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Where Are the Workers?? ... Show Them the Money - and Benefits!!

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Recent reports of more companies planning to raise pay prompted a Wall Street Journal [column](#) to ask: “Where are the Workers?”¹ The article touched on the business lobby’s latest bugaboo - the soon-to-expire extra Covid-related unemployment benefits – as a contributing to the worker shortage.

Low-wage workers displaced by the pandemic are asking a different question: “Where are the pay and benefits?” For the time being, many at the bottom of the economic pyramid have the leverage be more selective. The labor market has begun responding with [higher wages](#).²

Hesitation to return to work has prompted a range of emotional responses from a managerial class used to having the upper hand: surprise, dismay, frustration, and anger at government policy. Ironically, higher-paid workers doing the hiring have been more likely to stay employed safely at home during the pandemic while [lower-paid workers](#) absorbed the greatest economic and health impacts.³ Much of the low-paid workforce does not even qualify for [unemployment insurance](#).⁴

The contrast between how the economy treats low- and high-paid workers may shed light on why some people might not be thrilled with taking the first job available. Table 1 below offers a snapshot of pay and benefits for a typical high-paid worker (making more than about 90% of the workforce), middle-income worker (making the median wage), and low-wage worker (earning more than only about 10% of the workforce).

In this illustration, the high-paid worker receives total compensation of about \$158,000 a year -- about twice as much as the average worker and more than five times the low-paid worker. In the restaurant business, for example, the worker with the highest earnings might be an owner, executive, or professional. The median-paid worker might be a supervisor and the low-paid person, a waiter or food runner.

Table 1

	10th	<i>ratio 50th/10th</i>	50th	<i>ratio 90th/10th</i>	90th
Employer costs for employee compensation by wage percentile					
Civilian workers - March 2021					
Total compensation	\$14.10	2.08	\$29.36	5.38	\$75.88
<i>annualized (2087 hours)</i>	<i>\$29,427</i>		<i>\$61,274</i>		<i>\$158,362</i>
Wages and salaries	\$11.26	1.77	\$19.90	4.50	\$50.67
	<i>\$23,500</i>		<i>\$41,531</i>		<i>\$105,748</i>
Total benefits	\$2.85	3.32	\$9.46	8.85	\$25.21
	<i>\$5,948</i>		<i>\$19,743</i>		<i>\$52,613</i>
Total benefits w/o legally required	\$1.55	4.60	\$7.13	13.10	\$20.30
	<i>\$3,235</i>		<i>\$14,880</i>		<i>\$42,366</i>
Paid leave	\$0.43	4.58	\$1.97	14.30	\$6.15
	<i>\$897</i>		<i>\$4,111</i>		<i>\$12,835</i>
Health insurance	\$0.77	4.04	\$3.11	8.03	\$6.18
	<i>\$1,607</i>		<i>\$6,491</i>		<i>\$12,898</i>
Retirement and savings	\$0.15	7.00	\$1.05	37.07	\$5.56
	<i>\$313</i>		<i>\$2,191</i>		<i>\$11,604</i>
Legally required benefits	\$1.30	1.79	\$2.33	3.78	\$4.91
<i>(Soc Security, Medicare, UI, workers comp)</i>	<i>\$2,713</i>		<i>\$4,863</i>		<i>\$10,247</i>
Source: Bureau of Labor Statistics - https://www.bls.gov/news.release/pdf/ecec.pdf					

Considering the average CEO made about 300 times median employee pay last year, a 2-to-1 ratio in total compensation between the middle-manager and waiter might seem equitable to many people. The main issue here is that wages at the bottom don't cover the cost of living in many areas.

The 5.4-to-1 compensation ratio between the professional and the waiter working for the federal minimum wage -- \$2.13 for tipped workers -- may be more troubling. A lot of the difference is not in pay but rather in benefits that businesses are willing to provide people at the top but not at the bottom. Employee benefits comprise more than a third of the high-paid worker's \$158,000

reward but only about one fifth of the low-paid worker's \$29,427 total compensation.

In this example, the low-paid worker receives annual pay of \$23,500 with total benefits of about \$6,000. However, the value of the benefits drops to \$3,235 if one subtracts legally required employer contributions for Social Security, Medicare, workers compensation, and unemployment insurance. In contrast, the higher-paid professional receives \$42,366 in benefits absent the mandatory contributions. Taxpayers, by the way, subsidize the lion's share of employee benefits through a variety of tax exclusions, deductions, and deferrals.

For some types of benefits, there are especially stark contrasts in what the labor market yields at the top and bottom. On average, our professional receives about \$13,000 in health coverage while the line worker gets about \$1,600. An 8-to-1 ratio. The professional receives more than 14 times more in paid leave: \$13,000 worth of time off, compared to \$900. Many low-paid workers receive no paid sick days at all.

Most striking is the 37-to-1 difference in retirement and savings benefits. The high-paid employee receives \$11,604 while his or her low-paid co-workers average just \$313. That is, if they can keep their jobs, are offered a 401(k), become vested, and don't need to borrow for an emergency expense (should the employer allow the retirement plan to loan them money).

Think these differences are exaggerated? Call restaurant or nursing home chains or other companies hiring a lot of low-paid workers. Ask about differences in pay, benefits, and benefit costs between people working with their hands on the front lines, their supervisors, and executives and professionals at company headquarters or working from home.

For the time being, the pandemic has provided many workers with a bit of leverage to begin raising their pay. But it's unlikely the labor market will ever provide adequate paid leave and retirement savings benefits to most low-wage workers.

Perhaps the time has come for policymakers to stop relying on employers to provide [paid sick days](#)⁵ and [retirement benefits](#)⁶ to workers with the least bargaining power and start providing a minimum level of these benefits through

public policy. Recognizing the market's failure to provide health benefits, particularly for small firms hiring low-wage workers, Congress expanded health coverage through Medicaid and health exchanges, while requiring large employers to provide coverage or pay penalties.

As for the plaintive cries from the white-collar world over having to fork out more pay to get people back on the job, where was the chagrin when the government was sloppy in the way it bailed businesses out? Federal aid helped many employers survive for months without being productive. Can you really blame people at the bottom for taking a few more weeks before [returning to work](#) so they can be with family, get some rest, and look for best offer on the job market?⁷

¹ *Where Are the Workers? The latest NFIB survey finds a historic labor shortage*, James Freeman, WSJ, Aug. 5, 2021. https://www.wsj.com/articles/where-are-the-workers-11628176948?st=askf4v73senclta&reflink=article_email_share

² *For first time, average pay for supermarket and restaurant workers tops \$15 an hour*, Andrew Van Dam and Heather Long, Washington Post, Aug. 8, 2021. <https://www.washingtonpost.com/business/2021/08/08/fifteen-dollar-wage/>

³ *The pandemic hurt low-wage workers the most—and so far, the recovery has helped them the least*, Nicole Bateman and Martha Ross, Brookings, July 28, 2021. <https://www.brookings.edu/research/the-pandemic-hurt-low-wage-workers-the-most-and-so-far-the-recovery-has-helped-them-the-least/>

⁴ *Unemployment and the Labors of Love*, Amber Lapp, American Compass, Aug. 10, 2021. [Unemployment and the Labors of Love - American Compass](#)

⁵ *To stop coronavirus, take quick action on paid sick days*, Karl Polzer, Washington Examiner, March 13, 2020. <https://www.washingtonexaminer.com/opinion/op-eds/to-stop-coronavirus-take-quick-action-on-paid-sick-days>

⁶ *Half of Americans have no retirement savings — here's how Congress can look out for them*, Karl Polzer, Washington Examiner, Sept. 15, 2018. <https://www.washingtonexaminer.com/opinion/op-eds/half-of-americans-have-no-retirement-savings-heres-how-congress-can-look-out-for-them>. Also: *Including all workers in our retirement savings system requires two things: a universal tax credit and a secure place to invest it. Congress should be working on both.*, Center on Capital & Social Equity, May 2018. <https://www.inequalityink.org/resources/universal%20retirement%20savings%20system%205-27-18.pdf>.

⁷ *Cheesy Westerns, bongos and labor shortages: understanding Va.'s hectic pandemic job market*, Ned Oliver, Virginia Mercury, Aug. 24, 2021. [Cheesy Westerns, bongos and labor shortages: understanding Va.'s hectic pandemic job market - Virginia Mercury](#)