Are California pay raises keeping pace with inflation?

By Jonathan Lansner

We all complain about California's surging cost of living, and it's a legitimate beef. The state is no stranger to the nation's worst bout of inflation in four decades.

Yet far less time is spent discussing the relatively generous raises handed out by many bosses — with some of that income boost coming to workers who switch employers.

Yes, all the economic gyrations created by the pandemic make one's head spin. The fluctuations generated some tough times for shoppers while producing relatively good times for certain workers.

My trusty spreadsheet, after peeking at government jobs and price stats for the four years ending in June 2023, found that wage gains in California exceeded the inflation rate.

California's statewide consumer price benchmark showed 18 percent inflation in 2019-23. Meanwhile, the Golden State's average annual wage jumped by 23 percent to $84,400 for 18 million workers statewide.

However, there are more than a few "buts" in this equation. Like inflation rates and paychecks don't sway in uniform patterns. Let me explain ...

Geographical gaps

Staying ahead of the cost of living is a fairly local challenge.

Inflation is by no means universal, looking at a map. The state's price index tracks four regions with noteworthy differences in inflation rates.

Prices are up 22 percent in the Inland Empire since 2019, 19 percent in San Diego, 17 percent in Los Angeles-Orange County and 15 percent in San Francisco.

Then we'll note the varying swings in paychecks — and hiring patterns — across the state. Look at the six largest job markets, ranked by pay hikes ...

San Diego: 28 percent raise to $78,600 for 1.5 million workers.

San Jose: 27 percent raise to $170,900 for 1.1 million workers.

Inland Empire: 24 percent raise to $58,200 for 1.7 million workers.

San Francisco: 23 percent raise to $122,100 for 2.4 million workers.

Los Angeles-Orange County: 20 percent raise to $76,100 for 6.1 million workers.

Sacramento: 20 percent raise to $72,100 for 1.1 million workers.

Professional differences

A Californian's ability to beat inflation also depends on what they do for a living.

For example, folks providing services have been in heavy demand. Consider the varied California wage jumps within key job niches, ranked by size of pay increases ...

Personal services: 27 percent raise since 2019 to $52,500 for the industry's 560,000 workers.

Manufacturing: 26 percent raise to $121,800 for 1.3 million workers.

Professional services: 25 percent raise to $115,200 for 2.8 million workers.

Leisure and hospitality: 23 percent raise to $37,400 for 2 million workers.

Financial activities: 23 percent raise to $123,300 for 819,000 workers.

Trade, transportation, and utilities: 23 percent raise to $65,600 for 3.1 million workers.

Information: 21 percent raise to $226,800 for 554,000 workers.

Education and health services: 21 percent raise to $63,600 for 3 million workers.

Government: 21 percent raise to $86,600 for 2.6 million workers.

Natural resources: 17 percent raise to $45,900 for 451,500 workers.

Construction: 17 percent raise to $83,100 for 912,000 workers.

Timing

Broadly speaking, most pay hikes came in the early days of the pandemic era. The cost of living has been a more recent problem.

The typical California worker enjoyed a 20 percent raise in 2020-21 versus 5 percent inflation.

But in 2022-23, wage increases ran 4 percent statewide versus 13 percent inflation.

Other quirks

Consider some curious pay raise variations tracked nationwide by the Atlanta Fed.

Youth wins: Workers ages 16 to 24 got 44 percent pay hikes in 2019-23 versus 20 percent for those

25 to 54 and 12 percent for the 55-plus flock.

Size matters: The quarter of workers with the lowest wages got the biggest raises – 24 percent over four years. Those who were paid the most received the smallest hikes at 15 percent.

Loyalty doesn't pay: The wage increases of job switchers added up to 22 percent from 2019 to 2023. Those who stayed put got only 16 percent.

Bottom line

So the paycheck of a young, low-paid personal services worker from San Diego — who changed jobs — likely grew faster than inflation.

Meanwhile, wages of an older, well-paid construction worker from Sacramento — who remained loyal to their boss — probably failed to keep up with the cost of living.

Now that's a sort of cartoonish mashup of California pay patterns of 2019-23 and their relationship with inflation. But it's also a snapshot of the odd reality.

Which Californians can say their paychecks have outrun inflation is a very diverse group.