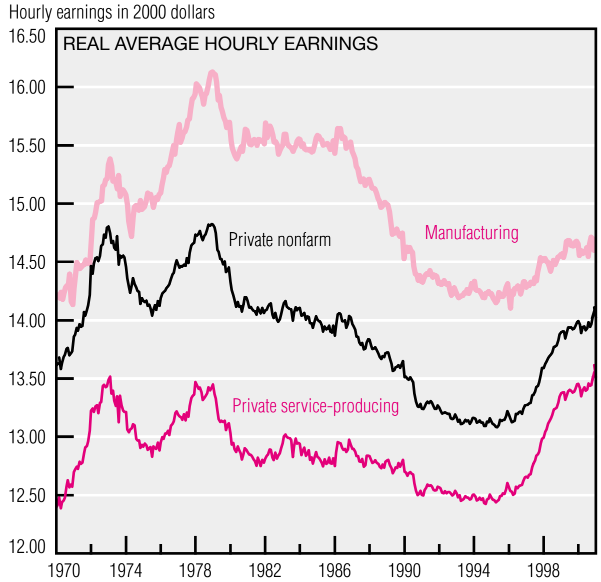
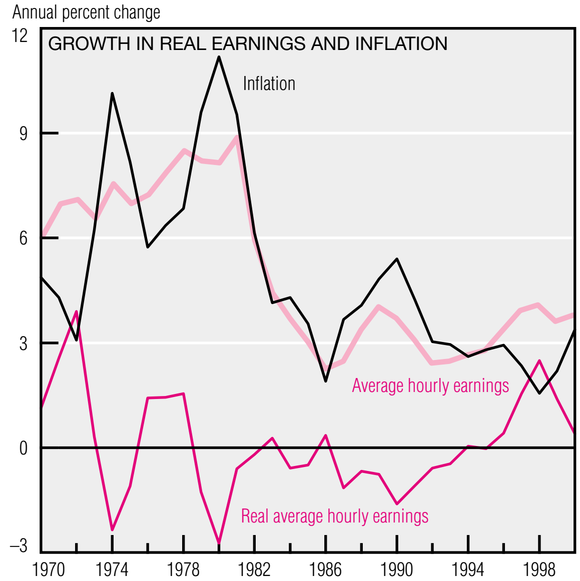
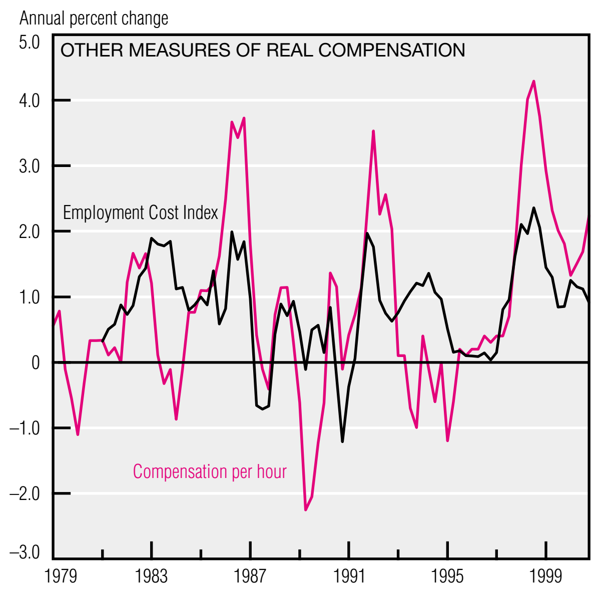
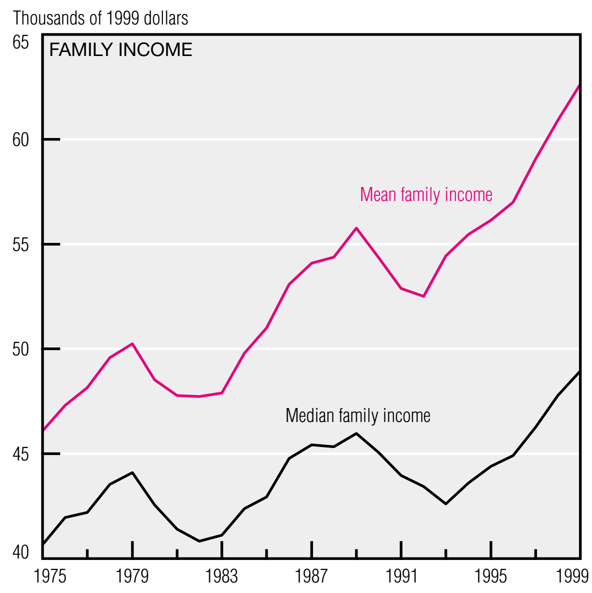
Production Workers' Earnings









SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and U.S. Department of Commerce, Bureau of the Census.

The American economy has experienced a 60% increase in real per capita output since 1970. However, this has not translated into large gains in private production workers' real average hourly earnings, which consist of their hourly compensation (wages and benefits) as reported by employers. In fact, private production workers' real hourly earnings, after falling nearly $2 an hour between 1972 and the mid-1990s, only recently returned to the mid-1980s level (about $14 an hour in 2000 dollars). Production (or nonsupervisory) workers, as defined here, comprise slightly more than 80% of the private labor force, a share that has remained roughly constant for 30 years.

Much research has focused on explaining why production workers' average real hourly earnings have fallen in an expanding economy. Measurement flaws with this series is one such explanation. But there is little doubt that the three major spikes in the inflation rate in the 1970s and 1980s contributed to erosion in hourly earnings.

Other measures of compensation, however, such as total compensation from the Employment Cost Index and real compensation per hour from productivity data, which cover a different subset of the labor force and employ different methodologies, have shown overall growth since the late 1970s. In addition, despite some intermittent declines, overall family income has risen since 1975. Much of this growth, however, may result from the increasing number of two-worker families.