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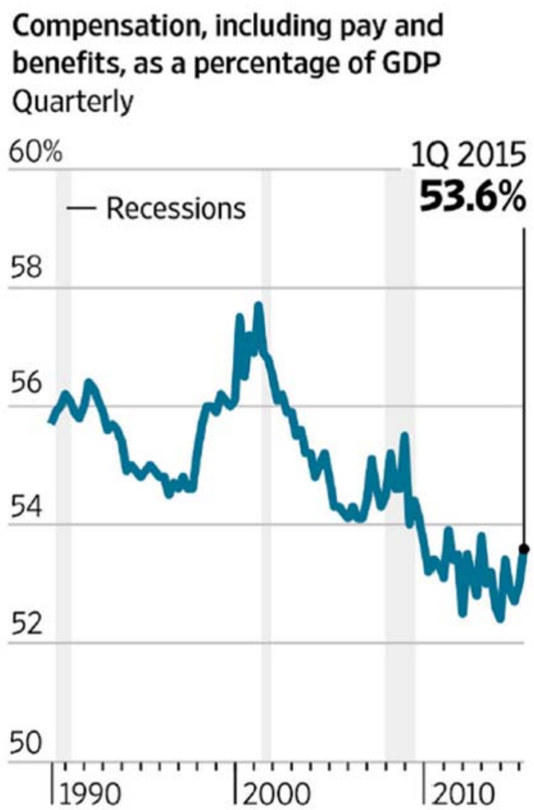
Wages

By Michael Rosen on May 1, 2015 at 11:39 am

They're going up. Total salaries and benefits moved up 4.4% in 2014, rising to 53.6% of GDP, still below historic averages, but a decided bounce off the lows recently seen (Chart 1).



Source: Department of Commerce; Courtesy: Wall Street Journal

One reason wage growth has held pretty steady over the past few years is that lower-wage jobs have been added at a faster pace than higher-wage jobs. But it looks like wages for these lower paying jobs are moving up more quickly than for higher paying jobs. Two different measures of wage growth show an accelerating trend (Chart 2).

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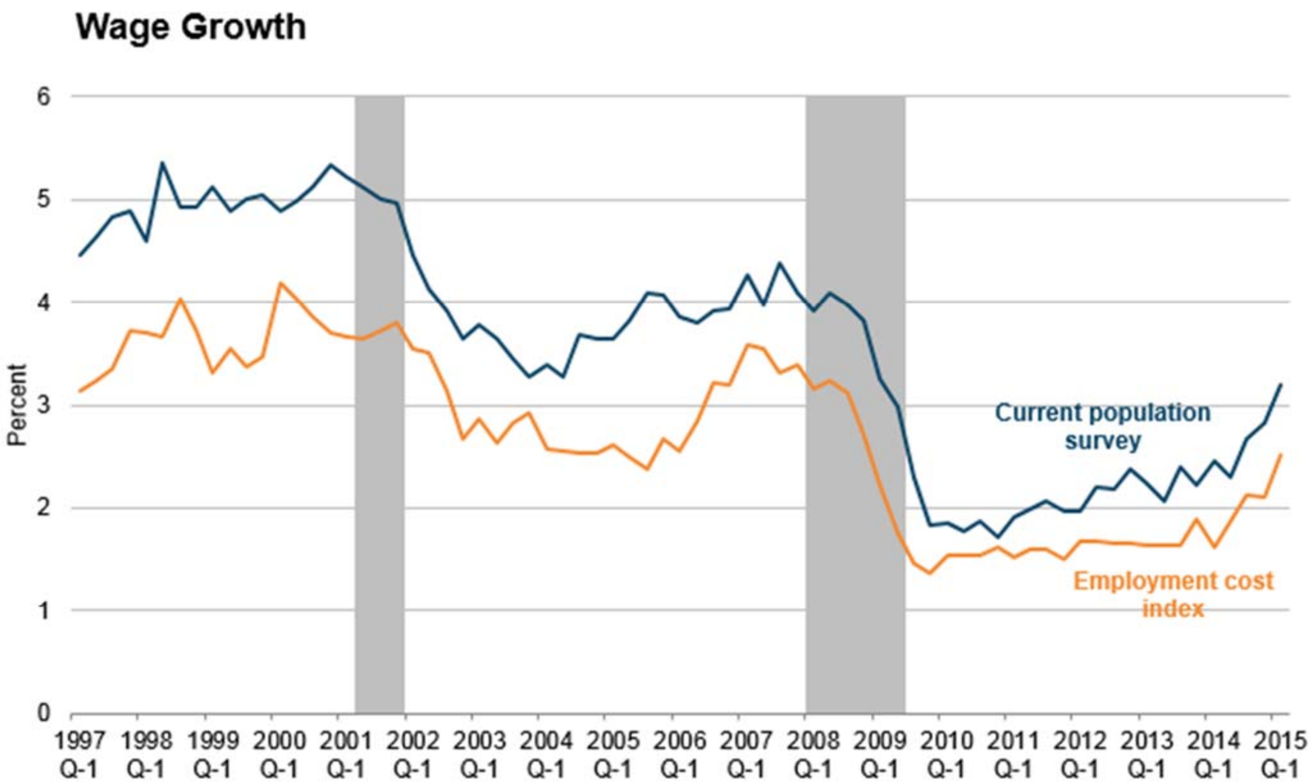

Source: Current Population Survey, Employment Cost Index, authors' calculations
Note: The CPS measure is the median growth rate of individuals' reported wages (on an hourly basis) 12 months apart. The ECI measure is the average percent change in wages and salaries paid by employers, keeping the type of workers fixed over time. Data are through the first quarter of 2015. Gray bars indicate recession.

Not coincidentally, we're also seeing corporate profit margins flatten out, meaning it looks like a greater share of income is shifting to workers. This may have (negative) implications for equity markets, but it's one of the reasons the US economy should bounce back from the anemic (0.2%) growth rate of the first quarter.