



Economics Group

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Employment Costs Rise More than Expected in Q1

Employment costs in the first quarter rose by the most since the start of the recession, increasing 0.8 percent. Wages & salaries are up 2.5 percent from a year ago, consistent with gradual tightening in the labor market.

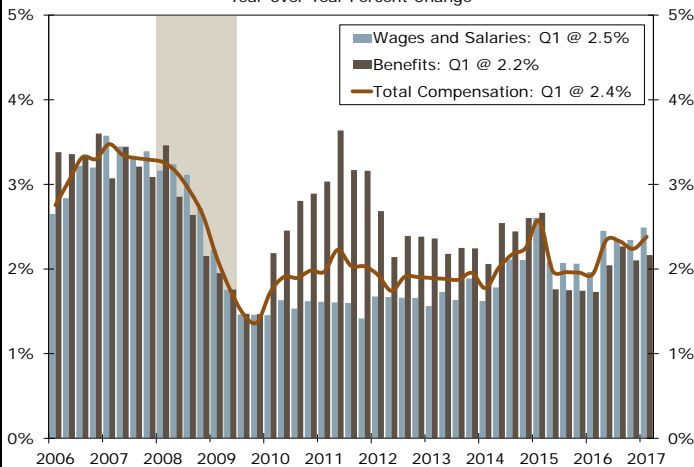
Compensation Costs Picking Up

- Compensation costs heated up for employers in the first quarter, with the Employment Cost Index posting the strongest quarterly gain since 2007.
- Costs for both wages and benefits rose more rapidly in Q1, although wage growth continues to outstrip increases in benefits. Over the past year, the rise in benefit costs have been held down by the slowest rise in healthcare benefits since 1997.

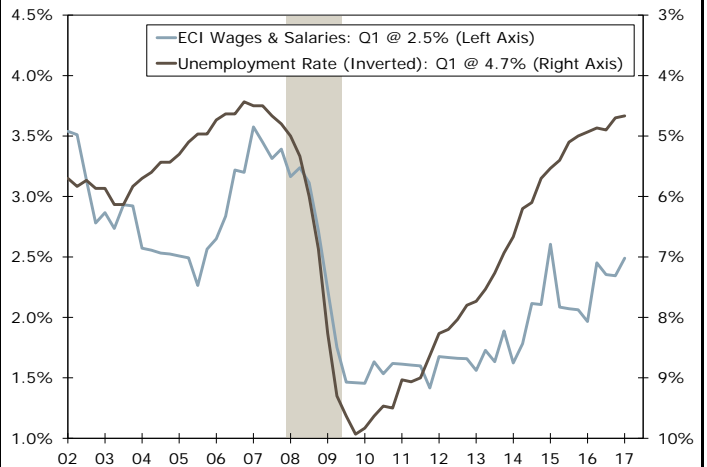
Wage Pressures Building

- Up 2.5 percent over the past year, wage pressures are slowly building amid the tighter labor market. Wages in the private sector rose 0.9 percent in Q1 versus 0.6 percent in government.
- The upward trend in wages looks even more convincing when stripping out incentive-paid workers (whose pay tends to be more volatile) and looking at average hourly earnings (which is based on a larger sample).

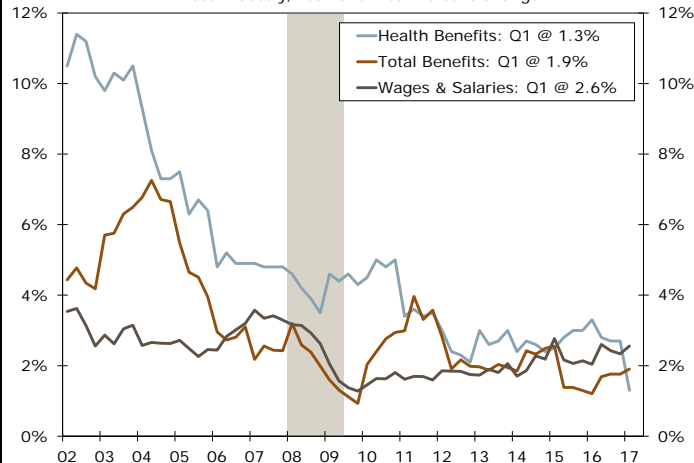
Employment Cost Index
 Year-over-Year Percent Change



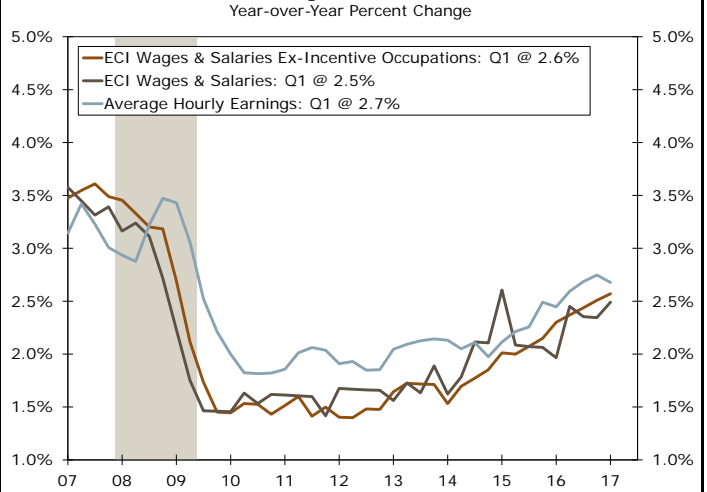
ECI Wages & Salaries vs. Unemployment Rate
 Year-over-Year Percent Change, Percent



Employment Costs: Health Benefits
 Private Industry, Year-over-Year Percent Change



Wage Growth
 Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Securities

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