

Are Wages in Idaho Really that Low? Why?

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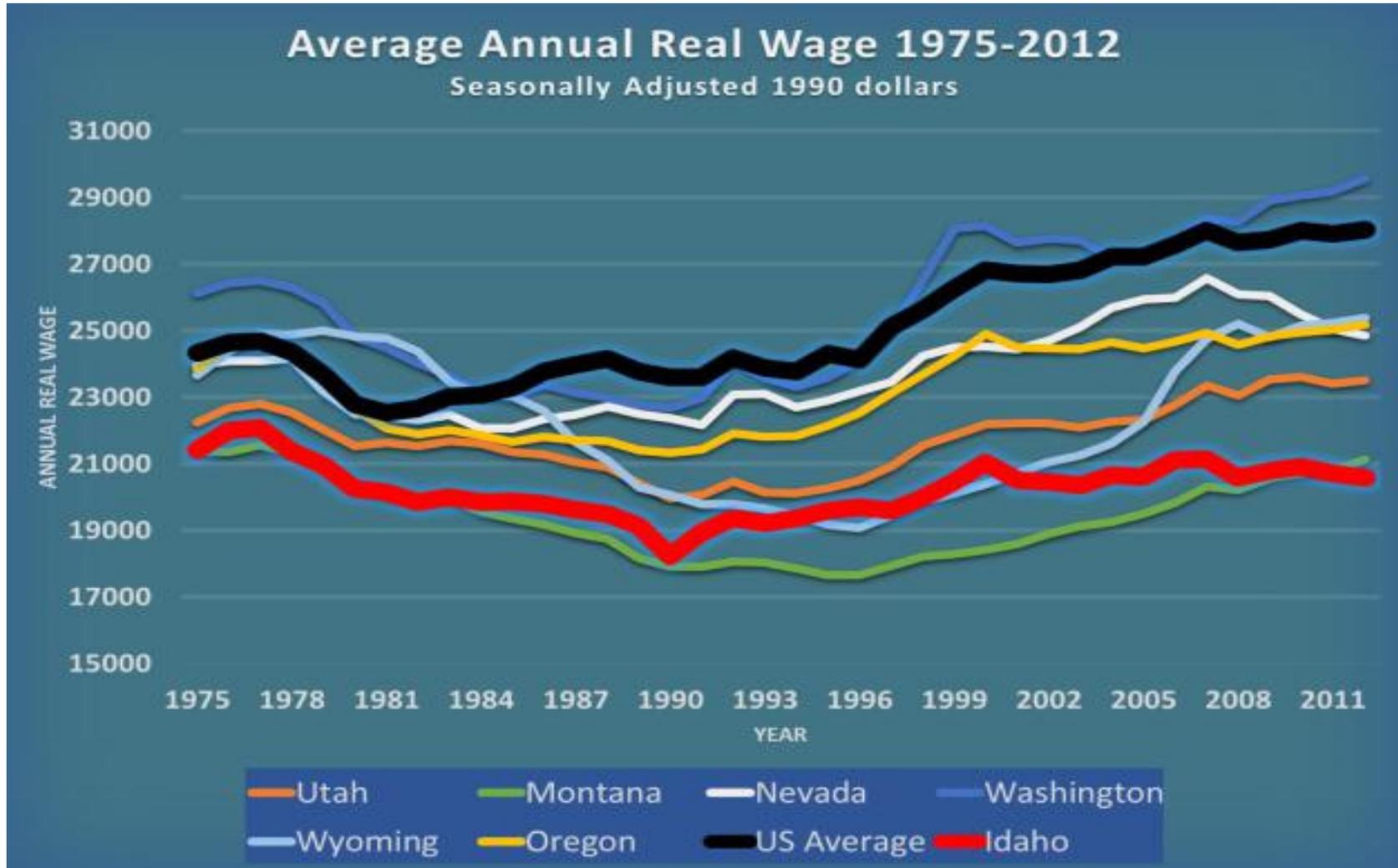
Teasers

- Idaho had the largest percentage of workers receiving the minimum wage of any state in the country.
- In 2012, Idaho had the lowest average wages of all 50 states.
- In 2012, the average wage in Idaho was 73.3 % of the national average. It increased slightly to 74 % in 2013.

The Question Is Well Answered

- Idaho Wages, a Historical Perspective
- Justin D. Shank
- The first several charts are from his work.

Idaho and the Western States Average Annual Real Wage



Idaho Average Wage as a Percent of the United States Average Wage



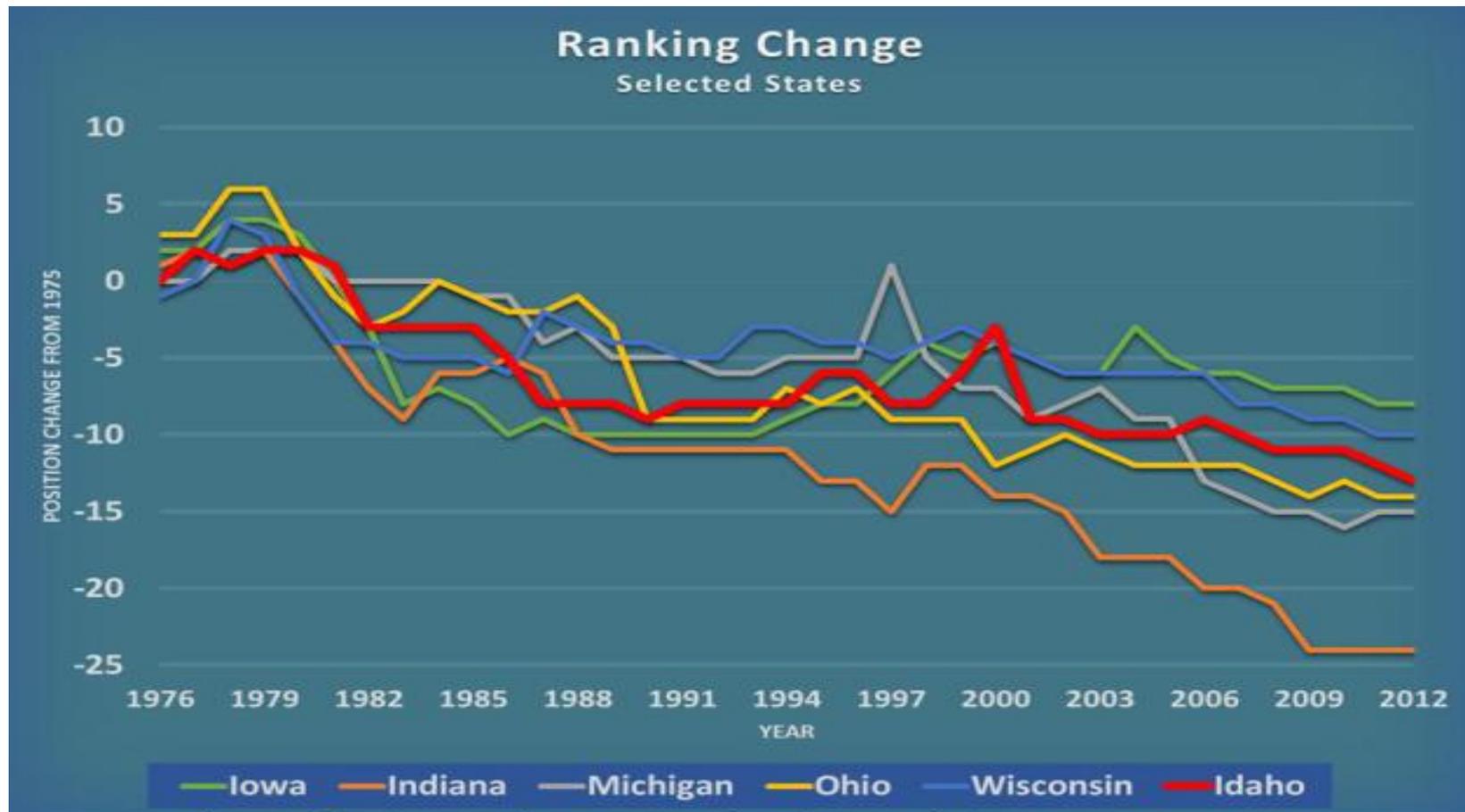
Source: Quarterly Census of Employment and Wages 1975-2012 from the Bureau of Labor Statistics.

Real Wage Rank of Western States



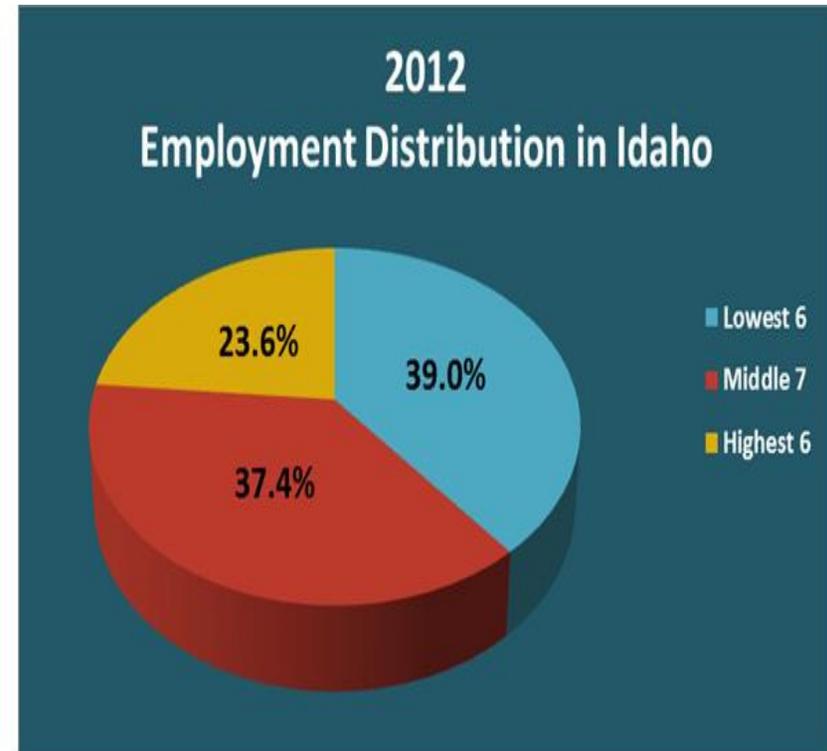
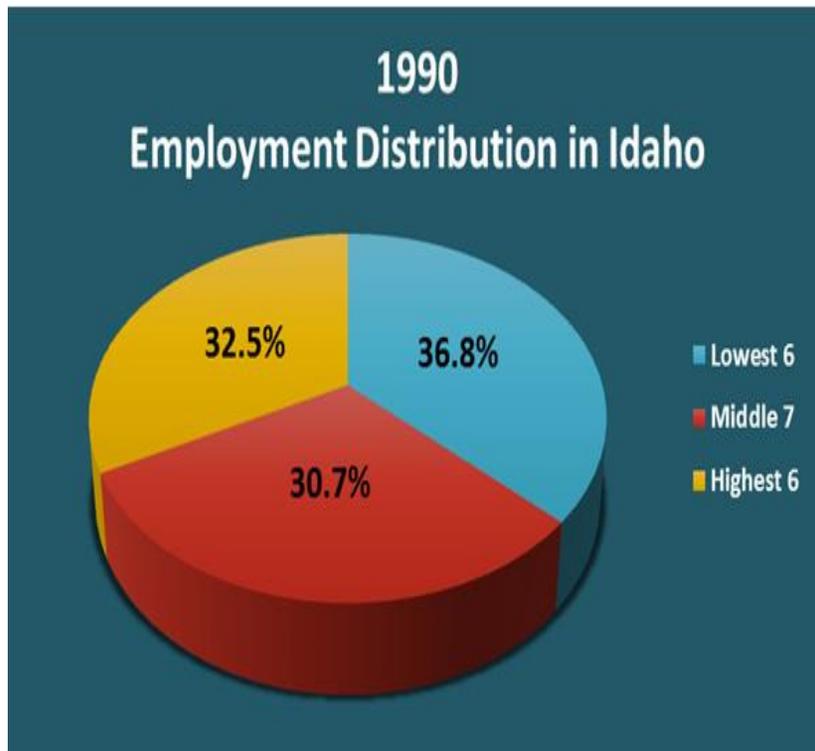
Source: Quarterly Census of Employment and Wages 1975-2012 from the Bureau of Labor Statistics.

Idaho has continued the trend toward the bottom for decades.



Source: Quarterly Census of Employment and Wages 1975-2012 from the Bureau of Labor Statistics.

The percent of high wage jobs is shrinking.



Source: Quarterly Census of Employment and Wages 1975-2012 from the Bureau of Labor Statistics.

The lowest six were:

- NAICS 44-45 retail trade;
- NAICS 53 real estate;
- NAICS 56 administrative, support, waste management and remediation;
- NAICS 71 arts, entertainment and recreation;
- NAICS 72 accommodation and food services; and
- NAICS 81 other services.
- Over two decades ending in 2012 this group experienced an aggregate average nominal wage growth of 87.3 %
- Real wages fell in these industries during this period.

The middle seven include:

- NAICS 11 agriculture, forestry, fishing and hunting;
- NAICS 23 construction;
- NAICS 42 wholesale trade;
- NAICS 48-49 transportation and warehousing;
- NAICS 51 information;
- NAICS 61 educational services; and
- NAICS 62 health care and social assistance.
- From 1992 to 2012 nominal wage growth in this group was only 79.9 percent in Idaho.
- Again real wages have been reduced over this period, but there has been a slight increase in the last 5 years.

The highest six sectors include:

- NAICS 21 mining, quarrying and oil and gas extraction;
- NAICS 22 utilities,
- NAICS 31-33 manufacturing;
- NAICS 52 finance and insurance;
- NAICS 54 professional, scientific and technical services; and
- NAICS 55 management of companies and enterprises.
- This group in Idaho experienced a decline in its share of total employment from 32.5 percent in 1990 to 23.6 percent in 2012.
- These sectors in Idaho had nominal wage growth of 104.6 percent over 20 years

Sales and Related Occupations, Hourly

	Employment	Entry Wage	Midpoint (Median)	Average (Mean)	Middle Range	
Idaho	62,850	\$8.17	\$11.38	\$15.50	\$8.93	\$17.72
National	14,248,470	\$8.34	\$12.19	\$18.59	\$9.17	\$21.17

Registered Nurses, Hourly

Registered Nurses	Employment	Entry Wage	Midpoint (Median)	Average (Mean)	Middle Range	
Idaho	12,150	\$22.54	\$28.36	\$28.74	\$24.40	\$33.43
National	2,687,310	\$22.06	\$32.04	\$33.55	\$26.26	\$38.98

Education, Training and Library Occupations, Annual

	Employment	Entry Wage	Midpoint (Median)	Average (Mean)	Middle Range	
Idaho	40,560	\$18,268	\$32,420	\$36,260	\$20,010	\$47,980
National	8,435,780	\$21,040	\$46,660	\$52,210	\$30,940	\$65,220

Why?

- As economists the answer is obvious with either:
 - Supply is too large.
 - Demand is insufficient.
- There are arguments for both of these, so the truth is a combination of both.

Educational Attainment

- Idaho has a high school graduation rate of 88.4%, which puts its rank at 21.
- There is a significant drop of in the percent of the population with a college degree, only 23.9 %, which puts its rank at 39.
- Advanced degrees are even worse, ranking at 42 among the states.

Other arguments for reduced demand

- Using the notion that Demand for Labor is derived from value marginal product:
 - The prices of output sold in the state is low.
 - Lower education levels mean marginal product of labor is lower.
- Tradition—wages have persistently been low.
- Families do not value educational attainment as much as is found in other states.

Relatively large supply of labor

- It is generally regarded as good, but there is a strong work ethic in the state, so there are too many individuals with too high a willingness to work and too low a reservation wage.
- This is most often found in the markets for low skill employment.

Does Right to Work play a role

- It is difficult to say.
- Trends for declining real wages began prior to implementation of right to work.
- Thus there are timing issues with this argument.
- Certainly there are no advocacy groups for labor with any clout in the state.

Marching boldly into the 1990's

- The state touts itself as promoting a very pro business environment.
 - Low taxes.
 - Low costs.
 - Low costs of living.
- The result is low wages.
- Economic development efforts may not be directed to the future economy.

Legacy of the recession

- The recession which began at the end of 2007 hit Idaho especially hard.
- The Unemployment rate tripled.
- In response, the state began an effort to create jobs.
- This has finally paid off, with a state unemployment rate at 3.8 % in Idaho compared to a national unemployment rate of 5.5 %.

Why is difficult

- The answer to wages is Yes, wages in Idaho are low and this is impeding growth in Idaho Personal Income.
- Why is much more nebulous.