

# The labor market, productivity, and wages

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Prof. Santetti

marcio.santetti@emerson.edu

# The *productivity-pay* gap

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If one wishes to *understand* the current U.S. patterns of **income distribution**...

- Look at the *job market*!

That is where most typical families/individuals earn their *income*.

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Let us study the **divergence** between productivity and wages through a *policy perspective*.

# Timeline

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1930s: *Post-Great Depression* economy

- How much *unemployment*?
- *New Deal*
- National Industrial Recovery Act (*NIRA*, 1933)
- National Labor Relations Act (*NLRA*, 1935)
- *Taxes* on top earners: 79%
- End of Depression-era unemployment: *World War II*

# Timeline

1940s: *Post-WWII* economy

- How to **pay** for the war? The Revenue Act of 1942
- *National Labor-Management Conference* (November 1945)
- UAW and the “Big Three” (GM, Chrysler, and Ford): The *Treaty of Detroit* (1948 and 1950)



# Timeline

1950s and 1960s: *War* economy (again), increasing *female* labor force participation

1970s: *Deregulation* and the beginning of the *gap*

*Table 1***Unionization, Employment and Labor Earnings Patterns in Transportation and Telecommunications Industries**

<i>Industry</i>	<i>1973</i>	<i>1978</i>	<i>1983</i>	<i>1988</i>	<i>1991</i>	<i>1996</i>
<i>Trucking</i>						
Union Membership Rate	49%	46%	38%	25%	25%	23%
Work Force Size (×1,000)	997	1,111	1,117	1,544	1,617	1,907
Weekly Earnings (1983/84 dollars)	\$499	\$491	\$404	\$386	\$405	\$353
<i>Railroad</i>						
Union Membership Rate	83%	79%	83%	81%	78%	74%
Work Force Size (×1,000)	587	580	428	363	286	282
Weekly Earnings (1983/84 dollars)	\$475	\$491	\$507	\$490	\$494	\$470
<i>Airlines</i>						
Union Membership Rate	46%	45%	43%	42%	37%	36%
Work Force Size (×1,000)	368	465	464	683	696	800
Weekly Earnings (1983/84 dollars)	\$499	\$498	\$455	\$420	\$443	\$435
<i>Telecommunications</i>						
Union Membership Rate	59%	55%	55%	44%	42%	29%
Work Force Size (×1,000)	949	1,075	1,060	1,114	1,107	1,126
Weekly Earnings (1983/84 dollars)	\$399	\$442	\$457	\$447	\$458	\$488
<i>All Other Industries</i>						
Union Membership Rate	23%	22%	19%	16%	15%	14%
Work Force Size (×1,000)	72,619	81,737	85,220	97,704	99,080	107,844
Weekly Earnings (1983/84 dollars)	\$399	\$363	\$301	\$310	\$322	\$334

*Source:* Information on union membership rates and industry work force sizes were provided by Barry Hirsch and David Macpherson. Information on labor earnings for the 1973–1991 sample period are taken from Current Population Survey Files and the 1996 earnings are taken from Hirsch and Macpherson’s Union Membership and Earnings Data Book (1997a). The sample years from 1978 to 1996 cover the post-deregulation period for trucking, railroads and airlines. The years 1983–1996 cover the post-divestiture period for telecommunications.

Next time: Immigration