The New York Times | http://nyti.ms/1mSnynH

Edited by David Leonhardt

The Upshot
EVERYDAY ECONOMICS

A Low-Wage Recovery? The Evidence Isn't There

APRIL 28, 2014

Justin Wolfers

A new report from the National Employment Law Project, the research and advocacy group, argues that we're in the midst of a "low-wage recovery." But the evidence for this is thin.

In brief, the report analyzes job growth across 85 industries between February 2010 and February 2014 and concludes that the recovery has created more jobs in low-wage industries than in high-wage industries.

Although I'm sympathetic to the idea of tracking whether the recovery is generating high- or low-paid jobs, data on employment growth by industry provide a poor proxy. There are many highly paid managers working in the low-paid retail trade sector, just as there are many low-paid janitors working in the high-paid professional services sector. The industry of a job tells you something about the type of building you walk into when you go to work, and not much about the type of work you do, or how well you are paid. Figuring out whether the recovery is creating "good jobs" or "bad jobs" requires looking deeply into skill levels and job responsibilities — something this research group didn't quite do.

Instead, by focusing on the changing industry mix of jobs, the report highlights a relatively unimportant change. A simple calculation makes the point. In order to compute the broader consequences of changes in the composition of jobs, economists typically compute what the average wage would be if the share of workers in each industry changed but the wage didn't. Using NELP's data, this comparison suggests that the changing composition of jobs across industries has only subtracted 5 cents from the "average" wage.

(Technical mumbo jumbo: Typically, this sort of calculation should involve comparing employment-weighted averages of industry mean wages, but because NELP prefers to analyze median wages for each industry, my calculation compares the employment-weighted average of *median* industry wages. So "average wage" gets the air quotations.)

Moreover, while most reporting on this study focused on the strong growth in employment in low-wage industries like retail trade, the growth in high-wage industries like professional, scientific and technical services has been equally robust. All told, across the 85 industries analyzed, the association between median wages and employment growth since 2010 is in fact mildly positive, suggesting that high-wage industries have enjoyed slightly stronger employment growth. That said, this association is not only small, it's statistically insignificant. (Weighting industries by their size yields a statistically insignificant negative relationship instead.)

Bottom line: When you dig into the detail from all 85 industries, the composition of high- versus low-wage jobs has barely changed.

Justin Wolfers is a senior fellow at the Brookings Institution and professor of economics and public policy at the University of Michigan. Follow him on Twitter at @justinwolfers.