A TALE OF TWO DECADES

Changes in Work and Family in Massachusetts 1979–1999

Executive Summary

Over the past two decades, Massachusetts has enjoyed a spectacular ride through two economic booms. It has shed the mantle of "old-style" manufacturing and replaced it with a robust "new" economy. As the economic base changed, so did the Commonwealth's workforce and family structures.

A closer look at how workers and families have fared tells a tale of two decades. The "Massachusetts Miracle" of the 1980s generated considerably more gains for a wider variety of people and families than the 1990s "new economy." Using cross-sectional data, we find that although most workers saw their own and their families' earnings improve over the 20-year period, the cost for this prosperity has been more work hours and more people—especially mothers—working in every family.

JOB TYPES SHIFT

The last two economic booms marked a dramatic industrial and occupational shift from manufacturing to services.

- In the late 1970s, the manufacturing sector was the largest industrial category in Massachusetts, employing 27.7 percent of adult workers. By the late 1990s, it was the third-largest sector, with 15.3 percent of all workers. It had been eclipsed by professional services and retail trade.
- Non-professional services (which include personal, entertainment, and recreational services) reaped the largest percentage growth, increasing its share of workers from 8.1 percent during the 1979–81 boom to 12.9 percent in the late 1990s.

WORKFORCE AND FAMILY STRUCTURES CHANGE

Both workforce and family composition changed rapidly between 1979 and 1999.

- The Massachusetts workforce became more diverse. Black, Hispanic, Asian, and female workers steadily increased their representation.

- Though married-couple families comprised 42.1 percent of all families in the late 1990s, this represented a decline from 52.3 percent of all families in the late 1970s. Married couples with children showed the steepest declines.
- Lone adults, those living by themselves or with unrelated people, were the fastest-growing family type during the 20-year period, with lone-male households growing the most.

EARNINGS AND HOURS INCREASE

Most workers and virtually all types of families with an employed adult saw an increase in median earnings, but for most, those gains came in the 1980s, not the 1990s.

- High-earners reaped the lion's share of hourly wage gains from the prosperity of the 1980s and 1990s, whereas for low-earners, hourly wages barely kept ahead of the increased cost of living.
- Women's earnings grew faster than men's. Whites fared better than Blacks and Hispanics, who saw the gains they made in the 1980s erode during the 1990s.
- Higher education levels accompanied higher earnings.
- Gains in family earnings over the period were due in part to more work—longer hours for some and more workers per family for others. There are more two-income couples, while in one-adult families, average hours worked have increased.

MANY WORKERS LOSE GROUND

- Despite higher earnings and a booming economy, employers cut back on important benefits for their workers. The percentage of families receiving employer-sponsored health insurance or a pension plan declined over the 20-year period.
- Income inequality among working families increased. While those at the bottom saw gains from the late 1970s to the late 1980s, they lost ground in the 1990s. Conversely, high-earnings families (those at the 80th and 90th deciles of the income distribution scale) saw earnings gains in the 1980s and the 1990s.
- Poverty for workers fell during the boom of the 1980s but rose during the 1990s. As a result, the rate of poverty is virtually the same as it was 20 years ago. The poverty rate for all families with at least one employed adult in the late 1970s was 6.5 percent. This fell sharply to 4.8 percent in the 1980s boom but climbed back to 6.5 percent in the late 1990s.

Despite rapid employment growth in the Bay State over the two-decade period, the earnings losses by some families and an increased share of families falling into poverty are cause for concern. With the new economy, we cannot rely solely on strong economic growth to benefit all workers in Massachusetts.

THE NEW ECONOMY, MASSACHUSETTS STYLE

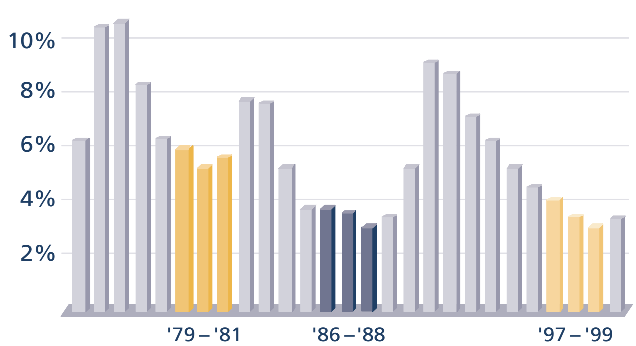
In the past two decades, the Massachusetts economy has enjoyed unprecedented gains. The Massachusetts Miracle in the 1980s was followed by what many call the "new economy," whose engine of growth includes information and knowledge-based industries, reliance on technology, and global markets that bring about rapidly changing products and services. It also includes a flexible workforce that can be redirected quickly to meet these rapidly changing needs but is less formally connected to employers (e.g., there are more temporary and contract workers and fewer workers under collective bargaining arrangements).[1]

The shifting industrial base was not the only important change affecting the work lives and economic fortunes of Bay State residents over the past two decades. Family structures now include more single parents, lone adults, and unmarried couples. Further, there has been an increase in the number of workers in families and the hours they work. Employed mothers have become more the rule than the exception. With more adults employed and working longer hours, the competing demands of work and family have come to exemplify the new economy.

Examining U.S. Census Bureau data collected in the Current Population Survey from peak years in the Commonwealth's business cycles (1979 to 1981, 1986 to 1988, and 1997 to 1999) provides a picture of who was employed, how many hours they worked, where they worked, and how much they earned.[2] This in turn reveals what has happened to Massachusetts jobs and workers since the late 1970s.

The analysis takes a snapshot of various types of workers aged 18 and older and families with at least one working-age (18 to 64) employed adult at three different time intervals; it does not follow individual workers over time. This allows a comparison of workers and families with various characteristics and how they have fared over a 20-year period. It also allows an investigation into whether the economy has provided a better or a worse environment in which to work and establish families.

Massachusetts Unemployment Rates March 1974 – 2000



Source: Massachusetts Division of Employment and Training

A SHIFT IN WHERE THE JOBS ARE

In the 1980s, the Bay State economy broke loose from its former base of "old-style" manufacturing of shoes, textiles, and appliances. The new economic engine of growth consisted of health and education, banking and finance, increased government contracts, and the manufacturing-based high-tech industry.[3] While the Massachusetts economy crashed hard at the end of the 1980s and early 1990s, the subsequent recovery in employment has been stunning. The second boom has been fueled by a service-based high-tech sector and health and business services.

In the late 1970s, manufacturing was the largest industry in Massachusetts, employing 27.7 percent of adult workers. The second largest was professional services (health, education, and social services), employing 24.5 percent of workers, followed by retail trade, employing 14.5 percent. By the late 1980s, professional services had eclipsed manufacturing to become the largest sector.

Manufacturing dropped to third largest (15.3 percent) in the late 1990s, overtaken by retail trade, which increased its employment share to 15.7 percent. Professional services, now the largest industry category, employs 27.3 percent of all Massachusetts workers. The entertainment, recreation, and personal service sectors (i.e., non-professional services) reaped the largest percentage increase, from 8.1 percent in 1979–81 to 12.9 percent in the late 1990s. The entire service sector now employs 40.2 percent of all workers in Massachusetts.

A closer look at the employment in five detailed industrial categories reveals the importance of education, health care, and high-tech industries to the Massachusetts economy. The first category, manufacturing of electrical machines, includes "high-tech" manufacturing. Business services includes jobs in advertising, temp agencies, protective services, automobile repair, and some of the jobs associated with the high-tech industry, such as

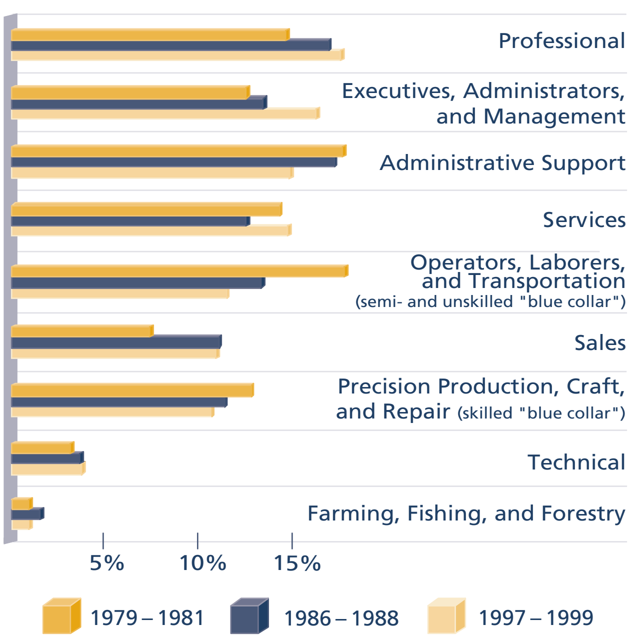
Number of Workers Age 18 and Older in Selected Industries (in thousands)

2-digit industry category	1979–81	1986–88	1997–99	Change 1979–99
Manufacturing: electrical machines	142	115	76	-66
Banking and other finance	76	110	137	61
Business services	98	161	229	131
Professional services: hospitals and health	312	312	332	20
Professional services: education	271	297	274	4
Total of five categories	**899**	**995**	**1,048**	**150**
Workers in all industries	**3,008**	**3,253**	**3,363**	**355**
Workers in five categories as a percentage of all workers	**29.9%**	**30.6%**	**31.2%**	**42.3%**

commercial research and development and computer programming. These two industries, along with banking and finance, health services, and educational services, employ approximately 30 percent of all workers in Massachusetts and represent 42 percent of all new employment in the state over the past 20 years.

Of these detailed categories, hospitals and other health services (a key part of the health-care sector) employed the most workers, growing from over 300,000 to over 330,000 by the late 1990s. Though education grew only slightly, it remains the state's second-highest employer among these categories, reflecting the large number of higher education institutions. From 1979 to 1981, electrical machinery manufacturing employed two times more workers than the banking industry and 50 percent more than business services, but by the late 1990s this relationship had reversed.

Occupational Distribution of Workers 18 and Older



The decline in the state's manufacturing sector and the rise of high-tech and professional services that displaced it is reflected in the occupational distribution of adult workers.[4] Jobs associated with manufacturing—skilled, unskilled, and semi-skilled blue-collar work—steadily declined over the past 20 years. In the boom of the late 1970s and early 1980s, semi-skilled and unskilled blue-collar occupations (operators, transportation personnel, and laborers) were the largest of the nine occupational categories, employing over 17 percent of all adult workers. By the late 1990s, these occupations employed just over 11 percent, only about as much as sales. Skilled blue-collar workers (precision production, craft, and repair personnel) declined from 12.7 percent from 1979 to 1981 to 10.5 percent of all workers by the late 1990s. In contrast, the largest increases in employment were in relatively high paid, white-collar work: executive, administrative, and managerial occupations. Service occupations, which typically pay less, dipped during the late 1980s but have recovered. By the late 1990s, 14.5 percent of all workers were employed in service occupations.

WORKER DEMOGRAPHICS CHANGE

There were just over 3 million adult workers in Massachusetts in 1979–81. This grew to 3.25 million in the late 1980s and to 3.36 million by the late 1990s. The number of workers in the Bay State increased 11.8 percent over the 20-year period, while the

state population increased by only 5.9 percent.

Besides being larger, the Massachusetts workforce is more diverse now than it was 20 years ago. Black, Hispanic, Asian, and female workers have seen steadily increasing representation. Today, Hispanics constitute 5.3 percent of the workforce; Blacks, 5.1 percent; and Asian and Native Americans, 3.3 percent (compared to 1.4 percent, 3.1 percent, and 1.1 percent, respectively, in the late 1970s).[5] Women comprise 48.8 percent of all workers, up from 45.5 percent in the late 1970s. Those who are not United States citizens currently comprise 8.7 percent of the workforce.[6]

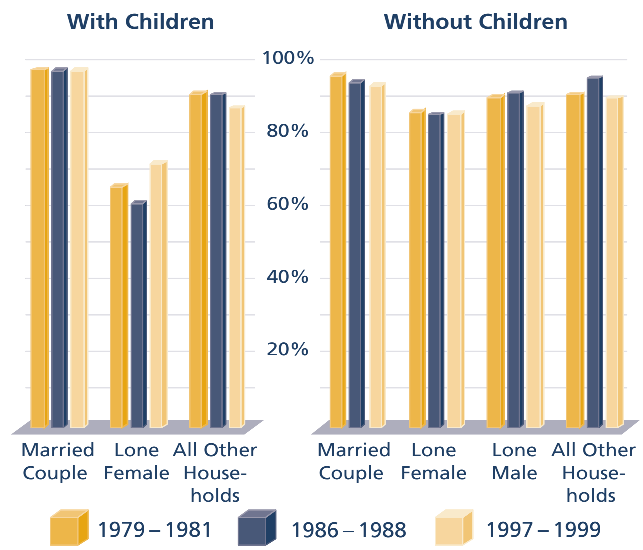
The vast majority—about 84.1 percent—of Massachusetts workers were in the private sector over the two decades. The percentage of people in government jobs shrank slightly, from 14.5 percent to 12.9 percent of all workers. The percentage of workers who are self-employed fluctuated some but remained small: 3.2 percent in the late 1970s, 3.7 percent in the late 1980s, and 3.0 percent in the late 1990s.

Workers today have considerably more years of education. Whereas 17.3 percent of all workers failed to receive high school degrees during 1979–81, only 9.9 failed to do so by the late 1990s. By 1999, 34.1 percent of all workers had college degrees, compared to 20.7 percent during 1979–81.

The average age of the adult workforce increased slightly, from 37.3 years in the late 1970s to 39.3 years in the late 1990s, and the number of retirement-age and young-adult workers dropped. In 1999, over half of all workers were between the ages of 25 and 44, with close to a third between 45 and 64. A small and shrinking percentage were of retirement age.

Concomitant with these changes have been changes in families in Massachusetts. In 1979–81 there were 2.21 million families; by the late 1990s this had increased to 2.71 million.[7] Though married-couple families were the single most common family type, comprising 42.1 percent of all families in the late 1990s, this represents a decline from 52.3 percent of all families in the late 1970s, with married couples with children showing the steepest declines (from 27. 3 percent to 19.3 percent over 20 years). In the late 1970s, single-parent families comprised 5.6 percent of all families (89 percent of these families being single-mother families) and grew to 6.8 percent of all families by the late 1990s (82 percent of which are single-mother families).[8] Lone adults (without children) were the fastest-growing family type during the 20-year period (increasing from 33.4 percent to 43.5 percent of

Percentage of Households with at Least One Employed Adult



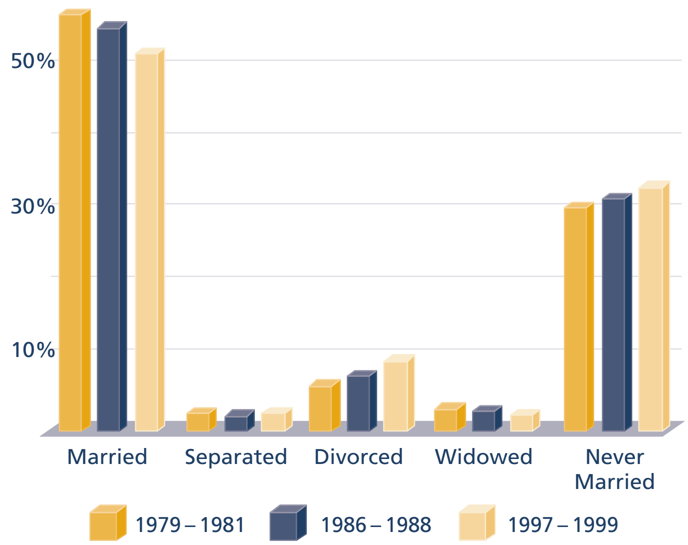
all households), with lone male families growing the most (from 14.6 percent to 21.3 percent).[9]

Family employment rates (families with at least one employed adult as a percentage of all families) are very high in Massachusetts. With the exception of lone-mother families, there was at least one adult employed in 85 percent or more of all other families. Married couples—with and without children—have the highest levels, followed by families with two or more related (but not married) adults. Though lone mothers have the lowest employment levels, they are the only family type that experienced an increase in employment over the 20-year period.

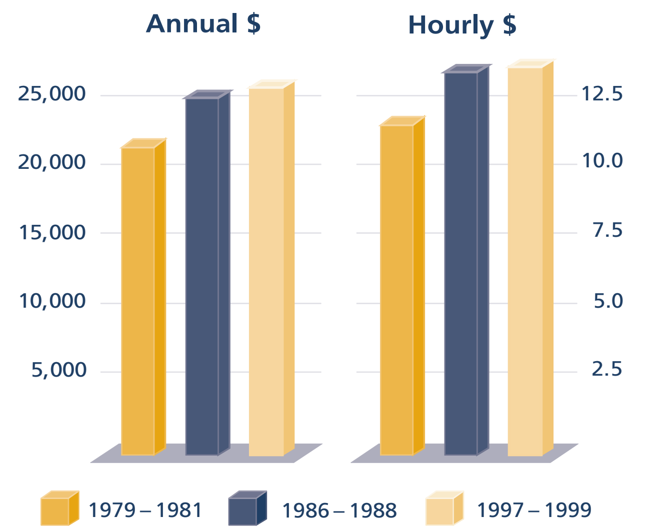
The rise in lone-adult families reflects the declining proportion of married people in the Commonwealth.[10] In the late 1970s, 60 percent of all employed men and 64 percent of all women were married; by the late 1990s, this declined to 53 percent of all men and just under one-half of all women. Meanwhile, the proportion of men and women who were divorced or who had never married increased. The result of having fewer married couples, especially with children, and more lone adults is that the average family size in employed families with a working-aged head has decreased slightly from 2.8 to 2.4 persons.

The percentage of the adult population that is employed remained about the same over the 20 years (72 percent). The

Marital Status of Employed Adults



Median Earnings



gender composition has changed, with the percentage of employed women increasing from just under 60 percent in the late 1970s to just over 67 percent in the late 1990s. Meanwhile the percentage of employed men has decreased. The percentage of parents employed increased from 78.5 percent in the late 1970s to 83.3 percent 20 years later. A very high percentage of fathers are employed, though this rate has dropped. The increase in parents' employment is fully explained by the increase in mothers' employment rates, rising from 64.5 percent in the 1979–81 period to 78 percent by the end of the 1990s.

MORE EARNINGS—AND MORE HOURS

Inflation-adjusted annual earnings have increased. Annual earnings—income earned from all employment sources in one year—increased 19.3 percent for the median worker from the boom of the late 1970s to that of the late 1990s. Most of the increase occurred during the Massachusetts Miracle. This prosperity came at a cost—it resulted, in large part, from an increase in work hours.

During the late 1970s, workers averaged 37.3 hours of work per week and 44.2 weeks per year. By the late 1990s, average weekly hours had increased to 39 hours, while the number of weeks worked increased to 46.8 per year.[11] The percentage of workers working full time and year-round (35 or more hours per week for 50 or more weeks per year) increased steadily, from 57.8 percent of all workers in 1979–81 to 67.8 percent by the late 1990s. Most of this was due to a steady increase in the number of full-time workers who moved from part-year work to year-round employment.[12] As a result of the increased work hours, median hourly earnings increased at a much lower rate (from $11.93 to $14.01 per hour) than did median annual earnings. Few of the gains in hourly earnings came in the 1990s.

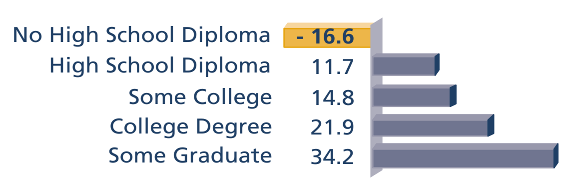
UNEQUAL GAINS

While earnings have improved on average, workers have not shared equally in the Commonwealth's spectacular economic growth. In fact, some types of workers have not experienced any increases in their standard of living, despite two economic booms.

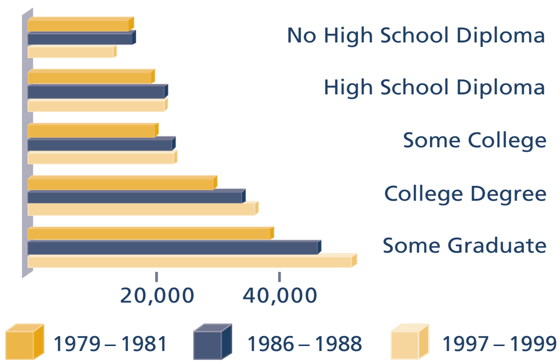
Education Level

Earnings fell over the period for workers without high school educations. Adjusted for inflation, annual earnings fell 16.6 percent from the peak years of the 1970s to the 1990s; hourly earn-

Percentage Change in Median Annual Earnings by Education Level 1979 – 1981 to 1997 – 1999



Median Annual Earnings by Education



ings fell 13.3 percent. In contrast, workers with at least high school degrees saw both yearly and hourly earnings increases. The largest gains went to workers with college degrees. These workers saw annual earnings grow by 21.9 percent and hourly earnings by 18.8 percent. Those with at least some graduate work increased both annual and hourly earnings by over 30 percent.

In real-dollar terms, earnings gaps grew over the 20-year period. In 1979–81, workers with some graduate work earned 2.4 times more than workers with no high school degrees. Twenty years later, the number had grown to 3.8.

Race

Black and Hispanic workers fared worse than others. White workers saw 22.2 percent growth in median annual earnings and 20.9 percent growth in median hourly earnings, with most of these gains occurring during the 1980s. After making gains in the 1980s, earnings for Black workers fell precipitously in the 1990s. As a result, inflation-adjusted hourly earnings for Black workers were 6 percent lower, and annual earnings were 1.7 percent lower in the late 1990s than their earnings two decades ago.

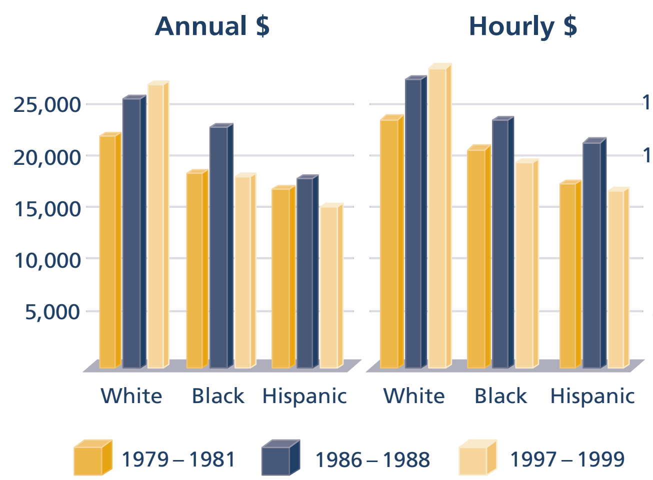
Hispanic workers fared even worse.[13] By the end of the 1990s boom, they were earning 9.7 percent less annually and 4.1 percent less hourly than they had earned 20 years earlier.[14]

Age

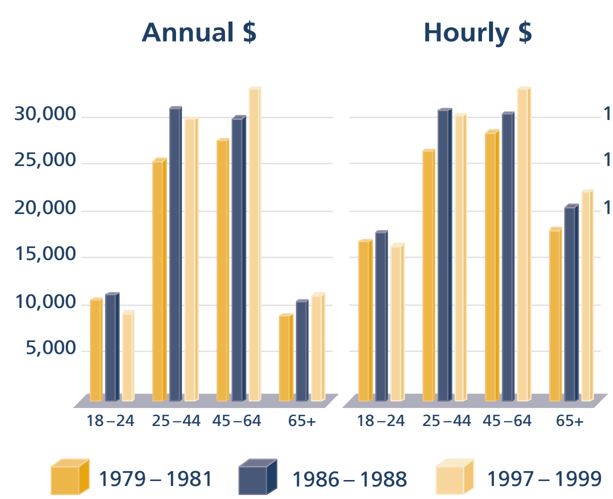
Curiously, earnings for young workers (those between 18 and 24) fell over the 20-year period. Median hourly earnings declined 2.9 percent, while median annual earnings fell by 13.3 percent. Most of these reductions occurred during the 1990s. Conversely, older workers (age 65 and older) saw an increase in median hourly and median annual earnings.

For workers between the ages of 25 and 44, median annual and hourly earnings fell 3.6 and 1.7 percent, respectively, during the 1990s. But because they received large earnings gains during the 1980s, workers in this age group ended the 1990s with higher earnings than workers in the same age group during 1979–81. Conversely, workers who were 45–64 years old reaped earnings gains during the 1980s as well as the 1990s, so that they made 19.9 percent more in annual earnings and 16.2 percent more hourly than workers who were in this age group during the late 1970s.

Median Earnings by Race and Ethnicity



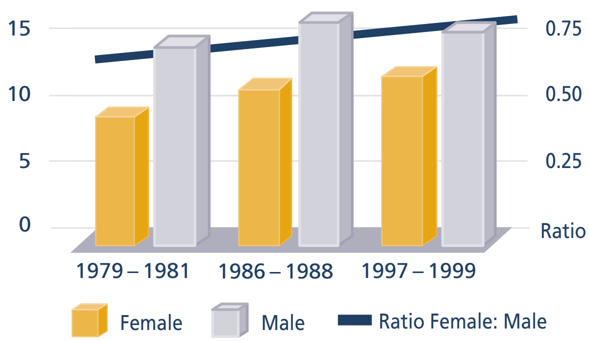
Median Earnings by Age



Gender

From 1979 to 1999, women's median annual earnings grew 50.9 percent, and their hourly earnings grew 30.6 percent. In contrast, men's hourly wages increased by a modest 7.5 percent and their annual earnings by 8.2 percent. Earnings for both women and men increased during the 1980s, but while women's earnings continued to climb during the 1990s, men's fell. Despite improvements, women earned only 78.8 percent of men's hourly earnings by the late 1990s, an increase from 64.8 percent during 1979–81.

Median Hourly Earnings by Gender

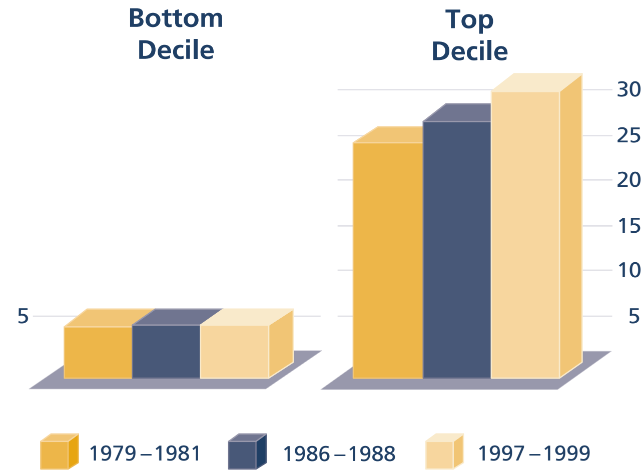


INEQUALITY AND POVERTY

The unequal gains rewarded to various Massachusetts workers can be summarized best by looking at the growing level of inequality in the state. High-wage earners, those at the top 10 percent of all earners, increased their total inflation-adjusted yearly earnings approximately 30 percent over the two decades, from $51,548 in the late 1970s to $66,595 20 years later.[15] High-wage workers also increased the average number of hours worked per week from 48 in the 1970s to 50 at the end of the 1990s. They continued to work a 52-week year throughout this 30-year period. But because earnings outpaced the increase in hours worked, earnings per hour increased 26.7 percent over the past 20 years. The increase in hourly earnings occurred equally during the boom of the 1980s and the boom of the 1990s.

At first glance, it appears that economic prosperity was most generous to low-wage workers, since the greatest earnings gains befell the lowest earners. Those with earnings at the bottom

Hourly Earnings at Bottom and Top Deciles of Earners



10th percentile increased their yearly earnings by 47.6 percent between the peak years of the 1970s and those of the 1990s. But a closer look reveals that these gains are mainly due to additional weeks worked per year, rather than increased hourly wage rates.

During the 1979–81 boom, workers at the bottom 10th percentile of earnings worked an average of 18.7 weeks per year, which increased to 27.3 weeks by the end of the 1990s. Most of the increase occurred mainly during the boom of the 1980s. Because both hours and earnings increased, earnings per hour for low-paid workers increased only 3.2 percent in 20 years—barely enough to keep ahead of the cost of living.

It appears that the economic boom propelled employers to hire low-wage workers for longer periods than during past booms, rather than to increase their inflation-adjusted wages. But the additional work hours were insufficient to decrease poverty. Though the poverty rate for workers fell from 3.9 percent in 1979–81 to 2.9 percent in the late 1980s, it returned to 3.9 percent by the late 1990s.

The percentage of workers with a family income below 150 percent of the poverty level fell slightly after 1979–81, but not continuously. It dropped from 9.0 percent in 1979–81 to 6.3 percent by the late 1980s, but then rose to 8.1 percent in the late 1990s. In contrast, there has been an increase in the number of affluent workers—those earning at least five times the poverty level. In 1979–81, one out of every four workers in

Massachusetts lived in a family whose income was five times the poverty level. This increased to 41.9 percent by the late 1980s and then increased slightly, to 43.1 percent, by the late 1990s.

The lackluster earnings growth for workers at the bottom, coupled with the robust growth for workers at the top, has meant increased earnings inequality. Economic prosperity created the opportunity for low-wage earners to increase their total yearly earnings by working more weeks, rather than by increased wages. Prosperity for the average worker and for high-wage workers was more generous. Though both average and high-wage workers increased the number of hours they worked in a year, their annual earnings grew even faster. The result is that earnings per hour increased: 17.4 percent for the median worker, 26.7 percent for high-wage workers, and only 3.2 percent for low-wage workers. The ratio of average hourly earnings of the top 10 percent of earners to the bottom 10 percent rose over the 20-year period from about 4.4 to 5.4.

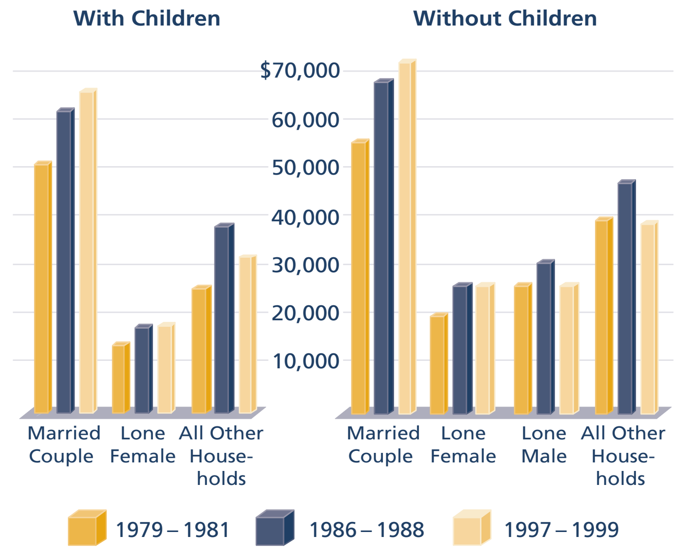
In short, high-earners reaped the lion's share of hourly wage gains from the prosperity during the 1980s and 1990s, whereas for low-earners, hourly wages barely kept ahead of inflation. Still, because hours increased for low-wage earners, the ratio of annual earnings for the top 10th percentile of workers to that at the bottom 10th fell from 15 times as much to 13 times as much. Much of this reduction in inequality occurred during the boom of the 1980s. Although inequality remains high in Massachusetts, the option for working a greater number of weeks per year due to a soaring economy has benefited even the lowest-paid workers.

WORK AND FAMILY

While many workers have seen earnings gains, translating this into personal economic well-being in large part depends on family income and earnings. Because a large share of earners live with other people, and because people have sources of income other than earnings, individual earnings tell only a partial story.

Virtually all family types with an employed adult (age 18 to 64) saw an increase in median family earnings over the past 20 years. Married-couple families and lone-female families saw the largest gains: 29.0 percent for those without children, 29.5 percent for those with children, and 29.4 percent for lone mothers with children. Lone males saw an increase of only 1.1 percent. While all families received higher earnings from the late 1970s to the late 1980s, only married-couple families saw increases

Median Annual Earnings
Households with at Least One Employed Adult



through the 1990s. All other families saw no gain—or actually lost earnings.

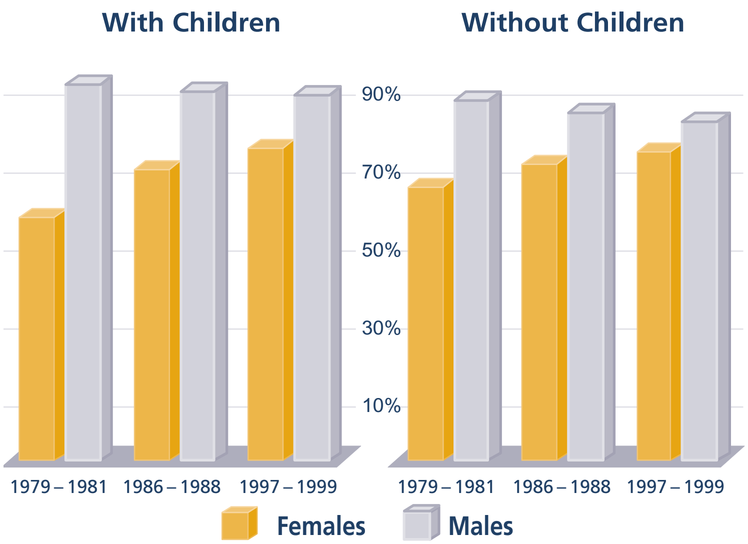
A closer look at married-couple families reveals that these gains are primarily due to advances made by two-income couples. Besides being higher than those of other families, median earnings of two-income couples have grown substantially over the past two decades. For families with children, annual median family earnings grew by 37.1 percent to just over $73,000, while families without children saw their earnings increase by 34.1 percent to just under $79,500. Meanwhile, single-income married couples with children saw their inflation-adjusted median family earnings fall 13.1 percent, to $40,800. Those without children experienced a 23.1 percent decrease, to $35,500, over the past 20 years.

MORE WORK, LESS FAMILY TIME

As with individuals, earnings gains over the past 20 years are due in part to longer worker hours for some and more workers per family for others. There are more dual-income couples, while in lone-adult families, average work hours have increased. Whether by choice or by need, families are increasing their work time.

The percentage of married couples with children, in which both husband and wife are employed, grew from 61.3 percent in

Percentage Employed by Gender in Married-Couple Families



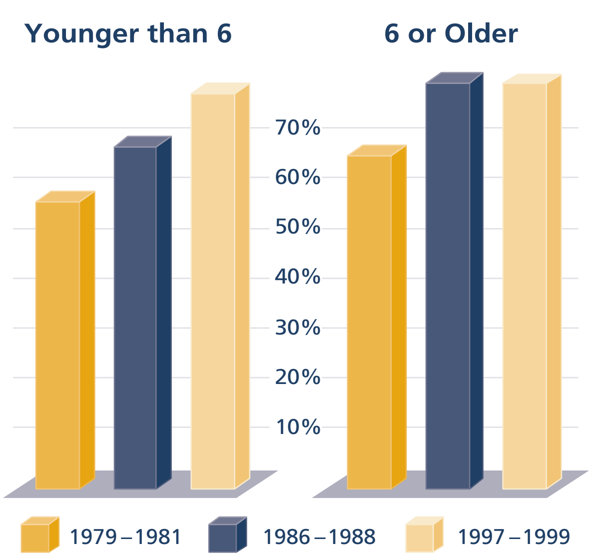
1979–81 to 76.4 percent by the late 1990s. The percentage of two-income couples without children also grew—from 66.5 percent to 73.1 percent. The increase in two-income families is a result of an increase in married mothers' employment rates, reaching just over 80 percent in the late 1990s.

Indeed, though men still have higher employment rates than women, theirs have fallen slightly, so that among dual-income families without children, employment rates by sex are converging. Further, it is mothers' employment, especially mothers with young children, that has risen the fastest. A majority of married mothers now work 35 or more hours a week. This rate rose from 46 percent of all married mothers in the late 1970s to 59 percent in the late 1990s.

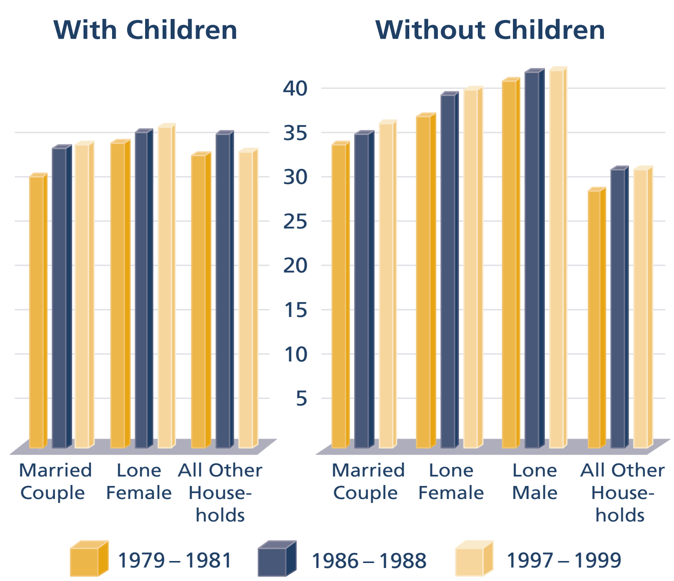
The implications of the increase in married women's employment are two fold. First, it is our clearest signal that the new economy includes most adults in the labor force. Historically married women's labor force involvement was restricted, intermittent, and informal.[16] While employment most certainly has its rewards both individually and for families, it also has its costs—mainly less time for unpaid activities, such as community involvement and taking care of family members. Particularly for mothers, balancing work and family is becoming more difficult. Second, simply because there are two adults, married-couple families have much more capacity to work than do lone-adult families. As more married couples become dual-income couples, the income gap between these families and those consisting of only one adult grows.

In addition to families having more workers, the number of hours worked has increased. On average, married-couple fami-

Percentage of Married Working Mothers by Age of Youngest Child



Average Weekly Hours Worked per Working-Age Adult



lies, lone adults, and lone-mother families have all seen their weekly work hours increase.

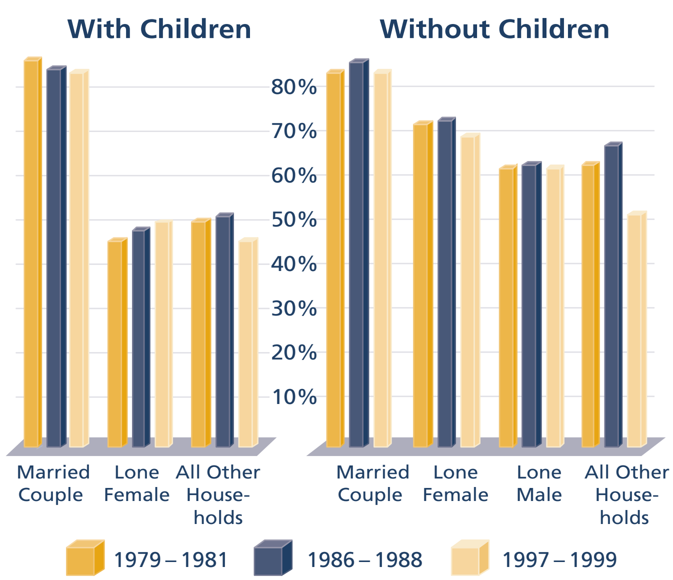
Lone men and women, on average, work the most. The average hours worked by an adult in married-couple families without children and in lone-mother families is the same; both surpass hours worked for married couples with children. Viewed this way, it is hard to imagine single mothers working any more than they already are.

SHRINKING BENEFITS FROM EMPLOYERS

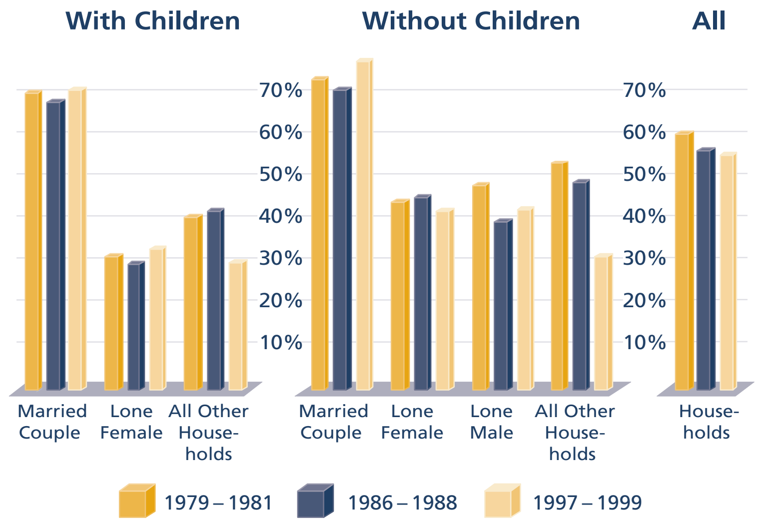
Despite higher earnings and a booming economy, the percentage of workers receiving employer-sponsored benefits has declined over the 20-year period. The percentage of total families receiving employer-sponsored pension plans or employer contributions toward health insurance has declined. In 1979–81, 76.4 percent of all families reported receiving employer contributions for health insurance; this fell to 72.2 percent by the late 1990s.[17] Every type of family saw that coverage fall.[18] The exception was lone-mother families, but these reflected the second-lowest coverage of all families in all time periods.[19]

While the percentage of all families with employer-sponsored pensions declined from 59.9 percent to 55.0 percent, the change over time is not consistent among families. Only one family type—married couples without children—saw much of an increase. These families and lone-mother families saw very slight gains, while the percentage fell for all other types of families.

Percentage of Households with Employer-Provided Health Insurance



Percentage of Households with Employer-Provided Pension Plan

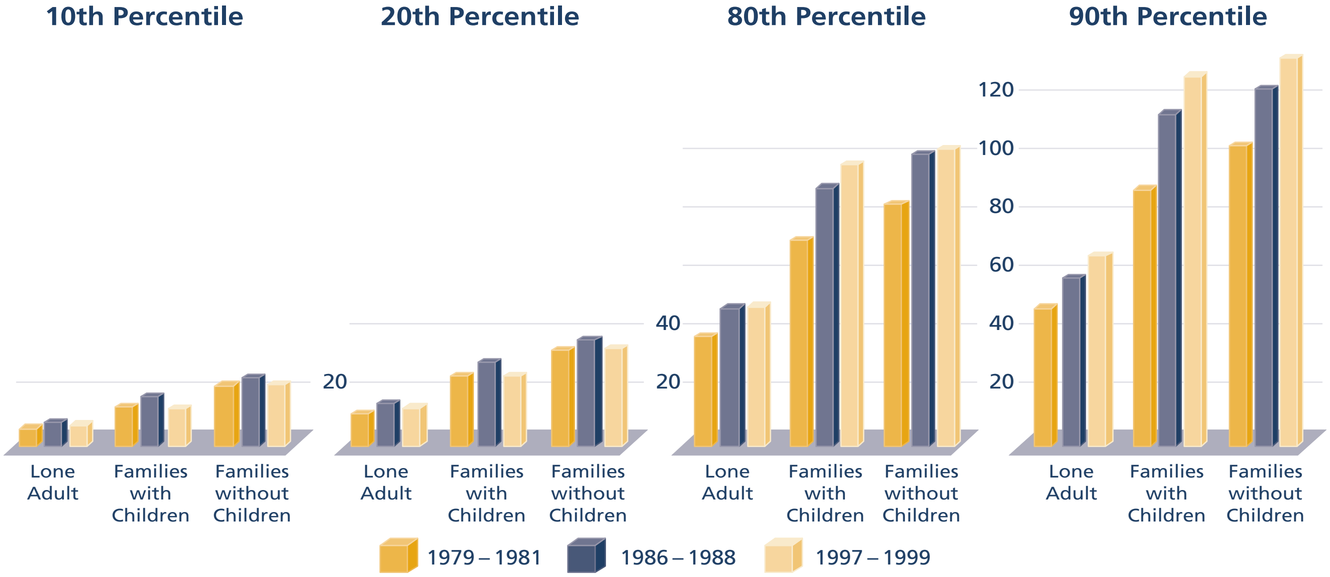


GROWING INEQUALITY

As with individual earners, the earnings gains of families over the past 20 years have not been shared equally.[20] All working families at the bottom saw real family earnings gains from 1979–81 to the late 1980s, but they lost ground in the 1990s. For families with children, real family earnings dropped over the entire period: 2.8 percent for families at the lowest 10 percent of earnings and 1.2 percent for families at the 20th percentile. For families without children, earnings increased, but by less than 2 percent at both the 10th and 20th earnings percentiles. Lone adults in the 10th and 20th percentiles experienced an inflation-adjusted increase of about 20 percent over the 20-year period.

In contrast, high-earning families, those at the 80th and 90th percentiles, saw large gains, none fewer than 20 percent. Families with children at the 90th percentile of earnings saw their inflation-adjusted income grow by 44.3 percent, while those at the 80th percentile had a 36.7 percent increase. Earnings in families without children and lone adults at the 90th percentile rose 29.1 percent, and those at the 80th percentile saw a 22.8 percent gain. Finally lone adults at the 90th percentile saw 39.8 percent gains, and those at the 80th percentile increased family earnings by 27.9 percent.

Annual Family Earnings at Bottom and Top Percentiles
(1,000s of dollars)

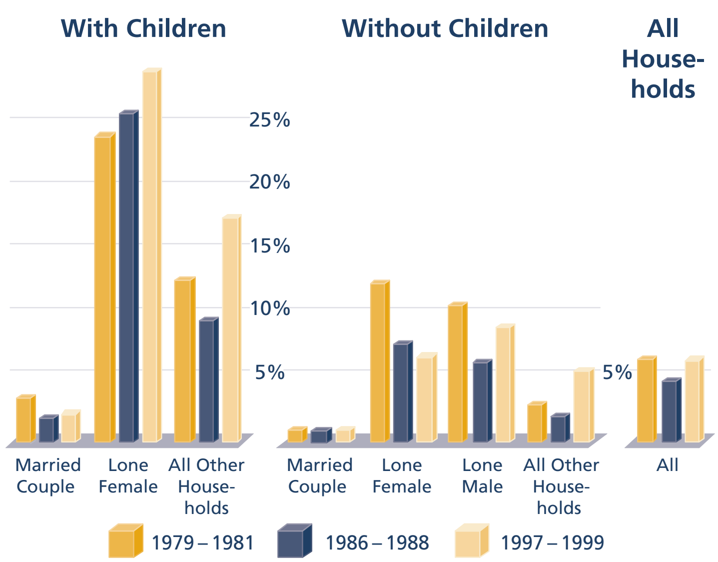


While the 1980s saw very small changes in inequality (falling for lone adults and rising very slightly for other families), the 1990s saw inequalities increase substantially among all types of families.

POVERTY IN WORKING FAMILIES

In the late 1970s, the poverty rate for all families with at least one employed adult was 6.5 percent.[21] This fell to 4.8 percent with the 1980s boom but returned to 6.5 percent in the late 1990s. The increased earnings reduced poverty rates in some families but not in others, and it was not consistent over time. The poverty rates for working lone adults and married-couple families fell between the first period and the last, while single-mother families and all other families with an employed adult saw their poverty rates climb.[22] Further, with the exception of lone women, there was an increase in the working poor between the 1986–88 boom and that of the 1990s.

Poverty Rates in Families with at Least One Employed Adult



OVER TWO DECADES, SOME WON, AND SOME LOST

Over the past 20 years, the Massachusetts economy has shed the mantle of old-style manufacturing and replaced it with a robust "new economy." These changes are really a tale of two decades. The Massachusetts Miracle of the 1980s generated considerably more gains for a wider variety of people than did the new economy of the 1990s. The 1980s boom was unusual in that it benefited Black and Hispanic workers

as much as White workers. Workers in the bottom income deciles saw their earnings increase, and poverty rates among the working poor fell. In contrast, during the 1990s boom, workers who were male, Black, Hispanic, under 25, and without high school degrees suffered earnings declines, as did families at the bottom of the income scale. Poverty rates among most working families increased, compared to the height of the 1980s boom. So, though the past decade brought more opportunities for work, it brought little earnings improvements, except for those at the top of the earnings scale. The result was that poverty rose and inequality accelerated.

Most workers and families have seen their earnings improve since 1980, but the cost for this prosperity has been more work hours and more people working, especially mothers. Whether this is by choice or need, our data cannot reveal. Certainly for workers who traditionally have not been able to find work or find enough hours of work, the increase is good news. For workers who feel overworked and must pedal harder to stay in place, more work is not good news. Whether a blessing or a curse, the increased employment of mothers is also a hallmark of the new economy. To the degree that this increased employment places increased stress on families, data reveal that the conflict between work and family time is real and growing.

Despite rapid employment growth in the Bay State, that some workers experienced earnings losses and that a larger share of some families fell into poverty is cause for concern. It means that in the new economy we cannot rely solely on strong economic growth to benefit all workers in Massachusetts. Active government policies coupled with strong workers' organizations remain essential for the well-being of some workers and families even during very strong economic times.

METHODOLOGY

Unless otherwise noted, we use data from the Current Population Surveys, Annual Demographic Files, compiled by the U.S. Bureau of the Census. These data reflect a random sample of approximately 60,000 households' earnings, occupations, hours worked, and income during the previous year. We use data from March 1980–82, 1987–89, and 1998–2000, which yields information on earnings and incomes of workers and families during the calendar years 1979–81, 1986–88, and 1997–99.

Following the Census Bureau's convention, we compute our statistics by taking the simple average of each three-year period. For example, to obtain the poverty rate for workers in 1979–81, we computed the poverty rate in 1979, 1980, and 1981 and then took the simple average of these.

Workers were defined as those 18 years and older who worked at least one hour per week or one week per year and earned at least one dollar per hour during the previous year. A working family was defined as a family with a working-age (18–64 years) head and at least one adult with positive earnings. We have adjusted all earnings for inflation (in 1999 dollars). This means that when we talk of an increase in earnings, we mean earnings increased above the cost of living (measured by the Consumer Price Index).

The housing unit and everyone living in it at the time of the interview—called "a household"—is the basic unit of analysis used in the CPS data. The Census Bureau collects information on everyone in the household, whether related or not. It defines a family as the set of people in the same household who are related by blood, marriage, or adoption. In this report, we are also interested in unrelated people who live in households. Therefore we include these individuals and refer to them as "families" throughout this report. They can be considered "families of one," or lone adults. Two adults living in the same household but not related are considered separate families. Families with children include any families with a related child under the age of 18.

Because the CPS sample sizes for families with working members are too small for lone men with children, as well as for Black, Hispanic, Asian, and Native American families, we were unable to include them here.

ENDNOTES

1 For two different definitions, see Wired Web site: http://hotwired.lycos.com/special/ene/ and the Democratic Leadership Council Web site: http://www.neweconomyindex.org/section1_intro.html.

2 More on the data set and methodology can be found on page 14 of this report

3 See Barry Bluestone and Mary Huff Stevenson's *The Boston Renaissance: Race, Space, and Economic Change in an American Metropolis*, New York: Russell Sage, 2000, for an excellent historical depiction of the Greater Boston area economy.

4 Occupational distribution describes the type of work people do, regardless of the product the employer produces.

5 Hispanics can be of any race.

6 The Census Bureau did not collect this information prior to 1994, so we are unable to make comparisons over time.

7 Our use of the term "family" differs from the one used by the Census Bureau. We are calling persons who do not live with any relatives "families of one," or "lone adults." The Census Bureau excludes these persons from its definition of families.

8 The sample size of lone-father families in each year is too small to provide statistically reliable information, so we drop them from our analysis of families.

9 Lone adults may be living in households either by themselves or with other unrelated people.

10 Because the CPS data are not longitudinal, the data reported here refer to the marital status of persons at the time they were interviewed.

11 The worker at the 50th percentile, however, continued to work 40 hours per week and 52 weeks per year over the 20-year period. The difference between the median worker and the average worker is due to the increased number of hours for higher-income workers.

12 Those 65 and older were among the few who worked fewer hours over the past 20 years. The median elderly worker worked 32 hours per week in the peak years of the 1970s. During the peak years of the 1980s and 1990s, this dropped to 25 hours.

13 Hispanics can be of any race.

14 The changed composition of the Hispanic population might explain part of the reduction in earnings over the past two decades.

15 We calculate the earnings of the earner at the 10th percentile (bottom decile) and at the 90th percentile (top decile) of the earnings distribution.

16 Until the last 30 years, married women workers typically had been employed in informal sectors (such as taking in boarders, laundry, and sewing, or performing other domestic work).

17 It should be noted that as the percentage of workers with employer contributions to health insurance fell, the state has increased its coverage, especially for children.

18 The decline in coverage can be the result of the changing mix of employers, with newer employers less likely to provide benefits.

19 The lowest was other families with children during the late 1990s.

20 Unfortunately, the sample size of our data set restricts our ability to look at families by race and ethnicity.

21 Poverty rates are based on a family's total income. Earnings are the largest share of income, but other types of incomes such as government transfers, dividends, interest, and rent, are also included.

22 Poverty rates for lone mothers increased, despite an increase in median income, in part because public assistance income dropped (see *After Welfare Reform: Trends in Poverty and Emergency Service Use in Massachusetts*, Donna Haig Friedman, Randy Albelda, Elaine Werby, and Michele Kahan, McCormack Institute, University of Massachusetts Boston, 2001).