NELP National Employment Law Project

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Report: Americans are Making Less Than a Year Ago, as Real Value of Wages Falls

A new report examines how wage growth has slowed down, jobs are paying less, and the lowest-paid need a raise.

New York— Americans are earning less today than they did a year ago, a new report from the National Employment Law Project shows, and wages have yet to recover from the sharp dip they took during the recession.

Even as the economy has shown signs of picking up in 2012, weak wage growth is permeating the labor market from virtually all sides. Hourly wages are growing slower than they did before the recession; the real value of wages has fallen over the past year; new job creation has skewed to lower-paying jobs; and wages for new and returning entrants in the workforce are declining. Additionally, the wages for Americans who already have jobs are flat, and those in minimum wage jobs find their spending power falling every year, reaching levels well below the historic standard.

"However you look at it, wages for most Americans are just limping along, and it's become a real sap on the recovery. You can't rebuild an economy when so many have so little to spend," stated **Christine Owens, executive director of the National Employment Law Project.** "Infrequent and inadequate attention to the wage floor over the last three decades has seriously eroded the value of the minimum wage. It's time for Congress and the states to step in, raise the minimum wage and index it to inflation. Higher wages and a more robust wage floor will help spur demand and hiring."

While average hourly wages have increased in nominal terms since the recession began, the rate of hourly wage growth remains weak, and in real dollars, workers are earning less. The NELP report shows:

- **Wage growth has slowed down**. As of March 2012, hourly wage growth over the preceding year was nearly 44 percent below the rate of change over the 12 months ending in March 2007, prior to the Great Recession. Average hourly wages for all private sector workers grew 2.1 percent on an annualized basis over the year as of March 2012, compared to 3.3 percent over the year ending December 2007. Growth in average hourly wages for production workers (blue-collar construction, manufacturing, and mining and logging employees) and nonsupervisory service workers was even slower, at 1.8 percent over the year ending in March 2012 compared to nearly 3.8 percent prior to the Great Recession.

- **The real value of hourly wages has fallen over the past year.** From March 2011 to March 2012, real average hourly wages fell 0.6 percent for all private sector workers, and declined by an even greater degree – by 1.0 percent – for production and nonsupervisory workers.

- **Low-wage jobs are leading the recovery**. As NELP documented last summer, the first year of job growth in the recovery was extremely unbalanced. Job growth was dominated by relatively lower-wage occupations – such as cashiers or food service workers – following heavy loss concentrated in better-paying occupations during the Great Recession, resulting in unbalanced growth. According to the Bureau of Labor Statistics, many of these lower-wage occupations – such as personal care aides and home health aides – will lead job growth through 2020.

- **New and returning workers are seeing less pay**. Wages are declining for young workers trying to enter the labor force, as well as for workers displaced from their jobs who are getting back to work, according to a number of recent studies.

- **Already-employed workers have flat or falling wages**. Greater shares of workers who are currently employed are also experiencing no year-over-year wage growth, and those working in minimum wage jobs are seeing declining spending power: if the minimum wage had kept on par with inflation since 1968, when its value peaked, it would currently stand at $10.55 per hour.

"Clearly we're not on the right track with wages, and it's no wonder so many Americans are fed up with the accumulation of huge earnings at the top when the rest of the country is scraping to get by," said Owens.

Current legislation in Congress would raise the minimum wage to $9.80 per hour over two years and then index it to the cost of living.

"By enacting this proposal, Congress would spur a more robust economic recovery, create jobs, and start to address the widespread and growing problem of low-wage work," concluded **Owens**.

NELP's report, "Slower Wage Growth, Declining Real Wages Undermine Recovery," can be accessed here: http://www.nelp.org/page/-/Job_Creation/NELP.DecliningWageGrowth.pdf?nocdn=1

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit www.nelp.org.

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