Salaries and Wages and Deferred Income, 1989-1999

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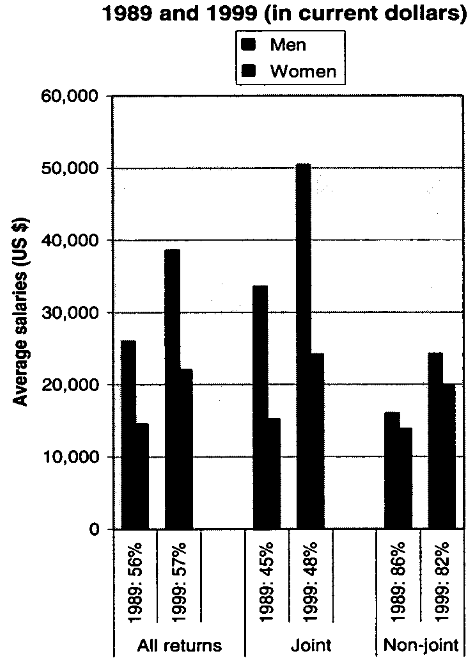
Each year, the Statistics of Income Division of the Internal Revenue Service publishes data on the salaries and wages earned by U.S. taxpayers. Because these data are taken from a file of individual income tax returns, they do not reveal the gender or age of the earner, nor do they indicate how much deferred income is being received by these earners. However, files produced intermittently since 1989, and annually since 1996, combine information from tax returns with that from Forms W-2 (Wage and Tax Statement), Forms 5498 (IRA Contribution Information), and the Social Security Administration's file on age and gender (W-2 data were also produced for 1969, 1974, 1983, and 1989). This paper discusses trends in salaries and wages, as well as income deferred for retirement purposes, as reported for men and women in the United States between 1989 and 1999.

◆ Salaries and wages

Average salaries of men and women for 1989 and 1999 (in current dollars)



Year, women as percent of men, filing status

During the decade from 1989 to 1999, the average salaries of U.S. taxpayers rose by about 48 percent in current dollars (or 26 percent in real terms). Women actually enjoyed a slightly larger increase than men; their average salaries stood at 56 percent of those of men in 1989, at 57 percent in 1999.

The improvement in the ratio of women's to men's salaries was attributable to joint returns. Single women actually lost a bit of ground. The average salaries of women filing non-joint returns dropped from 86 percent to 82 percent of the average salaries of men over the decade. This decrease in average is related to the rapid entry of new single women into the ranks of salary earners. For the first time since we started tracking this type of statistics (for Tax Year 1969), there were actually more single women with salaries than there were single men—32.8 million women as compared to 30.5 million men.

The most notable aspect of the rise in the average income of married women filing jointly is the rise in the proportion of joint returns where women and men earn somewhat comparable salaries. The class in this table where men's salaries ranged from 40 percent to 60 percent of the combined amount accounted for 16.2 percent of the total for 1989, but rose to 18.4 percent of the total for 1999.

Joint returns with salaries and wages

Husband's salaries as percent of total:	Percent of all returns by Tax Year 1989	1999
Total	100.0	100.0
100 percent	28.7	25.8
80 under 100 percent	16.6	14.8
60 under 80 percent	20.5	20.2
40 under 60 percent	16.2	18.4
20 under 40 percent	3.9	5.3
Over 0 under 20 percent	2.6	2.8
0 percent	11.6	12.7

The above table also shows the continuing decline of joint return households with only one salary. For 1999, only about one-quarter of all joint returns showed the husband as the only earner (25.8%, to be more precise, down from 28.7 % for 1989). The number of households where the wife was the sole earner rose from 11.6 to 12.7 percent in the same period.

One of the most notable changes over the decade of the 1990's was the entry of more women into the rarified atmosphere of the $1 million and over salary club. For 1989, there were only 428 women in this salary bracket. For 1999, in dollars deflated to 1989 levels, there were nearly ten times as many: 4,137, to be exact. About two-thirds of these women were married and filing joint returns.

Women with salaries and wages, 1989 and 1999, by size of salaries and wages in 1989 dollars

	Number of women	
	1989	1999
Total	53,963,414	64,183,446
Under $5,000	13,844,282	12,883,689
$5,000 under $10,000	10,086,201	10,128,024
$10,000 under $15,000	9,080,440	9,639,940
$15,000 under $20,000	7,492,529	8,479,328
$20,000 under $25,000	5,197,383	6,743,043
$25,000 under $30,000	3,319,199	5,024,227
$30,000 under $40,000	3,223,098	5,787,382
$40,000 under $50,000	1,060,677	2,757,548
$50,000 under $100,000	573,911	2,358,993
$100,000 under $200,000	68,136	304,841
$200,000 under $500,000	15,534	63,719
$500,000 under $1,000,000	1,596	8,576
$1,000,000 or more	428	4,137

◆ Income Deferred for Retirement Purposes

Individual income tax returns reveal very little information about what taxpayers are doing to set aside income for retirement purposes. Certain contributions to Individual Retirement Accounts are tax-deductible, and appear as adjustments on page 1 of Form 1040. Some sole proprietors show their contributions to Keogh plans as adjustment on page 1 of Form 1040, but others lump them with the payments to their employees' retirement plans on Schedule C. Payments to 401(k) plans and Roth IRA Accounts appear nowhere on the tax return, nor is it possible to use the Form 1040 to discern whether the wage-earner has an employer-provided retirement plan.

On the other hand, the information documents contain a wealth of information about deferred income. SOI is just beginning to explore this information—it is often difficult to interpret, especially because the same amount may lie buried in several different places in the data. Analysis is further hampered by the fact that some retirement plans (such as IRA's) show the corresponding fair market value accumulated, others (such as 401(k)'s) show only the amount contributed by the employee in the current year, and the only information available on employer-provided retirement plans is a check-box showing that the taxpayer is covered—there are no corresponding money amounts. One additional problem with the W-2 data is that many U. S. Government employees

Taxpayers with earned income, 1989 and 1999

	1989	1999
Total taxpayers (millions)	122.6	140.2
Percent by type of retirement plan participation:		
Any participation	46.3	59.8
No participation	53.7	40.2
Coverage on W-2	41.0	48.6
Employer plans	37.1	45.2
Additional Gov't plans	0.2	0.5
Taxpayer-deferrals	0.0	0.0
Total from Form W-2	19.0	26.5
401(k) Deferral	n/a	20.6
403(b) Deferral	n/a	3.5
408(k) Deferral (SEP)	n/a	0.2
457(b) Deferral	-	1.8
501(c) Deferral	n/a	0.0
408(p) Deferral (Simple)	-	0.4
Keogh plan (Form 1040)	0.9	1.0
Deferrals from Form 5498	7.3	10.2
IRA contributions	n/a	4.3
SEP employer contr.	n/a	1.2
Simple contributions	-	0.8
Roth IRA contributions	-	4.4

n/a: not available. -: not applicable;
Taxpayers may appear on more than one line

get non-standard W-2's that omit the pension check-box. In the tabulation below, we include them under "additional Government plans."

Nonetheless, for all their limitations, the information return data provide some idea on the level of participation in retirement plans. As the following table shows, in 1989, only 46.3 percent of all taxpayers with earned income were accumulating retirement benefits. Of these, the vast majority (41.0 percent of all taxpayers with earned income) were accumulating retirement assets as a part of employer-provided retirement plans.

For 1999, the percentage of taxpayers with earnings accumulating retirement benefits rose to 59.8 percent. Coverage by employer-provided plans still led the way—they now covered 48.6 percent of all taxpayers. Part of the increase was attributable to the institution of new retirement plans, such as the 457(b), which covers employees in the non-profit sector of the economy. Even though the Roth IRA legislation was only 2 years old in 1999, 4.4 percent of earners were already using it to put away funds for retirement—more than were using the traditional IRA plan.

◆ Analysis by Age and Gender

The following table shows an age distribution for all taxpayers with earned income and for those accumulating retirement benefits. It shows that the increase in pension coverage is strongly related to the behavior of the large post-World War II generation. While only 36.5 percent of the 20-to-30-year-olds in 1989 were accumulating retirement benefits, in 1999, 63.8 percent of this same cohort (now 30-to-40-years-old) were accumulating benefits. Similarly, coverage for the cohort that was 30-to-40-years-old in 1989 went from 50.8 percent in that year to 70.9 percent in 1999.

Taxpayers with earned income, 1989 and 1999: Percent participating in retirement plans, by age of taxpayer

	1989	1999
All ages	46.3	59.8
Under 20	12.6	11.0
20 under 30	36.5	43.8
30 under 40	50.8	63.8
40 under 50	56.8	70.9
50under 60	58.9	78.2
60 under 70	55.7	64.2
70 or more	17.3	28.5

When comparisons are made between one cohort in 1989 and the cohort that was the same age in 1999, improvement in retirement plan participation was shown for all age groups over 20. For example, while only 58.9 percent of 50-to-60-year-olds with earned incomes were accumulating benefits in 1989, 78.2 percent of the earners in the 50-to-60 age bracket in 1999 were doing so in 1999.

Taxpayers with earned income, 1989 and 1999: Percent participating in retirement plans, by gender of taxpayer

	1989	1999
All taxpayers	46.3	59.8
Men	46.7	59.6
Women	45.9	59.9

The next table shows that, in 1989, a slightly higher proportion of male than of female earners was covered by pension plans. By 1999, this gap had been closed. As a matter of fact, female coverage by pension plans was slightly higher than male coverage.

◆ Conclusions

The data presented in this paper show that, during the 1990's, the U.S. economy moved slightly in the direction of equality between male and female taxpayers' salaries, and in the coverage by pension plans of male and female earners. Michael A. Udell, the Joint Committee on Taxation economist who discussed this paper at the New York City Meetings, pointed out that there was an economic "bubble" towards the end of the decade, and that, therefore, it will be important to check whether these trends hold during the economic downturn of the early 2000's. The authors agree with that recommendation. The Statistics of Income Division is committed to making sure that data on salaries and wages and contributions to pension plans by U.S. taxpayers are made widely available to researchers in the near future. As the post-World War II generation ages and retires, pension coverage in particular is becoming an important issue

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