
Economic Policy Institute

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EMPLOYMENT COST INDEX SHOWS WAGES STUCK IN CELLAR

Today's release of the Employment Cost Index shows that wage growth remains stuck at its slowest rate on record as a persistently slack job market, and faster inflation continues to squeeze workers' paychecks.

- For the past three quarters, 2004q3-2005q1, the annual growth of nominal wages—before accounting for inflation—has been 2.4 percent, the lowest recorded rate in the series, which began in 1982.
- This reduced pace of nominal wage growth has collided with faster price growth in recent quarters to lead to falling real wages for the past four quarters – a decline of 0.6 percent in the most recent quarter.
- Over the past year, compensation (wages plus fringe benefits) rose 3.5% due to continued increases in benefit costs. While this growth rate is faster than inflation, it is slower than we've seen in the past two years.

This Economic Policy Institute analysis was prepared by senior economist Jared Bernstein and economist Elise Gould.

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