

U.S. Wages Grew 4.4 Percent in Fourth Quarter 2020 Due to Low Wage Job Loss as COVID-19 Continues to Disrupt Labor Market

Employment growth dropped by 7.9 Percent

ROSELAND, N.J., Jan. 27, 2021 /PRNewswire/ -- Wages for U.S. workers grew 4.4 percent over the last year, increasing the average wage level by \$1.27 to \$30.19 an hour, while employment growth demonstrated a continued downward slide by -7.9 percent according to the ADP Research Institute® [Workforce Vitality Report](#) (WVR) released today. The average wage growth is higher than expected as a result of significant job losses among low wage earners, which increased the average. However, higher income groups experienced flat wage growth compared to lower income groups, as most of the job losses came from low wage jobs.

"The headline wage number masks the turbulence in the job market caused by COVID-19," said Nela Richardson, chief economist, ADP. "When you look deeper at the data, it shows that the significant job losses we've seen in the lower income positions has inflated the overall average wage growth. For that reason, it looks like wages are growing at a healthy clip, when for the majority of workers, wages were either mostly flat or barely growing above inflation at year-end."

"Additionally, even prior to the pandemic, wages by gender showed disparity among males and females, and that wage inequality widens as they progress in their careers, with males in the lead. For job holders who kept the same job through the 2020 pandemic, female workers made \$8 less than male workers in December."

Employment growth year-over-year continued a downward slide with -7.9 percent due to COVID-19. Leisure and hospitality was the hardest hit industry with a decline in employment growth by nearly 24 percent. Finance industry employment growth fared the best among all industries with a drop of 1 percent. Across industries, the overall wage growth slowed compared to the initial months of the pandemic. Additionally, job-holders' wage growth also slowed, likely due to wage freezes or job cuts as a result of the pandemic.

Table 1: Wage and Employment Growth by Industry - December 2020

Industry	Wages	YOY Wage Growth				Yearly Growth	
		All	Holders	Entrants	Switchers	Employment Growth	Switching Rate
-ALL-	\$30.19	4.4%	4.0%	7.1%	5.0%	-7.9%	19.0%
Goods							
Construction	\$30.31	2.9%	3.9%	8.0%	5.4%	-2.9%	12.9%
Manufacturing	\$31.47	3.8%	3.8%	6.0%	5.2%	-4.7%	16.4%
Resources and Mining	\$40.23	16.0%	2.3%	0.0%	13.9%	-10.2%	7.1%
Services							
Information	\$42.22	0.6%	3.4%	6.8%	8.9%	-9.8%	17.1%
Finance and Real Estate	\$35.57	3.6%	4.2%	13.4%	5.5%	-0.8%	14.6%
Professional and Business Services	\$37.99	3.6%	3.3%	7.4%	8.0%	-6.8%	22.1%
Education and Health Services	\$28.68	4.1%	3.5%	6.4%	4.2%	-4.6%	18.3%
Leisure and Hospitality	\$18.98	4.9%	5.9%	5.0%	-1.3%	-23.8%	20.7%
Trade, Transportation, and Utilities	\$25.76	1.5%	4.0%	7.6%	1.7%	-6.3%	22.4%

Although wage growth was strong across all regions, the Northeast suffered the worst employment growth of -10.5 percent. Job holders did best in the West, experiencing a wage growth of 4.3 percent, while job entrants in the Northeast and Midwest fared the best with wage growth of 8.7 percent each. By firm size, workers at the largest firms (1,000+) had the highest wage growth rate at 5.2 percent, while small firms experienced the worst employment growth at -9.7 percent.

Table 2: Wage and Employment Growth by Region and Firm Size - December 2020

Region	Wages	YOY Wage Growth				Yearly Growth	
		All	Holders	Entrants	Switchers	Employment Growth	Switching Rate
-USA-	\$30.19	4.4%	4.0%	7.1%	5.0%	-7.9%	19.0%

NORTHEAST	\$34.36	4.8%	4.0%	8.7%	6.6%	-18.3%	17.8%
SOUTH	\$27.94	3.5%	3.7%	7.6%	4.6%	-6.1%	19.3%
WEST	\$32.52	4.4%	4.3%	5.2%	6.3%	-8.1%	18.9%
Company Size							
-ALL-	\$30.19	4.4%	4.0%	7.1%	5.0%	-7.9%	19.0%
49 or less	\$27.71	3.7%	4.1%	7.1%	4.8%	-9.7%	13.8%
50 to 499	\$30.26	4.1%	3.7%	5.6%	4.9%	-7.9%	20.4%
500 to 999	\$30.93	3.0%	4.0%	5.2%	2.0%	-6.8%	18.9%
1000 or more	\$31.56	5.2%	4.1%	7.5%	5.7%	-6.8%	21.7%

The difference in hourly wages between the lowest income groups making less than \$20K annually and the income group making between \$20K-\$50K annually is \$5.27. That difference in hourly wages increases to \$10.37 between the next income group (i.e. those making between \$20K-\$50K annually and \$50K-\$75K annually). However, the highest income group (\$75K+ annually) earns more than twice that of next lower group (\$50K-\$75K annually). While wage disparity widens as income levels increase, the higher income groups experienced flat wage growth in the past year compared to lower income groups, as most of the job losses came from low wage jobs. The remaining jobs in the low-income group consequently improved their average hourly wage in relation to last year, resulting in the elevated average wage growth.

Table 3: Wages by Income Group - December 2020

Income Group	<\$20K	\$20K - \$50K	\$50K - \$75K	\$75K+
Hourly Wage	\$11.93	\$17.20	\$27.57	\$59.44
Wage Growth	6.2%	1.9%	-0.4%	0.1%
Employment Share	22.6%	37.7%	17.6%	22.2%

Job entrants earn similar wages by gender, with males earning \$1.29 per hour more than women. However, the wage gap widens as they progress through their career. In fact, female holders and switchers earn about \$7 less per hour than their male counterparts.

Table 4: Wages by Gender - December 2020

Hourly Wages	All	Holders	Switchers	Entrants
Female	\$26.45	\$29.02	\$26.94	\$13.29
Male	\$33.31	\$36.92	\$33.66	\$14.58
Wage Growth				
Female	5.3%	4.4%	5.7%	6.9%
Male	3.7%	3.7%	4.7%	7.3%

About the ADP Workforce Vitality Report

The *ADP Workforce Vitality Report (WVR)* was developed by the ADP Research Institute. It is an unprecedented, in-depth monthly analysis (published quarterly) of the vitality of the U.S. labor market based on actual data that identifies labor market trends and dynamics across multiple dimensions. These dimensions include employment growth, job switching, wage growth and hours worked. In addition to the macro data presented in the report, there are also segment-specific findings by industry, state, gender, age, experience, and pay level. Established in October 2014, the report methodology was updated in April 2018 utilizing monthly data to include additional data points and deeper insights. For more information about the report, please visit <http://workforcereport.adp.com/>.

Type of Workforce

Holders: Workers who were employed by the same company for the past 12 months. The wage growth is the rate of change in wages in that time period.

Switchers: Workers who changed employers between consecutive months. The wage growth is calculated from the 12 month moving average of wage growth.

Entrants: First time workers who are less than 25 years old. The wage growth is calculated from the 12- month moving average of wages.

To see detailed results from the *ADP Workforce Vitality Report* for December 2020, including data broken down by region, firm size, industry, gender, and age visit <http://workforcereport.adp.com/>. The first quarter 2021 *ADP*

Workforce Vitality Report will be released on Wednesday, April 28, 2021.

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