Private-Sector Workers' Hourly Compensation in the Trump ERA: Myopic Economic Journalism and the Case of the Disappearing Rise in Real Pay Rates

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I. Introduction

Over the past two years, numerous reports in major economic news outlets have discussed the apparent rise in the hourly wages of private-sector workers (who account for more than 80% of all employed persons according to the U.S. Bureau of Labor Statistics (BLS)). These "good-news" reports have also discussed the strengthening in the labor market which this rise implies.[1]

There are, however, serious problems with these good-news pronouncements. Most importantly, they make little or no mention of general price inflation. They also make no mention of changes over time in the 30 percent of total compensation accounted for by benefits rather than wages and salaries. The latter oversight occurs because these reports ignore data from the only regularly reported Federal data on dollar costs of the fringe benefits provided to employees.

This brief essay has several foci. Most importantly, the next section of the essay documents the findings - from the only Federal data source presenting information on costs of fringe benefits as well as wages - that the real (i.e., constant-purchasing-power dollar) rate of hourly compensation for private-sector workers actually fell in 3 of the last 6 calendar quarters for which data are reported, and fell slightly overall in the Trump era. It also shows that this fall in pay was a marked change from the robust rise of in real pay over the last 3 years of the Obama era (2014-16).

The next brief section of the paper examines the trends in components of fringe benefits over this same time period to better understand the observed decline in these benefits during 2017-19. This is followed by a brief section on other economic trends (in inflation and productivity) which are

[1] Typical recent examples of these press reports are Castleman (2019) and Irwin (2019).

relevant for interpreting the behavior of real hourly compensation over the 2014-2019 period. Concluding observations follow.

II. Federal Data on Hourly Employer Costs for Employee Compensation

Data on employer costs for employee compensation (ECEC) are collected from approximately 7,500 establishments in the National Compensation Survey (NCS). The NCS is the only source of regularly-collected Federal data on fringe benefits but also include data on wage and salary costs paid by these establishments to their workers. Results from the survey on compensation costs per hour are reported quarterly in BLS news releases entitled "Employer Costs for Employee Compensation".

The NCS is an establishment survey that covers private industry and State and local government for all 50 States and the District of Columbia. Establishments with one or more workers are included in the scope of the survey.[2,3] The BLS estimated in 2019 that the NCS respondents included 6,470 private establishments representing 6,234,018 private establishments and 120,415,500 workers in the U.S. (Bureau of Labor Statistics, "Economic News Release: Employee Benefits in the United States Technical Note", Sept. 20, 2019.)[4]

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[2] See Rhein et al. (2013). The authors also note the following exclusions from the NCS: "… workers in the Federal Government, quasi-Federal agencies, the agricultural industry, and private households; the self-employed, volunteers and unpaid workers; and individuals who receive long-term disability compensation, work overseas, set their own pay (for example, proprietors, owners, major stockholders, and partners in unincorporated firms), or are paid token wages.

[3] The NCS defines an establishment as: "…a single economic unit that engages in one, or predominantly one, type of economic activity. For private industry, the establishment is usually at a single physical location, such as a mine, factory, office, or store. If a sampled establishment is owned by a larger entity with many locations, only the employment and characteristics of the establishment selected for the sample are considered for the survey." See Bureau of Labor Statistics, Handbook of Methods, National Compensation Measures: Concepts.

[4] It is important to note that the term "worker" that is used in various BLS presentations of NCS and ECES data, and in this paper, actually signifies "jobs" rather than "workers" since the NCS is an establishment survey and data for individual persons with with multiple jobs at different establishments are not coalesced into person-level data.

Quarterly data on the current (i.e., nominal) dollar value of private-sector employer's hourly costs for total compensation, benefits, and wages/salaries are reported in the BLS ECEC News Releases titled "Employer Costs for Employee Compensation". Relevant data for the calendar quarters (March 2014 through September 2019) are shown in Table 1 below. (December 2019 data are not yet available.) Our discussion focuses on comparing percentage changes in (nominal) total compensation per hour and in the two components of total compensation (benefits vs. wages and salaries) for the 12 quarters of 2014-2016 (in row 25) vs. those for the 11 quarters of 2017 through September 2019 (in rows 26 or 27).

The results in column 1 show that in both time periods, total compensation in nominal (i.e., current dollar) terms clearly increases while in both periods the rate of increase in benefits (col. 2) was somewhat less than the rate of increase in wages (col. 3). (Since changes in row 26 only include 11 quarters instead of 12, row 27 was included to adjust for the difference in period length by multiplying the figure in row 26 by the factor (12/11). The results in cols. 4, 5 and 6 of rows 25 and 26 are the compound rates for the corresponding average quarter-to-quarter changes in the two periods. These results confirm the same patterns of results as columns 1-3. Also note that while the average compound rated per quarter reflect the overall period pattern, there is considerable variability from quarter to quarter in these changes, which is a fact of some relevance for assessing some of the recent media reports noted above.

The increases over time in hourly compensation expressed in current dollars is, of course, a potentially misleading measure of <u>real</u> gains in compensation for workers because it does not account for general price inflation. To translate the current dollar values for each quarter in total compensation, fringe benefits, and wages and salaries, they can be deflated by the relevant price

index values for the month in which that quarter ends.[5] For this purpose, we used the CPI-U

[5] This is consistent with the BLS ECEC compensation data presented above since these BLS data also pertain to the final month of each quarter rather than to monthly figures that were averaged across all three months for each quarter.

Table 1: Levels and % Changes for Total Compensation, Benefits and Wages (in nominal $'s)

Col. #			1	2	3	4	5	6
Row #	Year	Qtr.	Total Compen-sation	Benefits	Wages and Salaries	1-Qtr. % △ Total Comp.	1-Qtr. % △ Benefits	1-Qtr. % △ Wages / Salaries
1	2013	4	$29.63	$8.87	$20.76			
2	2014	1	$29.99	$9.03	$20.96	1.215	1.804	0.963
3	2014	2	$30.11	$9.09	$21.02	0.400	0.664	0.286
4	2014	3	$30.32	$9.14	$21.18	0.697	0.550	0.761
5	2014	4	$31.32	$9.60	$21.72	3.298	5.033	2.550
6	2015	1	$31.65	$9.71	$21.94	1.054	1.146	1.013
7	2015	2	$31.39	$9.56	$21.82	-0.821	-1.545	-0.547
8	2015	3	$31.53	$9.55	$21.98	0.446	-0.105	0.733
9	2015	4	$31.70	$9.57	$22.14	0.539	0.209	0.728
10	2016	1	$32.06	$9.73	$22.33	1.136	1.672	0.858
11	2016	2	$32.29	$9.77	$22.52	0.717	0.411	0.851
12	2016	3	$32.27	$9.75	$22.52	-0.062	-0.205	0.000
13	2016	4	$32.76	$9.93	$22.83	1.518	1.846	1.377
14	2017	1	$33.11	$10.06	$23.06	1.068	1.309	1.007
15	2017	2	$33.26	$10.11	$23.15	0.453	0.497	0.390
16	2017	3	$33.55	$10.20	$23.35	0.872	0.890	0.864
17	2017	4	$33.72	$10.25	$23.47	0.507	0.490	0.514
18	2018	1	$34.17	$10.41	$23.76	1.335	1.561	1.236
19	2018	2	$34.19	$10.41	$23.78	0.059	0.000	0.084
20	2018	3	$34.53	$10.48	$24.06	0.994	0.672	1.177
21	2018	4	$34.05	$10.20	$23.85	-1.390	-2.672	-0.873
22	2019	1	$34.49	$10.33	$24.17	1.292	1.275	1.342
23	2019	2	$34.44	$10.30	$24.14	-0.145	-0.290	-0.124
24	2019	3	$34.77	$10.38	$24.38	0.958	0.777	0.994
			Period % △	**Period % △**	**Period % △**	**Comp. % △ per Qtr.**	**Comp. % △ per Qtr.**	**Comp. % △ per Qtr.**
25	**2013 Q 04 – 2016 Q04**		**10.564**	**11.950**	**9.971**	**0.840**	**0.945**	**0.795**
26	**2016 Q04 – 2019 Q 03**		**6.136**	**4.532**	**6.789**	**0.543**	**0.404**	**0.599**
27	**2016 Q04 – 2019 Q 03***		**6.693**	**4.944**	**7.407**			
	***adjusted from 11 to 12 quarters.**							

which is the BLS consumer price index value (with 1982-84=100) for urban consumers. This is the same index BLS uses to translate monthly current dollar wages reported in other surveys into real (i.e., constant-purchasing-power) dollar values.[6] Results of our calculations are in Table 2 below.

Controlling for inflation results in substantial changes in our trend comparisons between periods. The percentage increase in real total compensation per hour is +6.725 percent over -0.2 per cent from the end of 2016 to the 3rd quarter of 2019. In addition, we see that in the earlier period the percentage increase in inflation-adjusted benefits per hour was positive and slightly greater than the increase in real wages per hour (+8.063 vs. +6.153). In the period 2016 Q04 - 2019 Q 03, by contrast, real wages grew but by a very small amount (+0.415 per cent) while inflation-adjusted benefits declined by -1.708 percent. Since benefits account for about 30 percent of total compensation, the change in overall compensation was negative, as we had just noted. Also, as we found with the results in table 1, the compound average quarter-to-quarter change rates obviously show the sal the quarter-by-quarter changes was quite large. (Appendix Figure 1 presents a graphical comparison of these same trends in nominal vs. real total compensation in the 2014-19 period.)

Since the statistics for the overall private sector economy shown in Tables 1 and 2 derive from experiences of diverse segments of industries or workers within the private sector, it is also interesting to examine a few of these segments. Examples presented here are analogous results for (1) manufacturing and (2) a comparison of full-time vs. part-tie private sector workers. For purposes

[6] Note that both the dollar values in Table 1 and the CPI-U values we used for deflation were not seasonally adjusted. BLS does not report seasonally adjusted ECEC figures and they note that for purposes of annual comparisons, seasonal adjustment is not needed. (See Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: What is seasonal adjustment?)

Table 2: Levels and % Changes for Total Compensation, Benefits and Wages (in Constant 1982-84 $'s)								
Col. #			1	2	3	4	5	6
Row #	Yr.	Qtr.	Total Compen-sation	Benefits	Wages and Salaries	1-Qtr. % △ Total Comp.	1-Qtr. % △ Benefits	1-Qtr. % △ Wages / Salaries
1	**2013**	**4**	$12.71	$3.81	$8.91			
2	**2014**	**1**	$12.69	$3.82	$8.87	-0.175	0.406	-0.423
3	**2014**	**2**	$12.63	$3.81	$8.82	-0.463	-0.201	-0.576
4	**2014**	**3**	$12.74	$3.84	$8.90	0.829	0.682	0.893
5	**2014**	**4**	$13.34	$4.09	$9.25	4.714	6.473	3.955
6	**2015**	**1**	$13.40	$4.11	$9.29	0.494	0.586	0.454
7	**2015**	**2**	$13.15	$4.01	$9.14	-1.868	-2.584	-1.597
8	**2015**	**3**	$13.25	$4.01	$9.24	0.739	0.186	1.027
9	**2015**	**4**	$13.40	$4.05	$9.36	1.143	0.811	1.333
10	**2016**	**1**	$13.46	$4.09	$9.38	0.453	0.986	0.178
11	**2016**	**2**	$13.40	$4.05	$9.34	-0.489	-0.791	-0.357
12	**2016**	**3**	$13.37	$4.04	$9.33	-0.232	-0.374	-0.170
13	**2016**	**4**	$13.57	$4.11	$9.46	1.517	1.844	1.375
14	**2017**	**1**	$13.58	$4.13	$9.46	0.086	0.325	0.026
15	**2017**	**2**	$13.58	$4.13	$9.45	-0.020	0.024	-0.083
16	**2017**	**3**	$13.59	$4.13	$9.46	0.110	0.128	0.102
17	**2017**	**4**	$13.68	$4.16	$9.52	0.627	0.610	0.634
18	**2018**	**1**	$13.69	$4.17	$9.52	0.104	0.328	0.006
19	**2018**	**2**	$13.57	$4.13	$9.44	-0.908	-0.966	-0.883
20	**2018**	**3**	$13.68	$4.15	$9.53	0.814	0.493	0.997
21	**2018**	**4**	$13.55	$4.06	$9.49	-0.917	-2.205	-0.397
22	**2019**	**1**	$13.57	$4.06	$9.51	0.109	0.092	0.158
23	**2019**	**2**	$13.45	$4.02	$9.42	-0.902	-1.046	-0.881
24	**2019**	**3**	$13.54	$4.04	$9.50	0.716	0.535	0.752
			Period % △	**Period % △**	**Period % △**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**
25	**2013 Q 04-2016 Q04**		**6.725**	**8.063**	**6.153**	**0.547**	**0.634**	**0.500**
26	**2016 Q04 - 2019 Q 03**		**-0.200**	**-1.708**	**0.415**	**-0.020**	**-0.156**	**0.038**
27	**2016 Q04 - 2019 Q 03***		**-0.218**	**-1.863**	**0.452**			
	***adjusted from 11 to 12 quarters.**							

of interpretation, it is helpful to know that manufacturing jobs comprise about 9.9% of all private sector employees (according to BLS Current Employment Statistics Survey data), and that full-time workers make-up about 83% of all persons age 16+ who are employed (according to data from the Current Population Survey).

Results for real (constant-dollars) compensation in manufacturing are shown in Table 3 (below). In the 2014-2016 period, percentage increases in real total compensation, fringes, and wages and salaries all exceeded the increases for the private sector as a whole, with the largest increase occurring for fringe benefits. In the post-2016 period, the reverse was true. The percentage decline was largest for fringe benefits in constant $'s, but the decline for wages was also notable, and of course the total compensation decline was also marked. The same pattern was observed in comparing the average compound quarter-to-quarter rates of increase or decline. (A graphical representation of the relevant trends is in Appendix Figure 2.)

Given the marked decline in total compensation for manufacturing, the changes in trends for the rest of private-sector workers should obviously be less dramatic. Thus, for all jobs in services-providing industries (which are more than 10 times more numerous than manufacturing jobs), the shift in real hourly total compensation growth trends is from a moderate increase of 6.91% in the 2014-16 period to a very small increase of 0.240% in the 2017-19 period. (it is also noteworthy that this very small increase in the latter period turned into a decline of -1.34% from the second quarter of 2018 to the most recently reported (3rd) quarter of 2019.) Also, for full-time workers in the services-providing industries, the shift in trend of real total hourly compensation was much more pronounced, from an increase of 8.86% in 2014-16 to a decrease of -2.17% in 2017-19.

Table 3: Levels and % Changes for Total Compensation, Benefits and Wages (in Constant 1982-84 $'s) for Private Sector Manufacturing Workers								
Col. #			1	2	3	4	5	6
Row #	Yr.	Qtr.	Total Compen-sation	Benefits	Wages and Salaries	1-Qtr. % △ Total Comp.	1-Qtr. % △ Benefits	1-Qtr. % △ Wages / Salaries
1	**2013**	**4**	$15.08	$5.23	$9.85			
2	**2014**	**1**	$15.07	$5.27	$9.80	-0.082	0.731	-0.470
3	**2014**	**2**	$15.00	$5.22	$9.77	-0.470	-0.860	-0.304
4	**2014**	**3**	$15.08	$5.27	$9.81	0.579	0.855	0.432
5	**2014**	**4**	$15.64	$5.44	$10.20	3.715	3.311	3.931
6	**2015**	**1**	$15.62	$5.43	$10.18	-0.174	-0.164	-0.180
7	**2015**	**2**	$15.49	$5.39	$10.10	-0.814	-0.824	-0.809
8	**2015**	**3**	$15.65	$5.43	$10.22	1.051	0.681	1.207
9	**2015**	**4**	$16.28	$5.72	$10.56	4.004	5.354	3.330
10	**2016**	**1**	$16.29	$5.71	$10.58	0.073	-0.087	0.160
11	**2016**	**2**	$16.22	$5.68	$10.55	-0.408	-0.544	-0.295
12	**2016**	**3**	$16.25	$5.67	$10.57	0.137	-0.170	0.262
13	**2016**	**4**	$16.29	$5.68	$10.61	0.279	0.144	0.351
14	**2017**	**1**	$16.27	$5.66	$10.61	-0.141	-0.394	-0.005
15	**2017**	**2**	$16.26	$5.66	$10.61	-0.019	0.034	-0.048
16	**2017**	**3**	$16.25	$5.68	$10.57	-0.083	0.390	-0.335
17	**2017**	**4**	$15.81	$5.50	$10.32	-2.701	-3.237	-2.413
18	**2018**	**1**	$15.70	$5.46	$10.24	-0.682	-0.631	-0.709
19	**2018**	**2**	$15.59	$5.38	$10.21	-0.714	-1.548	-0.269
20	**2018**	**3**	$15.61	$5.36	$10.25	0.127	-0.326	0.326
21	**2018**	**4**	$15.56	$5.37	$10.19	-0.336	0.183	-0.607
22	**2019**	**1**	$15.55	$5.38	$10.17	-0.056	0.151	-0.125
23	**2019**	**2**	$15.51	$5.36	$10.15	-0.281	-0.395	-0.221
24	**2019**	**3**	$15.58	$5.38	$10.20	0.488	0.414	0.489
			Period % △	**Period % △**	**Period % △**	**Ave. % △ per Quarter**	**Ave. % △ per Quarter**	**Ave. % △ per Quarter**
25	**2013 Q 04-2016 Q04**		8.038	8.564	7.758	0.645	0.690	0.621
26	**2016 Q04 - 2019 Q 03**		-4.344	-5.284	-3.877	-0.404	-0.492	-0.358
27	**2016 Q04 - 2019 Q 03***		-4.739	-5.764	-4.230			
	***adjusted from 11 to 12 quarters.**							

Tables 4 and 5 present the corresponding results for all full-time and part-time workers (respectively) in the private sector. Given the predominance of full-time workers in the economy, and in the data used here, it is not surprising that the trends of increase and decrease in the real compensation figures (shown in Table 4) look much like the results reported above for all private sector workers (in Table 2). It also appears, however, that the rate of increase in compensation in the 2014-16 period is slightly higher when one looks only at full-time workers, the rate of decline in compensation in the post-2016 period is also greater so the differences in trend between the two periods is even clearer for full-time workers as was observed above for all workers.

It also follows logically that the patterns for part-time private sector workers and the differences between the two time periods would be different for part-time workers compared to their full-time counterparts. This is confirmed in Table 5. For part-time workers, percentage increases in hourly real total compensation were similar in the two time periods even though the increases in real benefits dollars versus real wages and salaries were different. The rate of increase in hourly real wages did decline somewhat between the two periods while the percentage increase in real benefit dollars was very small in the 2014-16 period but was clearly larger after 2016.

Table 4: Levels and % Changes for Total Compensation, Benefits and Wages (in Constant 1982-84 $'s) for Private Sector Full-Time Workers								
Col. #			1	2	3	4	5	6
Row #	Yr.	Qtr.	Total Compen-sation	Benefits	Wages and Salaries	1-Qtr. % △ Total Comp.	1-Qtr. % △ Benefits	1-Qtr. % △ Wages / Salaries
1	**2013**	**4**	$14.80	$4.63	$10.17			
2	**2014**	**1**	$14.78	$4.66	$10.13	-0.144	0.547	-0.458
3	**2014**	**2**	$14.74	$4.66	$10.08	-0.264	0.131	-0.446
4	**2014**	**3**	$14.85	$4.68	$10.16	0.701	0.492	0.798
5	**2014**	**4**	$15.63	$5.03	$10.60	5.272	7.280	4.346
6	**2015**	**1**	$15.71	$5.05	$10.66	0.503	0.542	0.485
7	**2015**	**2**	$15.44	$4.94	$10.50	-1.722	-2.300	-1.449
8	**2015**	**3**	$15.51	$4.92	$10.59	0.455	-0.305	0.812
9	**2015**	**4**	$15.76	$5.01	$10.75	1.636	1.803	1.559
10	**2016**	**1**	$15.84	$5.06	$10.78	0.524	1.085	0.263
11	**2016**	**2**	$15.78	$5.03	$10.75	-0.386	-0.624	-0.274
12	**2016**	**3**	$15.78	$5.03	$10.75	-0.012	-0.088	0.023
13	**2016**	**4**	$16.02	$5.11	$10.91	1.494	1.563	1.462
14	**2017**	**1**	$15.98	$5.11	$10.87	-0.229	0.072	-0.370
15	**2017**	**2**	$15.99	$5.12	$10.87	0.040	0.088	0.017
16	**2017**	**3**	$15.98	$5.12	$10.87	-0.020	0.037	-0.047
17	**2017**	**4**	$15.90	$5.07	$10.82	-0.540	-0.832	-0.403
18	**2018**	**1**	$15.94	$5.10	$10.85	0.298	0.444	0.230
19	**2018**	**2**	$15.82	$5.05	$10.77	-0.792	-0.888	-0.747
20	**2018**	**3**	$15.92	$5.07	$10.85	0.623	0.292	0.778
21	**2018**	**4**	$15.69	$4.91	$10.78	-1.396	-3.055	-0.621
22	**2019**	**1**	$15.70	$4.91	$10.79	0.060	0.033	0.072
23	**2019**	**2**	$15.56	$4.86	$10.70	-0.907	-0.996	-0.866
24	**2019**	**3**	$15.65	$4.89	$10.76	0.586	0.481	0.634
			Period % △	**Period % △**	**Period % △**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**
25	**2013 Q 04-2016 Q04**		8.195	10.305	7.235	0.662	0.825	0.587
26	**2016 Q04 - 2019 Q 03**		-2.273	-4.292	-1.329	-0.212	-0.399	-0.126
27	**2016 Q04 - 2019 Q 03***		-2.480	-4.682	-1.449			
	***adjusted from 11 to 12 quarters.**							

Table 5: Levels and % Changes for Total Compensation, Benefits and Wages (in Constant 1982-84 $'s) for Private Sector Part-Time Workers								
Col. #			1	2	3	4	5	6
Row #	Yr.	Qtr.	Total Compen-sation	Benefits	Wages and Salaries	1-Qtr. % △ Total Comp.	1-Qtr. % △ Benefits	1-Qtr. % △ Wages / Salaries
1	**2013**	**4**	$6.68	$1.42	$5.26			
2	**2014**	**1**	$6.64	$1.42	$5.23	-0.549	-0.181	-0.649
3	**2014**	**2**	$6.58	$1.40	$5.19	-0.923	-1.452	-0.780
4	**2014**	**3**	$6.65	$1.41	$5.24	0.961	0.732	1.022
5	**2014**	**4**	$6.85	$1.44	$5.42	3.101	1.976	3.403
6	**2015**	**1**	$6.88	$1.44	$5.44	0.374	0.332	0.385
7	**2015**	**2**	$6.79	$1.42	$5.37	-1.299	-1.347	-1.287
8	**2015**	**3**	$6.87	$1.44	$5.43	1.220	1.475	1.152
9	**2015**	**4**	$7.07	$1.45	$5.62	2.938	0.894	3.481
10	**2016**	**1**	$7.09	$1.46	$5.64	0.275	0.191	0.297
11	**2016**	**2**	$7.03	$1.45	$5.58	-0.846	-0.628	-0.903
12	**2016**	**3**	$6.95	$1.41	$5.53	-1.230	-2.458	-0.912
13	**2016**	**4**	$6.97	$1.43	$5.54	0.296	1.171	0.073
14	**2017**	**1**	$7.07	$1.45	$5.62	1.442	1.612	1.398
15	**2017**	**2**	$7.05	$1.45	$5.61	-0.182	-0.471	-0.108
16	**2017**	**3**	$7.06	$1.45	$5.61	0.049	0.086	0.039
17	**2017**	**4**	$7.24	$1.51	$5.74	2.649	4.326	2.216
18	**2018**	**1**	$7.16	$1.49	$5.67	-1.214	-1.214	-1.214
19	**2018**	**2**	$7.14	$1.49	$5.65	-0.190	0.099	-0.266
20	**2018**	**3**	$7.21	$1.50	$5.71	0.931	0.618	1.013
21	**2018**	**4**	$7.20	$1.54	$5.67	-0.072	2.336	-0.705
22	**2019**	**1**	$7.20	$1.53	$5.67	-0.076	-0.400	0.012
23	**2019**	**2**	$7.18	$1.53	$5.66	-0.215	-0.248	-0.207
24	**2019**	**3**	$7.22	$1.52	$5.70	0.573	-0.240	0.793
			Period % △	**Period % △**	**Period % △**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**	**Comp. % △ per Quarter**
25	**2013 Q 04-2016 Q04**		4.277	0.611	5.267	0.355	0.059	0.433
26	**2016 Q04 - 2019 Q 03**		3.702	6.568	2.962	0.321	0.556	0.259
27	**2016 Q04 - 2019 Q 03***		4.039	7.165	3.232			
	***adjusted from 11 to 12 quarters.**							

III. A Closer Look at the Decline in Real Fringe Benefit Dollars

As noted above, reductions in hourly real fringe benefit dollars were important for understanding the recent decline in hourly real total compensation. Thus it is of some interest to look at the specific categories of fringe benefits to better understand the overall pattern.

Table 6 present data on 6 specific major categories of fringe benefits. The table indicates (in row 4) that the nominal (i.e., current) dollar level of each of the fringe benefit categories, with the exception of other private insurance, clearly increased during the 2014 to 2016 period, with supplemental pay and retirement being the fastest growing categories and legally required showing the slowest increase. Corresponding results for the 2017-2019 time period in row 5 (or row 6) show no increase for retirement pay, a small decline for supplemental pay, and moderate increases for all four remaining categories. Comparing to the 2014-16 period in row 4, we see relatively slower growth (or a decline) in all cases with the exception of other private insurance.

Correcting for inflation in row 10, we still see large increases in the 2014-16 period for supplemental pay and employers' retirement contributions per hour, modest increases for paid leave and for employer contributions to health insurance, a small increase in employer payments per hour for legally required benefits, and a fairly small decline in their payments for other private insurance. In comparison with row 10, row 11 (or row 12) shows slower growth for all categories except for other private insurance, and actual declines for 4 of the remaining five categories. The disparity between the time periods is even clearer when we note that the only category that did not show a slow down or decline) other private insurance, was by far the smallest of the 6 categories of fringes in the table.

Table 6: Levels and % Changes for Categories of Fringe Benefits for Private-Sector Workers								
Column #:	Time Period		Paid Leave 1	Supple-mental Pay 2	Health Insurance 3	Other Pvt. Insurance 4	Retire-ment 5	Legally Required Benefits 6
Row #		Current $'s						
1	2013-Q4 Level		$2.05	$0.85	$2.30	$0.15	$1.10	$2.43
2	2016-Q4 Level		$2.28	$1.15	$2.48	$0.15	$1.31	$2.56
3	2019-Q4 Level		$2.50	$1.12	$2.62	$0.16	$1.31	$2.68
4	2013-Q4 to 2016-Q4 %△		**11.220**	**35.294**	**7.826**	**0.000**	**19.091**	**5.350**
5	2016-Q4 to 2019-Q3 %△		**9.649**	**-2.609**	**5.645**	**6.667**	**0.000**	**4.688**
6	2016-Q4 to 2019-Q3 %△*		**10.526**	**-2.846**	**6.158**	**7.273**	**0.000**	**5.114**
		1982-84 $'s						
7	2013-Q4 Level		$0.88	$0.36	$0.99	$0.06	$0.47	$1.04
8	2016-Q4 Level		$0.94	$0.48	$1.03	$0.06	$0.54	$1.06
9	2019-Q4 Level		$0.97	$0.44	$1.02	$0.06	$0.51	$1.04
10	2013-Q4 to 2016-Q4 %△		**7.358**	**30.596**	**4.082**	**-3.472**	**14.956**	**1.692**
11	2016-Q4 to 2019-Q3 %△		**3.104**	**-8.422**	**-0.661**	**0.299**	**-5.969**	**-1.562**
12	2016-Q4 to 2019-Q3 %△*		**3.386**	**-9.188**	**-0.721**	**0.327**	**-6.512**	**-1.704**

* Preceding row extrapolated to 12 quarters via multiplication by (12/11).

IV. A Brief Look at Differential Changes in Productivity Growth and Inflation

Two of the most common explanations for secular increases in wages are (1) increases in labor productivity and (2) general price inflation. It is therefore interesting to compare data on trends in

these two factors over the 2014-2019 period as an aid interpreting the differential trends in labor compensation that is the focus of this essay.

Table 7 presents the relevant figures from the Bureau of Labor Statistics on changes in labor productivity and in general price levels of the period of our study. Data are shown for the third month of each of the quarters in our comparisons. In the case of productivity, we see slow levels of productivity growth in both periods; annual growth rates (based on December to December comparisons) were as follows: (2014 0.30%), (2015 – 0.60%), (2016 – 1.38%), (2017 – 1.12%), (2018 – 1.13%), and (2019 (Dec. to Nov.) – 1.52%). Comparisons over our two periods do, however, show that the rate of labor productivity growth roughly doubled from 2014-16 to 2017-19. This comparison would lead us to expect more rapid growth in real pay per hour in the latter period rather than less rapid growth or a decline.

Price inflation data (CPI-U) for the same time span shows a relatively slow rate of growth in each year: (2014 – 0.76%), (2015 – 0.73%), (2016 – 2.08%), (2017 – 2.11%0, (2018 – 1.91%), and (2019 (Dec. to Nov.) – 2.20%). Accordingly, comparisons over our two periods show that the rate of price inflation roughly doubled from 2014-16 to 2017-19. This comparison would lead us to expect more rapid growth in pay per hour in current dollars in the latter period rather than the less rapid growth shown in Table 1.

In sum, differential trends in productivity and in inflation between our two time periods would lead us to expect more rather than less rapid increases in hourly pay in the 2017 period (in either nominal or constant purchasing power dollars). Thus, it appears that other unknown factors (e.g., changes in market concentration, further declines in bargaining power of workers, changes in overtime regulations, etc.) explain the end of the trend in rising hourly pay that also happened to coincide with the transition in political power in the Federal government.

V. Concluding Thoughts on Economic Reporting in the Media

Economic journalists, like all other members of our species, are attracted by small shiny objects. In particular, when a factoid about employment, unemployment, or wages in the most recent month or quarter is released by the Bureau of Labor Statistics (BLS), that factoid is duly and quickly featured in the media. The problem is that the factoid may, by itself be quite misleading because it omits further information critical to its understanding. It may also be misleading because variation in this same factoid from month to month (or quarter to quarter) in the recent past is not also presented, leading to the presumption that the single factoid signals a trend for the future.

The simple descriptive comparisons in this paper provide examples of how economic "reality" can be more complex than is often portrayed in the economic news media. It hopefully offers the following specific lessons:

1) Nominal wages can be a poor substitute, in measuring meaningful trends in compensation for workers, for measures that account for inflation and for non-wage components of compensation;

2) The most recent economic statistics (e.g., the BLS report of last month's hourly wage figure), or even short-term trends in such statistics, can miss important shifts in trends (e.g., the shift from rising real hourly compensation from workers during the 2014-16 period to the flat or even declining trend in the 2017-19 periods.

3) Juxtaposition and joint consideration of conceptually related trends (e.g., in compensation, inflation, and productivity) can at least point us to important questions about underlying economic policy impacts, inviting further more in-depth study.

4) Generalization can be quite misleading when it is based on averages summarized over a diverse set of experiences. For example, as shown above, the shift from rising to falling real compensation between our two time periods was clearly more dramatic for one important sector of

the private economy – manufacturing – than for other sectors. The shift was only a very modest slowing in compensation growth for part-time private-sector workers, a more substantial slowing without an actual decline for state and local government workers (data not shown here) and for workers in services-providing industries workers when part-time workers were included (noted above). While the fraction of the labor market accounted for by some of these other groups of workers are relatively small, they are not negligible and their differential experiences should be noted.[7]

5) Focusing on wages, which only account for 70% of compensation, can present a very different picture when trends in fringe benefits diverge from those for wages.

In sum, myopia – or at least the tendency to see more clearly what is directly in front of us compared to a more complicated picture of diverse events and trends – probably affects all of us in one way or another, and economic journalists are certainly not immune.

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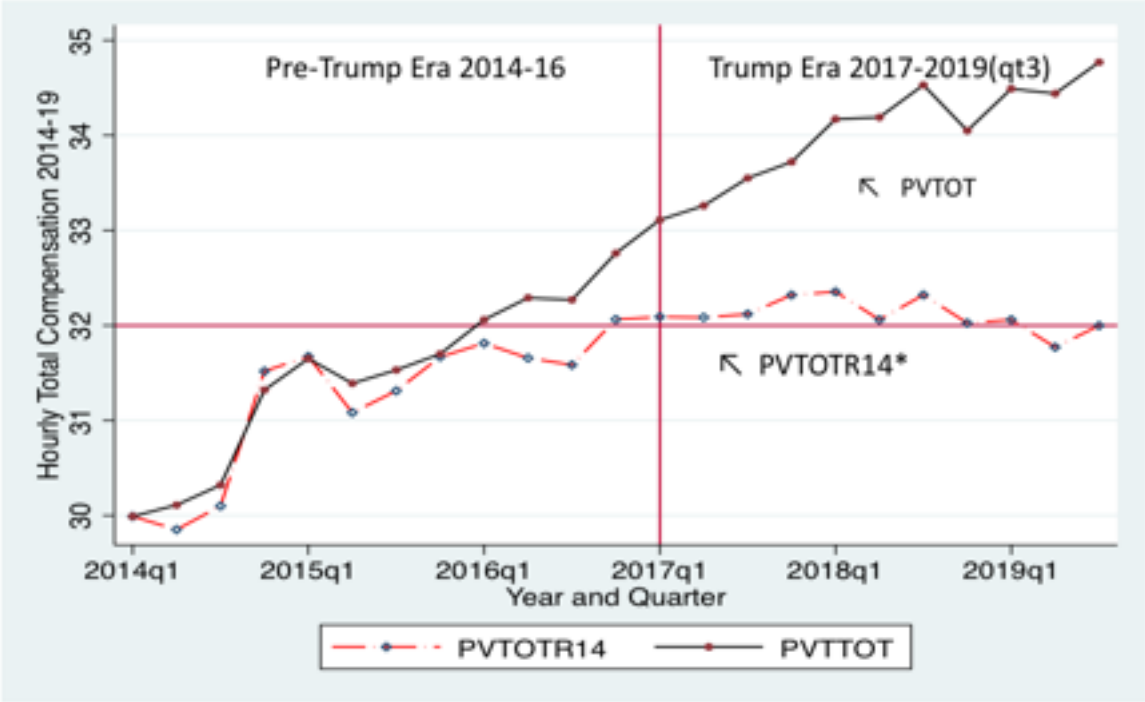
[7] The more general point is that further analyses focusing on any of these groups with clearly differential experiences (including workers in manufacturing) are worthy of more detailed consideration than was possible in this brief essay.

Appendix Figure 1

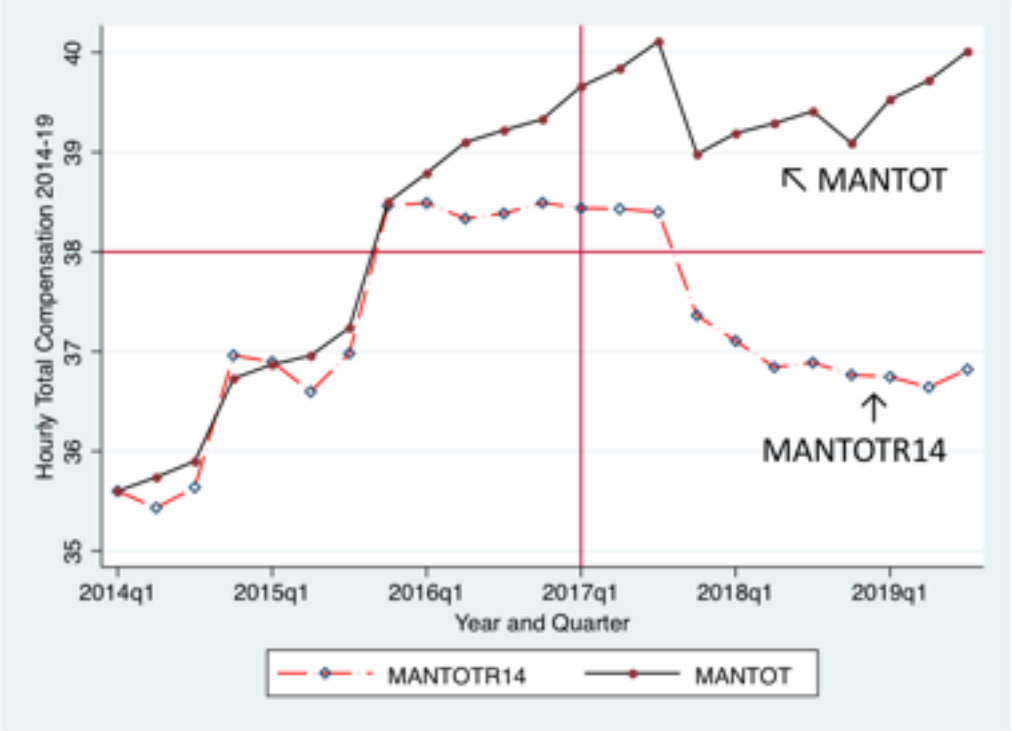
Trends in Hourly Wages + Benefits for Private Sector Workers in Current $'s (PVTTOT) and Adjusted for Inflation (PVTOTR14): 2014-2019(qt3)



Source: BLS Employer Costs for Employee compensation, and CPI-U 1982-84=100.
* PVTOTR14=PVTOT adjusted to March 2014 CPI-U level.

Appendix Figure 2

Trends in Hrly. Wages + Benefits for Pvt. Manufacturing Workers in Current $'s (MANTOT) and Adjusted for Inflation (MANTOTR14): 2014-2019(qt3)



Source: BLS Employer Costs for Employee compensation, and CPI-U 1982-84=100.
* MANTOTR14=MANTOT adjusted to March 2014 CPI-U level.