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More jobs available, but at lower wages

Employers are hiring again, but many salaries have stagnated or fallen in recent years and haven't kept up with the higher costs of fuel and food.

By Alana Semuels, Los Angeles Times

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Tangela Ridgeway agrees that the economy is improving. It's just the pay that's getting worse.

The 36-year-old mother of three used to make \$18.75 an hour as a front desk agent at a Hollywood hotel. Now, she says, similar positions are listed at \$14 an hour.

She's living with siblings in Cerritos, trying to save money as she watches prices rise for milk, cereal, eggs and gas. She worries that she's going to need two full-time jobs to make ends meet, but would settle for one, even if it pays less. She knows it's an employer's market.

"They know so many people want it," she said. "They're going to get someone to do the job."

Employers are hiring again, with solid payroll gains in the nation and California during the first three months of the year. But workers are getting by on less money than they did just a few years ago, government data show, because employers are keeping a tight rein on salaries and because costs of fuel and food have risen sharply.

National pay figures on rank-and-file workers, who hold 80% of nongovernmental jobs, show a steady rise in earnings from the mid-1990s through 2008 — and then a significant drop the past two years. In April, average hourly earnings for production and non-supervisory employees was \$8.76 an hour when adjusted for inflation, down from \$8.93 two years ago.

In California, private-sector employees saw an average 2% increase in pay from April 2010 to April 2011 — but those gains are not adjusted for the cost of goods and services, which rose 3% during the period.

And in some regions, wages have fallen sharply. In the Inland Empire, which includes Riverside and San Bernardino counties, wages for private workers plunged 9% from their peak in April 2008, to \$21.53 an hour in April 2011.

Labor experts say workers have little leverage with unemployment at 9% nationally and 11.9% in California, because there is almost always competition for every open position.

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"Workers have no bargaining power at all when unemployment is this high," said former Labor Secretary Robert Reich, now a professor at UC Berkeley.

Stagnant or falling wages jeopardize the fragile recovery, Reich said. When workers bring home less money, they spend less — especially because they're now putting more cash into savings in the wake of the financial crisis. Consumer spending accounts for 70% of the country's gross domestic product and helps generate jobs in retail, transportation and manufacturing.

Companies, meanwhile, say that keeping a lid on compensation is a key to staying in business.

HVH Transportation Inc., a Denver trucking company, is hiring owner-operators, offering 87.5 cents per mile, plus \$30 per stop. In 2009, the same position paid 92 cents a mile and \$45 per stop.

"We had to lower our rates for drivers because of the economy," said Jackie Dunlap, a human resources representative. The company isn't making as much money, she said, so it had to cut back on pay.

Workers with less education or those in low-paying sectors such as retailing are taking the brunt of the wage deflation, government figures show.

Retail has traditionally been an escape valve for people who have lost better-paying jobs in construction, manufacturing or other sectors, and it was flooded with job seekers during the recession.

That has allowed employers to keep payroll costs down. Retail workers, for example, averaged \$7.57 an hour in April 2006, government figures show. As of last month, the average was \$7.02.

Technology is also making it easier for companies to thin their ranks of clerical and administrative workers. Firms are letting more managers and executives handle their own phone calls, scheduling and emails — eliminating administrative assistant jobs that used to pay about \$60,000 a year, said Angie Cooper, director of workforce development for Jewish Vocational Services in Marina del Rey.

If companies staff these positions at all, she said, they tend to do so with lower-paid hourly workers.

"I'm seeing more and more \$8-an-hour jobs, whereas I thought they had disappeared," Cooper said.

Also driving the trend is the reduced power of unions, many of which have been forced to accept two-tier systems that mean less pay and benefits for new hires. At Ford, for example, newly hired UAW workers get \$15.52 an hour, down from the \$29 an hour longtime workers are paid.

"The very bad labor market would be enough to freeze wages on its own, but now unions are under siege and workers may be willing to take contracts that aren't as good," said Heidi Shierholz, an Economic Policy Institute economist.

The number of workers belonging to unions fell 4% from 2009 to 2010.

In addition to lower salaries, many new jobs lack benefits, meaning workers' total compensation is lower. Other jobs are less stable contract positions.

"They want you to be a contractor, with no benefits, and I thought, 'No way,' " said Cheryl Hallum, a onetime teacher's aide who looked at contract jobs as a home care aide and decided to hold out for a position with benefits that compensates her for gas mileage.

To be sure, there are some positions in which wages are rising — mostly skilled jobs where there's a shortage of qualified workers. Hydratech, a hydraulics company in Fresno, has raised its pay rate for three open machinist positions because it can't find anyone qualified to fill them.

And in Silicon Valley, tech rivals such as Google Inc. and Facebook Inc. have been forced to pay handsome raises, big stock benefits and cash bonuses to recruit and retain top tech talent.

"We have seen an uptick in tech hiring and an increase in the salary levels," said Chris Von Der Ahe, a senior client partner with executive recruiting firm Korn/Ferry International.

The picture is also brighter in the executive suites. The median compensation for chief executives of large U.S. public companies climbed 27%, to \$9 million, from 2009 to 2010, according to a study by corporate research firm GovernanceMetrics International.

A bit lower down the ladder, however, many managers are experiencing the same sort of wage deflation as workers on the factory floor.

Orange County executive recruiter Ron Henry says one of his clients used to make \$133,000 a year, plus an annual bonus, as a corporate manager of infrastructure services. After that company went out of business, he landed a similar job with another company — but at \$110,000 a year and no chance for a bonus.

"Everything has been pretty much status quo with salaries and compensation for the last few years," Henry said. "If profits are only 1%, they can't give you a pay raise."

John Martin, 47, is looking for an accounting job, and expects to earn just two-thirds of what he made when he ran a home improvement contracting business before the housing market tanked.

"It's rough reaching middle age, having success, then having things plateau and fall," he said of his career path. "It was not expected."

Billy Williams expects to take an even bigger pay cut. The 63-year-old Los Angeles man used to make \$22 an hour with the Urban League of Los Angeles, counseling small businesses. Laid off two years ago, he's now applying for similar positions that pay about \$13 an hour.

"It's the same job, but less pay," Williams said. "But either you take that, or you take nothing."

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