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WAGE GROWTH: THE LAST EMPLOYER HOLDOUT TO ATTRACT CANDIDATES

WORLD'S LEADING RECRUITER ENGAGEMENT PLATFORM

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WAGE GROWTH

THE LAST EMPLOYER HOLDOUT TO ATTRACT CANDIDATES

The U.S. unemployment rate has hovered around 4% or lower for a full year, since March of 2018, and fell to 3.6% in April 2019, ahead of forecasts.[1] With job openings at a 17-year high, competition for ideal candidates is fierce.[2]

The best candidates for your open roles are likely already employed, making passive candidates the topic du jour.

Wages in the U.S. are barely keeping up with the cost of living[3]

APRIL 2019: Private sector workers got an average 6-cent hourly raise[3]

YOU GET A JOB PERK & YOU GET A JOB PERK, EVERYONE GETS JOB PERKS!

To combat these challenges, employers have thrown everything but the kitchen sink at candidates to attract them to their roles over those of their competitors. Unlimited paid time off? Of course! Paid parental leave? Sure, and how about we extend it too? Let's throw in flexible schedules and wellness classes to round out that work-life balance. Still not enough? Okay, we'll top that off with school tuition reimbursement for those pesky school loans that are weighing you down, and finance education to help with your ongoing financial stress.

While these perks may have helped get that stellar candidate's foot in the door, this dynamic of severely low unemployment combined with a historically high job open rate continues with no immediate end in sight.

Employers will do well to zero in on one lever many have been avoiding pulling: the almighty salary increase.

THE REAL BOTTOM LINE: SALARY

A LOOK BACK AT THE PAST TWO YEARS OF WAGES

In 2017, real wages were essentially flat as on average they grew at a 0.4 percent annual rate, returning to the average annual growth rate experienced from 2012 to 2014.[4] In 2018, wage growth continued to stall with a slight increase in nominal wages of 1.1% in Q4, and a 1% increase year over year. Real wages were still in the red, falling 1.3% over Q4 2017, signaling the buying power of the average person was less than the previous year. Blue-collar jobs also saw a wage decrease with transportation and manufacturing jobs seeing the biggest declines. Wages for these industries fell 3.9% and 2.4% respectively since the end of 2017. As well, energy and utilities, construction, and warehousing saw a decrease in annual wages.

On the flipside, Marketing and advertising jobs saw an increase in wages of 5.5% year over year in Q4 while technology saw an increase of 2.7%.

> There is no question this is a turbulent period for the U.S. economy, which means uncertain wage growth across many jobs and industries as well as a continual decline in real wages for most workers. Our most recent Index shows technology jobs – along with cities which have a heavy emphasis on technology – are some of the few, consistent winners when it comes to increasing wages in these volatile times.[5]
>
> **- KATIE BARDARO, CHIEF ECONOMIST AT PAYSCALE**

Q3 of 2018 saw an increase in weekly wages by 3.3% year over year.[6] However, overall wage growth was essentially flat with nominal wages declining .1% and only showing a slight increase of .4% year over year. Jobs in transportation were impacted the most with a decrease of 3.8% in one year.[7]

EMPLOYMENT INCREASES BUT WAGES REMAIN TIGHT

In 2019, as employment grew in March and April in high-skilled jobs, labor markets continued to tighten.

Shortages in many industries remained for skilled laborers, especially for manufacturing and construction. Technical and professional roles also continued to feel the pinch.

To combat this, bonuses and expanded benefits packages are being offered, however, wage pressures have heightened. Wage growth has been moderate, growing at the same pace as earlier this year for both skilled and unskilled roles.[8]

Although organizations are enjoying strong profits, many are distributing this revenue growth back to their shareholders. Stock buybacks have seen a recent boom. Why not invest it back into their employees? Economists cite the 'sticky wages' effect. Once wages are increased, it's difficult to scale them back down, say, in the time of a recession or slowdown. To avoid this, employers look to incentives such as bonuses or expanded perks rather than touching salaries.[9]

Regardless of the low unemployment rate, the number of contingent and gig economy workers is on the rise. This increase along with price competition from online commerce may be a factor in keeping wages down in the U.S. The ongoing reports surrounding the low unemployment rate could be glossing over the fact that there is still a hefty volume of available labor that feeds directly into gig employment.

Wage growth is restrained due to the lack of GDP consumption in certain workforce demographics, such as retiring Baby Boomers[10]

Organizations are turning to contract or self-employed workers who are not included in the calculation of the unemployed when not on the job. This 'labor slack' is typically then underestimated as its not consistently measured within the general unemployment rate. This situation dissipates the negotiation power of workers, keeping wages low.[11]

In addition, it's estimated that on average, 10,000 baby boomers are getting to retirement age each day. As they retire, their positions are either eliminated or restructured/replaced by lower paid, younger workers that are earlier on in their careers.[12]

2019 & BEYOND

As the tight employment market and hiring challenges abound, employers are looking toward salaries as a tactic to entice candidates to look their way in 2019.

Although salaries in the U.S. are forecasted to rise by 3.1%, workers will most likely not bring more total cash compensation home.

Many employers are combining an increase in wages with a decrease in other pay incentives such as sign-on bonuses. Between 2010 and 2015, variable pay was on the rise, but the past few years have had employers analyzing this practice as a way to support necessary salary budget increases.

INDUSTRY AND EXPERIENCE LEVEL HAVE AN IMPACT

Industries to see larger increases in salaries are construction and insurance with a 3.4% lift. Those in education may see a lower increase of 2.6% as well as those in transportation services at 2.8%.[13]

Reviewing salary offers may be what's needed for employers looking to hire technology talent.

24% of those hiring within IT cited their top hiring issue came down to the competitiveness of their compensation offers when compared to their competitors.

Smaller organizations seem to feel the brunt of it, with 12% finding that other large, attractive companies in their area hire all the good candidates, with 11% of smaller employers feeling they don't offer the caliber of benefits needed to recruit such top candidates.[14]

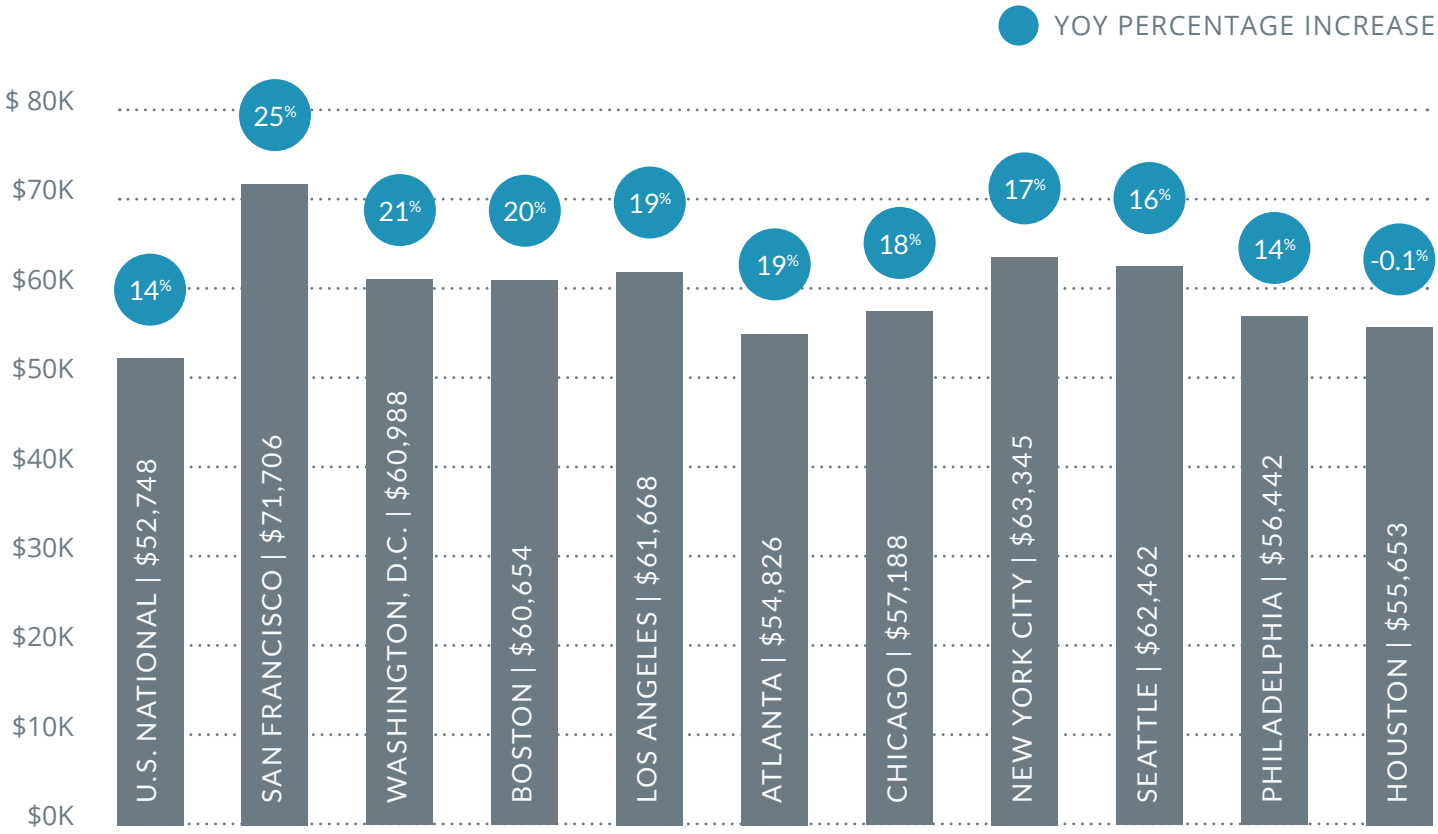
WAGES FOR PASSIVE CANDIDATES ON THE RISE

21% of workers switched jobs in the last year, which shows an overall decline in job hopping. Wage growth for those switching jobs accelerated to 5.6%, an increase of 1.5% over last year.[15]

So far in 2019, we're seeing median base pay on the rise for full-time workers with a 1.4% increase in March year-over-year compared with a 1.3% increase in February.

This increase has the median full-time base pay at $52,748 per year in March 2019.[16] Economists are expecting wage growth to speed up now that the government shutdown is over and trade uncertainty and tax cut weariness is diminishing. All major metro areas experienced an increase in median base pay, other than Houston (which has been a weak performer lately) in March 2019:

2019 USA MEDIAN BASE PAY



*GLASSDOOR MARCH 2019 LOCAL PAY REPORTS

We'll keep an eye on wage growth trends and report back on how it's impacting talent acquisition as a whole, as well as for the most critical industries and roles.

Our newly released 2019 Third-Party Recruiting Benchmark Report[17] dives into salary and fee trends for those industries leveraging third-party recruiting as a valuable tool in their recruiting strategy.

Pharma and Biotech, one of the most competitive industries in talent acquisition today, has taken the lead in utilizing third-party recruiting as a top initiative when sourcing key candidates for core open roles. This, as well as discoveries in Healthcare, Technology, Financial Services, and Manufacturing are explored in this report. As the ups and downs in salary trends continue, we will continue to analyze the effect on the market.

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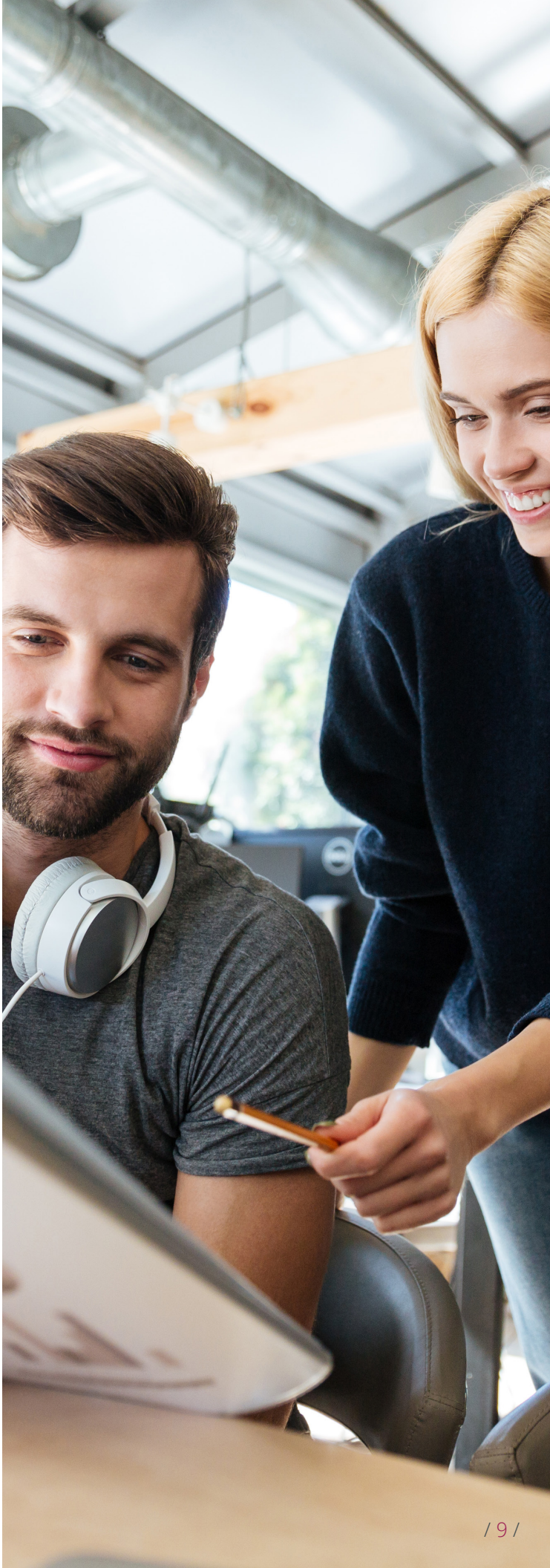

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Sometimes sourcing talent for business-critical positions requires a little help. Our web-based platform features a marketplace of over 10,000 highly-qualified agencies and a performance-based matching algorithm that helps hiring teams of all sizes find and engage the recruiters for each of their roles. All this inside our simple yet effective platform designed to keep you in control of the entire recruitment process.

Help makes hiring happier.

HAVE QUESTIONS OR A TOPIC YOU'D LIKE US TO COVER?

Email our Sr. Content Marketing Manager, Erin Geiger, at blog@bountyjobs.com

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