Pay is lagging in a tight job market

By Ben Casselman, New York Times

Over all, average hourly earnings were only 2.5 percent higher in December than a year earlier, barely outpacing inflation. It’s part of a stubborn pattern that is one of the mysteries of a recovery now in its ninth year. These are a few factors that may be playing a part.

A collapse in the rate of union membership for private-sector employees — to 6.5 percent last year from the upper teens in the early 1980s — appears to have played a key role in holding down wages. This is partly because unions benefit workers directly: Average pay for workers represented by unions tends to be higher than for those who aren’t, even after controlling for education and other characteristics.

But unions also benefit workers indirectly. In industries and regions where unions have a larger presence, pay tends to be higher for all low- and medium-wage workers, not just those represented by unions.

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