEW.



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