Facts about Wage Growth
The problem

Annual real wage growth since 1973 is below 0.2 percent

Real Average Hourly Earnings, 1973–2017

Note: Earnings are for production and nonsupervisory employees and are expressed in 2016 dollars, deflated using the Consumer Price Index for All Urban Consumers Research Series (CPI-U-RS) and seasonally adjusted. Shaded bars indicate recessions.
What is needed for wage growth

Increases in productivity
What is needed for wage growth


Worker bargaining power

Note: Labor share is defined as the sum of employee and proprietor labor compensation, divided by gross value-added output. Shaded bars indicate recessions.
What is needed for wage growth

Real Wages by Wage Quintile, 1979 and 2016

Broadly shared growth

Note: Wages are expressed in 2016 dollars, deflated using the CPI-U-RS. Sample restricted to workers ages 25–54. Growth rates are cumulative.
Long-run Trends that Impact Wages
Union membership has declined
Some groups faring better than others

Bachelor’s Degree and Advanced Degree Wage Premiums, 1979–2016

Note: Sample restricted to workers ages 25–54. Wage premiums are the ratio of median wages for each educational attainment group with respect to median wages for workers with exactly a high school diploma.

FIGURE 5.
Real Wages of White, Black, and Hispanic Men and Women, 1979 and 2016

Note: Wages are median hourly earnings expressed in 2016 dollars and deflated using the CPI-U-RS. Sample is restricted to workers ages 25–54. Hollow green bars represent a decrease from 1979 to 2016. Race/ethnicity categories are mutually exclusive.

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Globalization and technology


Note: Manufacturing output is gross real manufacturing output, deflated by Haver Analytics for years prior to 1997.
Less dynamism

Worker Reallocation Rate, 1990–2013

Start-up and Exit Rates for U.S. Firms, 1979–2014

Source: Davis and Haltiwanger (2014).
Note: The worker reallocation rate is defined as the quarterly sum of hires and separations as a share of employment. For more information, see Davis and Haltiwanger (2014). Shaded bars indicate recessions.

Source: Business Dynamics Statistics, U.S. Census Bureau (2016); authors’ calculations.
Note: Shaded bars indicate recessions.

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Minimum wage eroding

Source: Minimum Wage Laws in the States, BLS (1968–2016); authors’ calculations.
Note: The real minimum wage is expressed in 2016 dollars and is deflated using the CPI-U-RS.
Recovery from the Great Recession
Real wage growth better than in the past

Note: Horizontal lines indicate annualized wage growth over a given period.
Nominal wage growth worse than ever

Note: Horizontal lines indicate annualized wage growth over a given period.
The current cycle — summarized


- Productivity Growth
- Inflation
- Nominal wage

1981 Q3–2007 Q4: Productivity 2.36%, Nominal wage 3.30%
2007 Q4–2017 Q2: Productivity, Nominal wage