

Transportation investments reduce income inequality

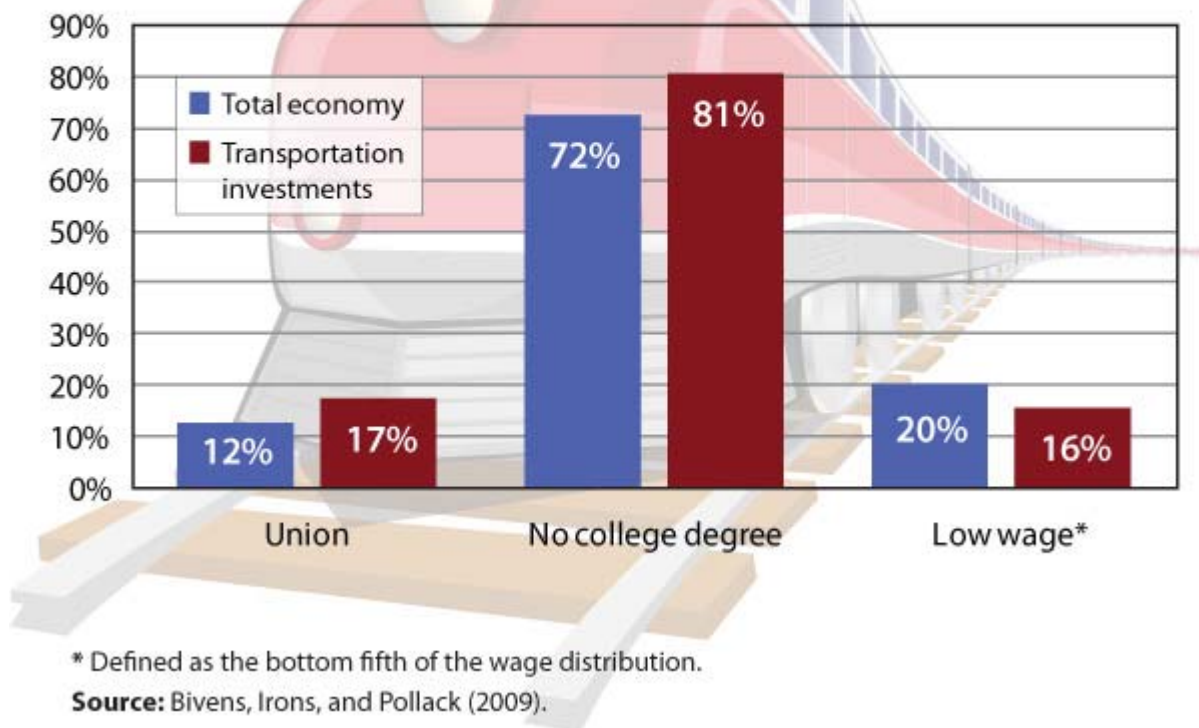
Economic Snapshot for April 2, 2009

Transportation investments reduce income inequality

by Ethan Pollack

The American Recovery and Reinvestment Act of 2009 (ARRA) provides an important but small down-payment on the repair and modernization of our infrastructure (though a larger and more-permanent commitment is needed). One benefit of this public investment is that it will help reduce hourly wage inequality, which has been growing for decades and represents the single largest impediment to raising the living standards of typical American workers. Much (though far from all) of this rise in wage inequality is attributable to the de-unionization of the workforce¹ and the growing wage advantage afforded to those with a college degree.²

How transportation investment jobs compare to the overall economy



Greater investment in surface transportation infrastructure, such as roads, bridges, mass transit, and rail—as well as green investments in energy efficiency and the electric grid—would push against these trends. Consider transportation investment: According to research that will be presented at an [upcoming EPI event](#), workers in jobs created or supported by these investments are less likely to have a college degree and more likely to be union members compared to workers in the overall

economy. Despite employing workers with less education on average, fewer of these jobs are low-wage jobs. Green investments—including mass transit, but also energy efficiency, electric grid, etc.—result in very similar job characteristics and are thus equally effective at reducing wage inequality.

Notes

1. Since 1979, unionization rates have fallen by more than half, from 27% of the workforce to 12.3%. Research by DiNardo, Fortin, and Lemeux (1992) shows how this has led to greater wage inequality.
2. In 1979 college workers earned wages that were 50% higher than those of non-graduates (holding other worker characteristics constant), while by 2007 that advantage had risen to 80%.

All material within this site Copyright © 2009 Economic Policy Institute. All rights reserved.