Wage increase not being felt everywhere

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The Labor Department reported that the economy added 312,000 jobs in December, well above estimates for the month. The results added to an already strong year for the labor market. In fact, 2018 was the third best for employment growth in the near decadelong expansion, behind 2014 and 2015.

The most encouraging part of the December report was that wages were up 3.2 percent from a year ago, the best year-over-year performance since April 2009. And yet, like a clean car that is shiny on the outside, all may not be well under the hood. While wage growth picked up toward the end of 2018, it still lags far behind the 4.2 percent pace before the 2001 recession.

Moments after I appeared on radio to laud the report, I received the following email: "If wages are up, why don't I feel better?"

That question has been a vexing one for economists. Economist Ernie Tedeschi, who used to work at the U.S. Treasury Department, says tepid wage growth "is, to put it mildly, a mystery. If workers are as scarce as the unemployment rate and many other measures suggest, employers should be raising wages to compete for them."

So what's happening? There are various theories, but three jump to the top of the list:

■ Labor Department stats are not capturing the thousands of would-be workers who have given up looking for work, perhaps because they are disgruntled, have gone back to school, claimed disability or retired early.

■ Productivity growth has stalled.

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■ The decrease in labor union membership and bargaining power.

Each hypothesis has merit, but there is no consensus as to why, over the longer term, wages appear to be stuck.

"While wages are up for everyone, the gains have been far from equal," according to Brad Hershbein of the Brookings Institution. Yes, there have been gains for top earners and new minimum wage rules (5.3 million more workers will be receiving higher pay in 2019 as minimum wage increases kick in, according to an analysis of Census Bureau data from the liberal think tank Economic Policy Institute), have boosted pay for those at the lower end, but growth in the middle has paled in comparison.

Additionally, there is a geographical element to this story. There is a big difference between urban and rural and a wide gulf between superstar cities versus everyone else.

Brookings found "big hubs of technology jobs in places like San Francisco, Boston and New York with populations over 1 million have flourished, accounting for 72 percent of the nation's employment growth since the financial crisis. By contrast, many of the nation's smaller cities, small towns and rural areas have languished.

"Smaller metropolitan areas (those with populations between 50,000 and 250,000) have contributed less than 6 percent of the nation's employment growth since 2010 while employment remains below pre-recession levels in many 'micro' towns and rural communities (those with populations of less than 50,000)."

In the past, people would high-tail it to where the jobs were. But the very nature of the housing crash meant that many were unable to unload their homes to do that.

One more byproduct of the Great Recession is that a lot of workers, especially younger ones, are still smarting from the Great Recession and are not eager to ask for a raise or willing to take a risk of a new job with another company.

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