

# DISPARITIES WITHIN THE DIGITAL WORLD: REALITIES OF THE NEW ECONOMY

## EXECUTIVE SUMMARY



Despite a decade of phenomenal growth in the high-tech industry and speculation of a “new economy,” the information technology (IT) sector is very similar to “old economy” industries, creating disparities between many groups of workers: high-wage and low-wage workers; full-time employees and contract workers; workers with no advancement opportunities and employees of the most successful companies.

## AGENCY CONTRACT WORKERS ARE MARGINALIZED ON SEVERAL FRONTS

High-tech workers who are contracted through staffing agencies are generally excluded from the official tally of IT sector workers and wages. These workers are left out of the public’s picture of the industry, though they face such hardships as lower earning potential, limited access to benefits such as health care and social isolation in the workplace.

**FACT:** At least 7,935 IT-contingent workers are excluded from the official industry tally in King, Snohomish and Pierce Counties. By adding contract workers, the official IT employment rate would rise by at least 12%.

In addition, contract workers are struggling to maintain their skills to stay employable or to advance to better jobs. Employers often prohibit them from attending research conferences and seminars, making contractors more dependent upon agencies that typically provide limited training opportunities. As the economy slows, it is becoming much more difficult for contract workers to find well-paying employment.

## THE IT ECONOMY HAS PRODUCED ITS SHARE OF LOW-WAGE WORKERS, AND AN INCREDIBLY WIDE INCOME GAP

**FACT:** Approximately 500 people (the top 1%) in the IT industry earned the equivalent of \$2,176 an hour, an income 180 times greater than that received by the lowest-earning 5%. This income figure excludes top corporate officers.

With little access to training and extremely limited opportunities for advancement, lower-wage workers are at risk of being left behind, as the technology speeds ahead.

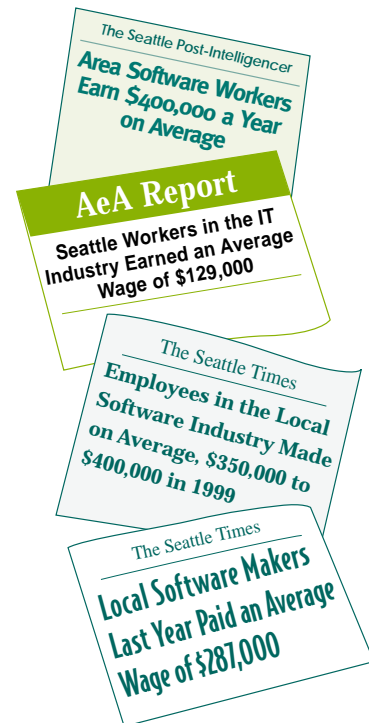
## REPORTS OF HIGH SALARIES ARE INFLATED; MOST IT WORKERS EARN FAR LESS

- In a 2000 report the American Electronics Association reported that the average annual IT salary was \$129,000.
- In September 2000, the *Seattle Post-Intelligencer* reported that the average yearly wage for software workers in 1999 was \$400,000.

The disproportional wages cited by these reports are factual, but highly distorted by a tiny minority of workers that earn astronomical salaries, largely due to stock options.

**FACT:** In 1999, 90% of all IT industry workers in King, Snohomish and Pierce counties earned less than this reported average IT salary.

Reliance on technically correct but socially inaccurate statistics like “average wages” has helped to perpetuate and disguise a digital divide *within* the digital world. This divide separates the low-wage worker who may offer software advice over the phone, from the programmer. It separates the agency contractor who can count on months of unemployment but still provides crucial work such as program testing, from the permanent employee who has more job security and better benefits. The “average wage” has become a convenient shorthand to remark on the wealth of the IT sector, but creates a false picture of widely shared prosperity. Even with the downturn, the fundamental economic structure of the industry—which created the enormous income disparities—will remain.



Despite attention-grabbing headlines, the typical IT worker earns much less than the industry average. The median salary in 1999 was \$65,000.

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