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OPINION | REVIEW & OUTLOOK

# The Inflation Tax Bites Workers

Private pay and benefits are booming, but they can't keep up with prices.

By [The Editorial Board](#) [Follow](#)

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PHOTO: ELISE AMENDOLA/ASSOCIATED PRESS

The headlines Friday said that worker compensation grew at a record pace in this year's first quarter, according to the Labor Department. That would be nice—if it weren't for the inflation that is wiping out those hefty nominal gains.

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Wages and salaries rose 5% for private workers in the 12 months through March, and benefits rose 4.1%. Private employers are paying a lot more to keep workers, who have bargaining power amid a labor shortage.

That sounds better than it is, however, because inflation has erased the purchasing power of those raises. Inflation-adjusted private wages and salaries fell 3.3% for the 12 months through March, and inflation-adjusted benefits fell 4%. Employees are making more but they can buy fewer goods and services with it. This is what economists mean when they call inflation a tax.

A separate report Friday, this one from the Commerce Department, found that real personal disposable income fell 0.4% in March and has fallen in five of the last six months. To put that in dollar terms, in April 2021 disposable income per capita was \$48,641 in 2012 chained dollars. In March this year, that amount had fallen to \$45,997—a decline of \$2,644. Ouch.

To adapt Ronald Reagan, are you better off than you were a year ago?

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