Outline

• Trends in Wage and Income Inequality
• The Role of Technological Progress
• Social Change
• Improved Function of the Labor Market
Trends in Wage and Income Inequality

• Focus on Median Rather than Mean Hourly Wages and Household Income

• Focus on Multiple Points in the Distribution (where data is available)
  • Median (50th Percentile)
  • Lower (10th and 25th Percentiles)
  • High (75th and 90th Percentiles)
Q1: Which group had the lowest wage growth?

- Middle Class Workers (50th Percentile)
- Lower Middle Class Workers (25th Percentile)
- Low Income Workers (10th Percentile)
Trends in Wage and Income Inequality

• Little Growth in Median Hourly Wages and Household Income in Nebraska since 2006
  • Positive growth from 2012 to 2015
  • Strong growth from 2014 to 2015

• Stronger Growth for High Wage Workers

• Growth Generally Stronger in Nebraska than United States
  • 2006 to 2015: Real Median Hourly Wages Up 4.0% in Nebraska and 1.3% in the United States
  • 2010 to 2015: Real Median Household Income Up 4.5% in Nebraska and 2.5% in the United States
Trends in Wage and Income Inequality
Real Median Household Income (2015 $)
Trends in Wage and Income Inequality
Real Median Hourly Wages (2015 $)
Let’s look at the first poll results
Trends in Wage and Income Inequality
Percent Growth in CPI and Nominal Wages Across the Wage Distribution: 2006-2015
Trends in Wage and Income Inequality
Percent Growth in CPI and Nominal Wages Across the Wage Distribution: 2012-2015
The Role of Technological Progress

• What explains the “hollowing-out” of the middle class?

• Technological progress: a rapid decline in the cost of computing power has led to
  • Machines and software replacing workers in “routine” occupations (repetitive production occupations, bookkeepers, and clerical workers)
  • New employment for “high skill” workers who utilize computing power
The Role of Technological Progress Producer
Price of Computers (Index: 2014=1.0)
Q2: How will technological progress impact the wages of low skill workers?

• Reduce the wages of low skill workers
• No effect on the wages of low skill workers
• Raise the wages of low skill workers
The Role of Technological Progress

• Routine workers have been a big part of the middle class
• There has been a decline in demand for middle skill jobs
  • Fewer middle skill jobs
  • Flat or declining real wages
The Role of Technological Progress

• High skill workers design and utilize enhanced computing power in their work

• The result is growth in demand for high skill jobs
  • Growing employment
  • Growing real wages
Let’s look at the second poll results
The Role of Technological Progress

• Rising high wage incomes also have increased demand for lower wage service workers
  • Waiters, cooks, retail workers
  • The result is growing employment and wages for low skill workers
The Role of Technological Progress
Trends in Nebraska Manufacturing Jobs

Nebraska Manufacturing Employment (thousands)
Q3: How will increased use of merit based pay influence wage inequality?

- Reduce wage inequality
- No influence on wage inequality
- Raise wage inequality
The Role of Social Change

• The slow growth or decline in real wages for middle income workers may reflect social change since the mid-1960s.
  • Growing challenges for the American family
  • Higher rates of substance abuse
  • Pockets of decline in school quality

• As time has passed, a larger share of the workforce was raised in these conditions.
The Role of Social Change

• Under this perspective, a decline in workforce quality is reducing manufacturing employment

• This perspective is supported by surveys of Nebraska employers regarding why it is difficult to hire workers
The Role of Social Change

Why It is Difficult to Hire Manufacturing Workers?

<table>
<thead>
<tr>
<th>Region</th>
<th>Poor Work History</th>
<th>Failed Background Check</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omaha</td>
<td>39%</td>
<td>12%</td>
</tr>
<tr>
<td>Lincoln</td>
<td>59%</td>
<td>24%</td>
</tr>
<tr>
<td>Scottsbluff</td>
<td>37%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Let’s look at the third poll results
Improved Function of the Labor Market

• The rise of “executive search” firms has helped improve the match between high skilled workers and their job
  • Rising wages for high skill workers

• Expansion of merit pay into more and more workplaces
  • Stagnating wages for some workers
THANK YOU!

Any Questions?
Next Webinar

Housing Affordability in Nebraska

October 28, 2016

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