Rep. George Miller, Committee on Education and the Workforce Democrats

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PAYCHECKS: Workers Feeling the Squeeze

►Summary: Declining real wages are putting the squeeze on middle class Americans. Meanwhile, tax policies shower huge benefits on the wealthiest 5 percent of taxpayers, and corporate profits have soared.

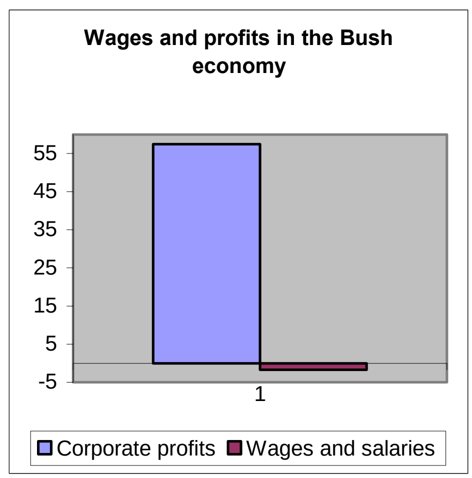
Middle class Americans are noticing their paychecks don't stretch as far as they used to. And yet some economists and the Bush Administration insist that the economy is recovering, leaving most Americans to wonder what has happened to the better wages that should come with a recovery.

The short answer: they've gone to corporate profits, CEO pay, and tax cuts that reward wealth, not work.

In the last three months, average wages in the United States increased at an annual rate of just 2.2 percent (and the last two consecutive quarters have seen the slowest wage growth for any six-month period *on record*). Meanwhile, over the last three months the inflation rate was 3.9 percent. That means that **during the most recent stage of this so-called recovery, most American workers actually took a pay *cut*.**

This pay cut has taken place amid continued gains in worker productivity – the amount that workers produce in an hour. If middle class workers are performing so well, and if their hard work is paying off and making the economy grow, then why are their wages falling?

Middle-class Americans are getting squeezed by their employers and by government policies. Since March of 2001, corporate profits skyrocketed by 57.5 percent, while wages and salaries decreased by 1.7 percent. American companies raked in an enviable $1 trillion in profits in the last three months of 2003 alone. But even while profits soared, companies froze pay.



Of course, corporations weren't freezing pay for their top executives, including the people that brought us Enron, WorldCom, Global Crossing, and other economy-shattering scandals. The median base salary for CEOs rose to almost $1 million in 2003. When you add in all the perks, the average CEO of a large company was pulling down a cool $8.1 million annually. Big company CEOs are now earning 300 times as much as the average worker.

Unfortunately, Uncle Sam is only making matters worse, shifting the tax burden from wealth to work. **Taxes on wages now average almost 24 percent. Taxes on income from investments, like stocks and bonds, average less than 10 percent.**

On top of that, President Bush's trillion-dollar tax cuts for the wealthiest Americans have helped to create a budget-busting record deficit of over $500 billion, which adds to the burden on middle-class families through future debt repayments, rising interest rates, and a scarcity of federal funds to help alleviate rising college and health care costs.

And that's why we call it the "middle class squeeze."

Each week, the **Middle Class Squeeze** will look at different aspects of how Bush Administration and congressional policies are failing the middle class.
For more information, please call 202-225-2095 or visit www.house.gov/georgemiller.

Feeling squeezed – about health insurance, college costs, or gas prices? Tell us about it – george.miller@mail.house.gov.