



The Eternal Race Between Wages and Inflation

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You might think that hourly wages and worker compensation closely track 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 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 a 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. 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.

Sources:

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

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



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