

# At a 10-year high, wage growth for American workers likely to keep accelerating

*Jeffrey Bartash*

American workers are finally getting a big payoff after 10 years of economic growth.

It's been a long time coming, but American workers are finally reaping the rewards of one the longest economic expansions ever. And they may get rewarded still.

Hourly pay earned by the typical employee rose sharply in February, pushing the increase in wages over the past year to a 10-year high of 3.4%.

The last time wages grew that fast was in early 2009.

Even better, inflation slowed toward the end of 2018, dropping to a yearly rate of 1.6% from as high as 2.9% last summer. That means Americans can buy more with their extra pay.

“With inflation under 2%, workers are seeing real gains,” said chief economist Tendayi Kapfidze of the online lender LendingTree.

Nor is there any reason to believe the wage boom will end soon.

Although hiring slowed sharply in February and sparked another stock-market decline [DJIA, -0.01%](#) [SPX, +0.16%](#), the unemployment rate fell to 3.8% in February from 4%, putting it back near a 50-year low.

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Almost 21 million new jobs have been created since 2010, creating one of the tightest labor markets in decades. Stiffer immigrations controls and the retirement of millions of baby boomers each year are also constricting the supply of labor.

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From the start of an economic recovery in mid-2009 until the end of 2014, wages grew 2% or slightly less each year. They only started to accelerate — and slowly at that — about three years ago.

The lack of skilled labor is the chief reason wages are finally rising at historic norms. Hourly pay has risen an average of 3% year over year in the past 30 years.

The job-search site ZipRecruiter said employers complain that finding skilled workers is their top business challenge.

“To address that problem, they have been raising wages, expanding training efforts, and improving working conditions,” said ZipRecruiter labor economist Julia Pollak.

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Just how high can wages go?

Since the end of an U.S. inflationary spiral in the 1970s and early 1980s, the yearly increase in hourly wages has topped 4% several times, most recently in 2006 during the height of the last economic expansion.

Most economists believe wages will continue to rise gradually, even if hiring slows from the current rate of nearly 200,000 a month. The economy would only have to add about 100,000 new jobs a month to keep downward pressure on the unemployment, experts calculate.

“Absent a more sustained slowdown in job creation, stronger wage growth appears likely to continue,” said Jim Baird, chief investment officer at Plante Moran Financial Advisors.