

Research [in] Brief

Paychecks Are Growing, but Are Lower-Wage Workers Better Off?



Primary issue

After accounting for inflation, lower-wage workers' real hourly wage gains since the COVID-19 pandemic began are lower than suggested by many articles that focus on percentage increases. Recent research findings provide context around affordability issues faced by lower-income people across the United States and show that lower-wage workers saw stronger real-wage gains in the years before the pandemic, from 2015 through 2019, than they did after the pandemic was declared.



Key findings

- Wages have risen strongly for lower-wage workers, or the bottom half of US earners, in relation to their wage levels when the pandemic was declared in March 2020. However, high inflation has diminished the spending power these increases provided. If the trajectory of their real-wage gains from 2015 through 2019 had continued after the pandemic began, lower-wage workers would have gained more spending power than they currently hold.
- Since the start of the pandemic, lower-wage workers have seen bigger pay raises by percentage growth than the top half of US earners. However, the wage gap between lower and higher earners has widened because the former have seen much smaller gains in terms of real dollars and cents after adjusting for inflation.



The bottom line

This research indicates that recent pay increases for lower-wage workers have not translated to as much real-wage growth as some previous research focused on percentages suggested. The findings help explain why lower-income people continue to struggle financially even as their paychecks have grown.

Read “Dollars and Cents: Real Hourly Wage Growth across the Lower Half of the Wage Distribution” at clefed.org/cd260218.

Read *Cleveland Fed Digest* to stay up to date with research and news from the Cleveland Fed. Subscribe to the newsletter: clefed.org/cfd.

