JEC Dems Methodology for State-Level Real Wage and Salary Growth

State-by-State Analysis

This analysis was done to create a measure of state wage and salary growth that is reasonably comparable to a measure of state-level average annualized cost growth done by the JEC Republican staff in their State Inflation Tracker. For this reason, we focus on *average* annualized wage and salary income in each state for a given month, where the average is calculated for the average "consumer unit". To complete this analysis, we first estimate a monthly value for total annualized wages and salary income in each state before dividing those values by estimates of the number of consumer units in each state in a given year.

Wages and Salaries Data – We use wage and salary income to focus the analysis on the most common form of income for most families, meaning we do not factor in things like proprietors' income or investment income that primarily go to high earners. To complete this analysis at the state level, we start with quarterly data on wages and salaries at the state level from the Bureau of Economic Analysis (BEA) contained on Line 50 of table SQINC4.

BEA data on wages and salaries are currently only available through Q2 2024. To facilitate a comparison with September 2024 price growth data (the most recent release at the time of publication), we use the data on population and wages and salaries from Q1 2023—Q2 2024 to calculate an average quarterly growth factor. This is then applied to the Q2 2024 values to obtain a state-level estimate for population and average wages and salaries through the end of Q3 2024, which is equivalent to a value for September 2024. We also calculate the average monthly wage growth between Q4 2020 and Q1 2021 and add this to the Q4 2020 population and wages and salaries to approximate their values in January 2021.

Consumer Units – To best match the "per family" calculations done in the State Inflation Tracker, we have to use "consumer units" as the population number. Consumer units are a technical definition used by the Bureau of Labor Statistics (BLS) when measuring consumer expenditures in a given year. Consumer units are only calculated annually, so for this exercise we need the value from 2021 and the value for 2024. The 2021 value of 133,595,000 is provided by the BLS, and was accessed here. As the 2024 value has not yet been released, we estimate its value by multiplying the number of consumer units from 2023 (134,556,000) by the growth rate in the number of consumer units between 2022 and 2023 (roughly 0.35%) to estimate the value for 2024 (135,024,000). This approach was generally accurate for predicting the 2023 value using the growth rate from 2021 to 2022, so is a reasonable approach to use for this task.

To estimate the number of consumer units in each state, we multiply our national estimates of the number of consumer units by the share of the U.S. population living in each state in the same months we use for the wages and salaries data described above. These population share values come from Line 20 of table SQINC4. This population weighting lets us account for changes in where people lived and the number of people in the labor force between the start of 2021 and September 2024.

Change in Average Annualized Wages and Salaries Adjusted for Price Growth – To calculate the change in average wages and salaries between January 2021 and September 2024, we divide the total wage and salary amounts in each state by the relevant year's number of consumer units. We then subtract the average for January 2021 from the average for September 2024 to estimate the growth in average wages and salaries in each state. We then then subtract the September value of annualized price growth in the State Inflation Tracker from this value to get the growth in average wage and salary income after adjusting for price growth.