

Macro Roundup Article

Headline: [The Unexpected Compression: Competition at Work in the Low Wage Labor Market](#)

Article Link: <https://www.nber.org/papers/w31010>

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Tweet: In the aftermath of the pandemic, real hourly wage gains for non-college workers have reversed a quarter of the rise in wage inequality since 1980.
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Summary: Labor market tightness following the height of the Covid-19 pandemic led to an unexpected compression in the US wage distribution that reflects, in part, an increase in labor market competition. Rapid relative wage growth at the bottom of the distribution reduced the college wage premium and counteracted approximately one-quarter of the four-decade increase in aggregate 90-10 log wage inequality. Wage compression was accompanied by rapid nominal wage growth and rising job-to-job separations—especially among young non-college (high school or less) workers. Seen through the lens of a canonical job ladder model, the pandemic increased the elasticity of labor supply to firms in the low-wage labor market, reducing employer market power and spurring rapid relative wage growth among young non-college workers who disproportionately moved from lower-paying to higher-paying and potentially more-productive jobs.

Primary Topic: Wages/Income

Topics: Business Cycle, Database, GDP, Wages/Income, Workforce

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