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## Real Time Economics

# Workers' Earnings Climb at Healthy Pace in First Quarter

By JOSH MITCHELL    April 17, 2014

Are American workers finally starting to see some decent wage increases? A report Thursday offers hope, showing incomes picked up at a healthy pace in the first three months of the year.

The weekly earnings of the typical full-time worker rose 3% in the first quarter compared to a year earlier, the fastest pace since 2008, the Labor Department said. That translated into median earnings—the point at which half of all workers made more and half made less—of \$796. When you adjust for inflation, median earnings are now at their highest level since the second quarter of 2012.

Even better is that the earnings growth far outpaced the 1.4% year-over-year rise in consumer prices, as measured by the Labor Department. Earnings that rise faster than costs mean workers will have more money to spend on discretionary purchases. Consumer spending is the biggest source of economic demand in the U.S.

It's way too early to tell whether the trend will continue, especially since the nearly five-year-old U.S. economic recovery has been so choppy.

But Thursday's report follows other signs pointing to a strengthening labor market.

Initial jobless claims—a proxy for layoffs—totaled 304,000 last week, the Labor Department said Thursday, holding near pre-recession levels. Overall hiring picked up in February and March after a winter slump. And businesses appear to be taking advantage of looser lending standards to invest in workers and equipment.

**Bernard Baumohl, chief global economist for Economic Outlook Group LLC**, says the latest wage increases indicate the labor market is tightening and firms are gaining enough confidence to boost labor costs.

“Employers are having more difficulty filling jobs, particularly those that require certain skills,” **Mr. Baumohl** said. “So there is some competition out there by companies to find and attract people to work for them.”

That companies are willing to pay more for workers is a good sign. “We’re seeing more and more evidence now that companies are more optimistic about the economic outlook.”

**Mr. Baumohl** expects further wage increases in coming months as the economy picks up in spring and summer.

Higher wage increases are a key ingredient of what economists call a virtuous circle. Consumers who make more end up spending more, boosting business profits. Companies then step up production and, hopefully, hiring, leading to lower unemployment and higher worker earnings.

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