The Daily Dish

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BEN GITIS | AUGUST 27, 2015

Expect your health care premiums to rise in the next year. Commissioners across the country are beginning to decide whether to approve rate increase requests. Tennessee recently approved a 36.3 percent rise. Tennessee isn’t alone in this, both Kentucky and Oregon approved increases over 25 percent. Now in the health care law’s third year, it doesn’t seem that premiums will decrease as promised.

After a four year investigation into the government loan guarantee granted to the solar company Solyndra, an inspector general found “…that the actions of certain Solyndra officials were, at best, reckless and irresponsible or, at worst, an orchestrated effort to knowingly and intentionally deceive and mislead the department.” On a similar note, in the president's 2016 budget, the White House included a provision to make a favorite tax credit of Solyndra customers permanent.

Eakinomics: Does Compensation Lag Behind Productivity? *Guest Authored by Ben Gitis, AAF Director of Labor Market Policy*

Progressives claim that employees are working harder and producing more, but their wages are not going up. The evidence for this is the claim that since the 1970s growth in labor productivity has vastly outpaced growth in real compensation. In a new report, however, Jacqueline Varas and I examined this assertion and found that it is based on a faulty analysis that contains a number of analytical flaws. As a result, the narrative espoused by liberal think tanks, unions, and even a presidential campaign is simply not true.

The purported trend is illustrated here. According to this chart, the two metrics began to diverge in the 1970s and growth in labor productivity has outpaced growth in compensation ever since.

The official productivity and compensation data from the Bureau of Labor Statistics tell a completely different story, shown in the graph below:

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It turns out that real compensation has followed productivity quite closely. From 1964 to 2013, real labor productivity of private sector workers grew 180.4 percent while growth in the real compensation received by those same workers tracked closely behind at 161.1 percent.

How could two measures of the same phenomenon be so different? Overall, there are three major flaws with the purported trend. Specifically, the original chart (1) compares labor productivity for the entire economy to compensation for only workers in the private sector, (2) compares labor productivity of *all* workers to compensation for production and nonsupervisory workers (who only represent 80 percent of the workforce), and (3) uses two different price indexes, the Implicit Price Deflator (IPD) to measure real productivity and the Consumer Price Index (CPI) to measure real compensation.

The result is a substantially understated level of real compensation growth. Further detail and tables can be found in our report.

Most troubling, these assertions inspire misguided policies, such as raising the minimum wage or expanding overtime pay, which have been shown to provide minimal benefit to those in need and often hurt the workers and families the policies aim to help.

From the Forum

TRICARE: The Military's Health Care System by Tara O'Neill, AAF Health Care Policy Analyst

3 Policies Failing Rural America by Doug Hochberg, AAF Press Secretary; and Gordon Gray, AAF Director of Fiscal Policy

Fact of the Day

The Securities and Exchange Commission imposed a $1.8 billion regulation that shames businesses and does nothing to address financial stability.