

# The New York Times

## Spending Well

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 MANAGING YOUR MONEY,  
 WORK AND SUCCESS

# The Mystery of the Vanishing Pay Raise

**WORKING**  
 STEVEN GREENHOUSE

Amid the global economic turmoil and seesawing markets, millions of Americans have one overriding question: When will my pay increase arrive? The nation's unemployment rate has fallen substantially since the end of the Great Recession, sliding to 5.1 percent from 10 percent in 2009, but wages haven't accelerated upward.

In fact, the labor market is a lot softer than a 5.1 percent jobless rate indicates. The percentage of Americans who are working has fallen steeply since the recession began. This disappearance of several million workers — labor force dropouts are not factored into the jobless rate — has led to labor market weakness, and explains why wage increases are so elusive.

But work force experts assert that economists ignore other factors that help explain America's stubborn wage stagnation. Outsourcing, offshoring and imports exert a steady downward tug on wages. Labor unions have lost clout. Many employers have embraced pay-for-performance policies that often mean nice bonuses for the few instead of across-the-board raises for the many.

Peter Cappelli, a professor at the Wharton School of Business, noted that many retailers give managers bonuses based on whether they keep their labor budgets below a ceiling. "If you're a local manager and you're thinking, 'Should we bump up wages,' it could really hit your bonus," Cappelli said. "Companies have done this in order to increase the incentive to hang tough on budgets, and it works."

In recent years, wage increases, before factoring in inflation, have av-

eraged about 2 percent annually. But real, after-inflation wages have remained flat since 2009, according to the Bureau of Labor Statistics. Many economists don't expect real wages to pick up until the job market tightens further. Federal Reserve officials hoped wages would begin rising at today's 5.1 percent, but economists

**Outsourcing, offshoring and weak unions work to keep wages depressed.**

are now saying the rate might need to fall to 4.9 percent or lower.

Ever since the Great Recession battered corporate revenues and profits, many companies have been tougher in containing fixed costs, including labor expenses.

"There's this pervasive norm" among employers "that labor costs

must be held down at all costs because maximizing profits is the be-all and end-all," Jared Bernstein, a former chief economist for Vice President Joseph R. Biden Jr., said.

He added that the "atomization" of the workplace — with the use of more temps, subcontractors, part-timers and on-call workers — had reduced companies' costs and workers' bargaining power.

The share of corporate income going to workers has sunk to its lowest level since 1951. The Economic Policy Institute found that the decline in labor's share since 2000 costs workers \$535 billion annually, or \$3,770 per worker.

"The labor share has declined more than you would think in light of the tightening of the labor market," said Lawrence Katz, a Harvard labor economist. Another trend depressing pay is that companies are paying top dollar to star perform-

ers — whether marketing wizards or software programmers — while skimping on pay for workers without special skills.

But some labor efforts have succeeded in pushing employers to lift some wages. McDonald's has raised wages at its company-owned restaurants, and Walmart and Target will increase minimum pay to \$10 an hour in February. Seattle, San Francisco and Los Angeles have adopted a \$15 minimum wage, while New York Gov. Andrew M. Cuomo has ordered the wage for state workers to rise to \$15.

Such efforts offer hope to those who are eager to lift wages for everyone. "If you increase the bargaining power of workers, they might say, 'No, we don't want you just to give more pay just to the top layer,'" said Linda Barrington of Cornell University. "We want you to share the rewards more evenly."

## Talking Points



STEVE MARCUS/LAS VEGAS SUN

### Betting on the Come

When the financial crisis shut off capital, billions of dollars wagered on casino resort and high-rise condominium developments vanished from the Las Vegas Strip. But investors and developers are back, plowing money into new casinos, a 20,000-seat arena, convention space, property renovations, and shopping and entertainment districts. They have a reason: A record 41.1 million visitors arrived in 2014 — an increase of almost five million from the trough in 2009 — and tourists are expected to surpass that this year.

### Breaths of Fresh Air

Smoking, the leading cause of preventable death in the United States, continued to decline last year, federal health officials report, with the share of American adults who smoke dropping to 16.8 percent, down from 17.8 percent in 2013. Nearly half of all Americans smoked in the 1960s.

### Location, Location, Location

In 1950, 12 years before opening the first Walmart, Sam Walton opened Walton's 5&10 in Bentonville, Ark. Why there? One reason is that it was near the borders of four states, and Mr. Walton wanted to take advantage of the different hunting seasons.



TIM P. WHITBY/GETTY IMAGES

### Virtual Reality Market Will Grow Into the Billions

Tech companies are spending fortunes to develop virtual reality equipment for the masses, and entertainment companies are doing the same to create virtual reality content. In the next few months, affordably priced headsets will arrive from Samsung, Sony, HTC and Facebook. Those ramping up on the content side include Disney, Comcast, Time Warner and Legendary Entertainment. By 2025, the market for virtual reality content will be \$5.4 billion, according to the Piper Jaffray investment bank, and the hardware component will be worth \$62 billion.



JESSICA KOURKOUNIS FOR THE NEW YORK TIMES

**STARTING FRESH** Hilary Stephens is part of a trend of older spouses who get divorced. She started riding horses again after ending her marriage of 28 years.

**PERSONAL**  
 ABBY ELLIN

### Many older adults find relationships that are 'adequate' aren't enough.

Hilary Stephens was 57 when she decided she had had enough — enough of her job, of caretaking, of her marriage of 28 years. She did something many fantasize about: She walked away from it all.

"Sometimes it's the only solution," said Ms. Stephens, now 58 and the mother of two adult children. She moved from Washington to the Philadelphia area, where she is now the vice president for development at a nonprofit.

Late-life divorce (also called "silver" or "gray" divorce) is becoming more common, and more acceptable. In 2014, people age 50 and above were twice as likely to divorce than in 1990, according to the National Center for Family and Marriage Research at Bowling Green State University in Ohio. For those over 65, the increase was even higher. At the same time, divorce rates have plateaued or dropped among other age groups.

One explanation is that many older people are in second marriages; the divorce rate is about two and a half times larger for those who have remarried.

Life expectancy also plays a role.

In the past, "people died earlier," said Pepper Schwartz, a professor of sociology at the University of Washington in Seattle, and the love, sex and relationship ambassador for AARP. "Now, let's say you're 50 or 60. You could go 30 more years. A lot of marriages are not horrible, but they're no longer satisfying or loving. They may not be ugly, but you say, 'Do I really want 30 more years of this?'"

Besides realizing that "adequate" does not suffice, separation no longer holds the stigma it once did. Just look at Al and Tipper Gore, who split in 2010 after 40 years of marriage (they have yet to make it official).

But perhaps the biggest reason for the increase in late-life divorce is the changing status of women, who initiate about 60 percent of divorces after age 40, according to AARP. This does not mean that the men aren't disenchanted too.

"I think men don't want to rock the boat, and they'll put up with a not ideal situation," said Avivah Wittenberg-Cox, 54, whose marriage ended five years ago and who runs 20-first, a gender consulting firm in London. "Part of the shift is that now women have been liberated, empowered, moved around, know how to get what they want. They are increasingly breaking up the relationships to find someone else or to be on their own."

Dr. Schwartz agrees. "Women have higher expectations for their emotional life," she said. Dr. Schwartz, 70, has personal insight:

### Silver Divorce

More older couples are splitting up as longer life spans, the end of the stigma of separation and women's changing status all play a role.

## 2 times

In 2014, people over 50 were twice as likely to divorce than in 1990.

## 2.5 times

Older people in their second marriage are about 2.5 times as likely to divorce.

## 60%

About 60 percent of divorces after the age 40 are initiated by women.

She and her husband divorced 15 years ago after 23 years.

Many women also feel they should be good role models for their children. "What you are really showing your kids is whether to live for love or for fear," said Ms. Wittenberg-Cox, who remarried in the spring. "Will you stay because you love what you have or because you fear the unknown? In the end, I chose love. I hope they will, too."

Beyond the emotional toll, economics factor in, both in keeping people in unhappy unions and in inspiring them to check out. Women still earn less than men and tend to live longer, so they face more economic risk on their own.

Current research by Susan L. Brown, a professor of sociology at Bowling Green, has found that "gray divorced" over-62 women receive smaller Social Security benefits, on average, than other single women and men. And more than a quarter live below the official poverty line.

On the other hand, more than half of women from 55 to 64 are employed, which means they have an independent source of income.

"After retirement, male spouses are around 24/7, the cracks in the relationship deepen into crevasses, and the emotional distance becomes more apparent," said Julie Schwartz Gottman, a clinical psychologist. "As women gain financial independence, they feel safe leaving an unhappy union."

For Ms. Stephens, remarriage is not a high priority. She faced down her fears is thrilled with her newfound freedom, and her new town. "I had to take this giant leap of faith and believe somehow that I would be O.K. when I came through it all," she said. "It was a very, very frightening experience."

But it was worth it. She has taken up horseback riding again, a childhood passion that she never expected to revisit. Recently, she competed in her first horse show in 38 years and won first place in her division. "I would never have had that opportunity to ride if I had stayed in Washington," she said. "It's given me such joy to go back to doing that again."

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