The Eternal Race Between Wages and Inflation

You might think that hourly wages and worker compensation closely tracks the inflation rate, but as you can see from the graphic, the two are in a constant tug-of-war; wages sometimes rise faster than inflation, and often they lag. Over the last year, wages have been winning this particular race; hourly wages are up 4.5% from this time last year, while the inflation rate, again over the past year, has come in at 3.4%. In March, the last month where we have statistics, the difference was 4.7% annualized (wages) vs. 3.5% annualized (inflation).

However, this is catchup; between 2021 and mid-2023, inflation was dramatically higher than the growth of worker income. Some economists believe that wages still have some catching up to do before they moderate to something closer to the inflation rate.

The statistics are also somewhat hard to read, since different states have different minimum wage levels. A worker earning the minimum wage in California takes home $15.50 an hour, while in Oklahoma, the wage might be as low as $2 an hour. And perhaps a more accurate gauge of how much workers should be paid is productivity; if the minimum hourly wage in the U.S. had kept up with productivity, it would be $22.88 an hour today, leaving inflation in the dust.

Source:

<https://www.axios.com/2024/02/05/wages-outpacing-inflation>