Insight

Debunking a Myth in 1 Chart: Wage & Productivity Growth

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According to a new report by the Economic Policy Institute, there is an “historic divergence between productivity and a typical worker’s pay.” This is not the first time this myth has reared its head and won’t be the last. It is a fable that has been repeated as an explanation for low wages since the recession. When the American Action Forum (@AAF) researched the same issue, it found that since 1964, actual labor productivity and compensation have grown at essentially the same pace.

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Why is there a difference? The EPI’s first study finding huge gaps between wages and productivity employs faulty statistical analyses that compares labor market data that are not directly comparable.

As Ben Gitis, AAF’s Director of Labor Policy, wrote about the myth and EPI’s study, “Clearly, methodology matters in this discussion. When the private-sector growth of productivity and total compensation [which includes benefits] are compared using all private sector workers and the same output price deflator, it is apparent that compensation and productivity have grown hand-in-hand.”

There it is. With all factors included, the myth that wages have lagged far behind productivity quickly erodes.

Click here to read AAF’s full research on wages and productivity.