



2024 Labor Market Insights: How Emerging Trends Are Shaping the Workforce



Today's Presenters



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Today's agenda

- Compensation priorities this time of year
- Understanding what drives wage trends
- Current state of the U.S. labor market
- Tips and resources for pay increase planning
- Q&A

Compensation priorities

July and August:

Develop your budget proposal

October:

Start mapping projected increases

End of November:

Make final edits with managers and HR

End of December:

Communicate increases and make payroll adjustments

September:

Complete a market study, gain full picture of employees

Beginning of November:

Train managers on the comp process and their role

Beginning of December:

Finalize increases and obtain final approvals

January:

Adjusted increases go live

Year-end compensation calendar

**Assumes a Jan-Dec fiscal year

2024 challenges

1

**Balancing cost
versus
competitiveness**

2

**Ensuring ROI on
compensation
spend**

3

**Delivering on pay
transparency**

4

**Ensuring pay
equity and fairness**

*Focus today as it relates to labor trends
impacting wage growth and pay increase
planning and salary structure adjustments.*

Are you concerned your budget won't be enough to keep up with wage growth?

- A. Yes, extremely
- B. Yes, slightly
- C. It will depend on our final budget numbers
- D. No
- E. Unsure

What drives wages?

What drives wages?



Cost of Labor

Is determined by the supply and demand of labor and represents the cost to hire and retain employees.

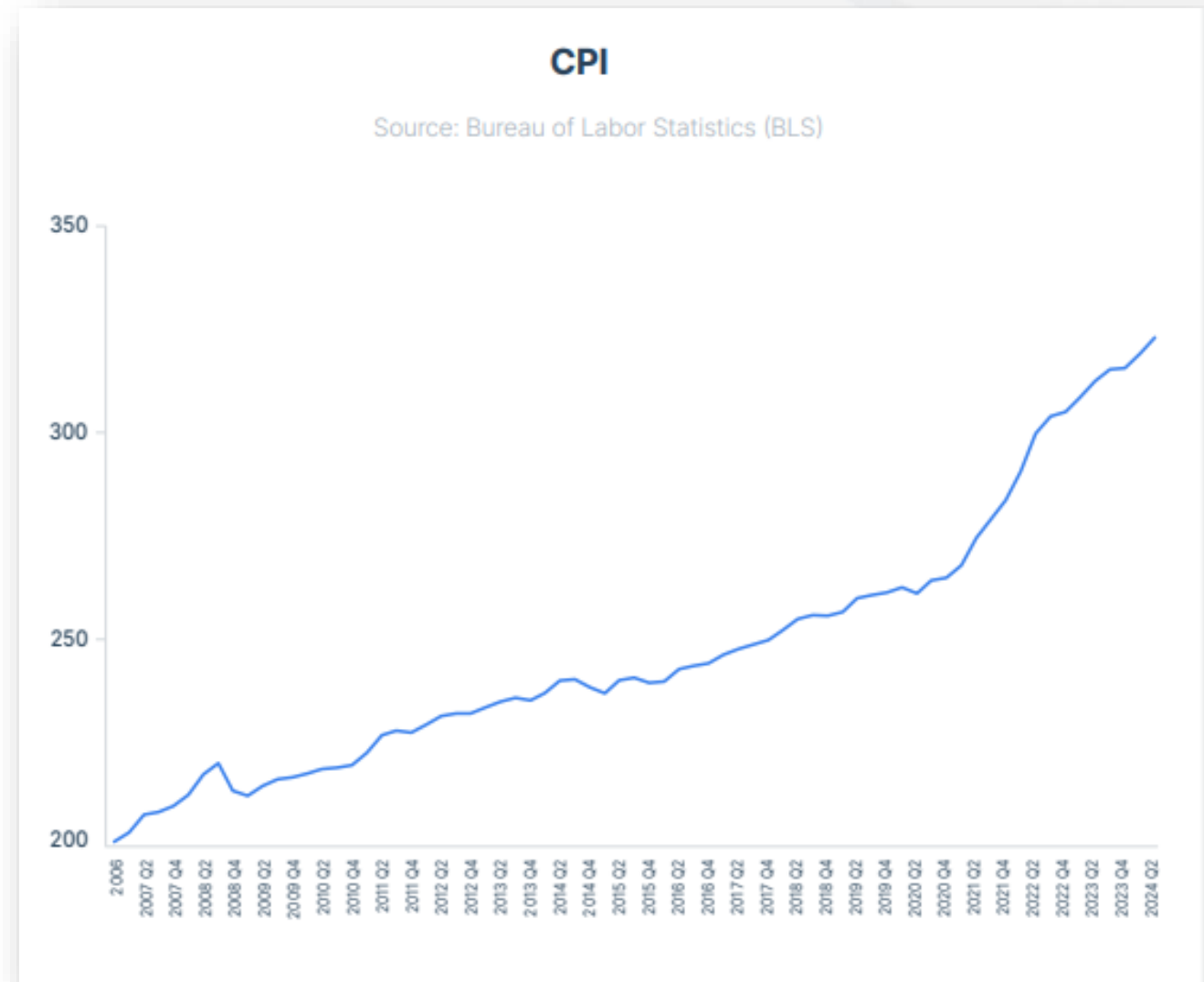


Cost of Living

Measures the required costs to maintain a certain standard of living (based on a market basket of goods and services including consumables, transportation, health services, housing, and taxes paid by an employee)

Cost of living skyrocketed over the course of the pandemic.

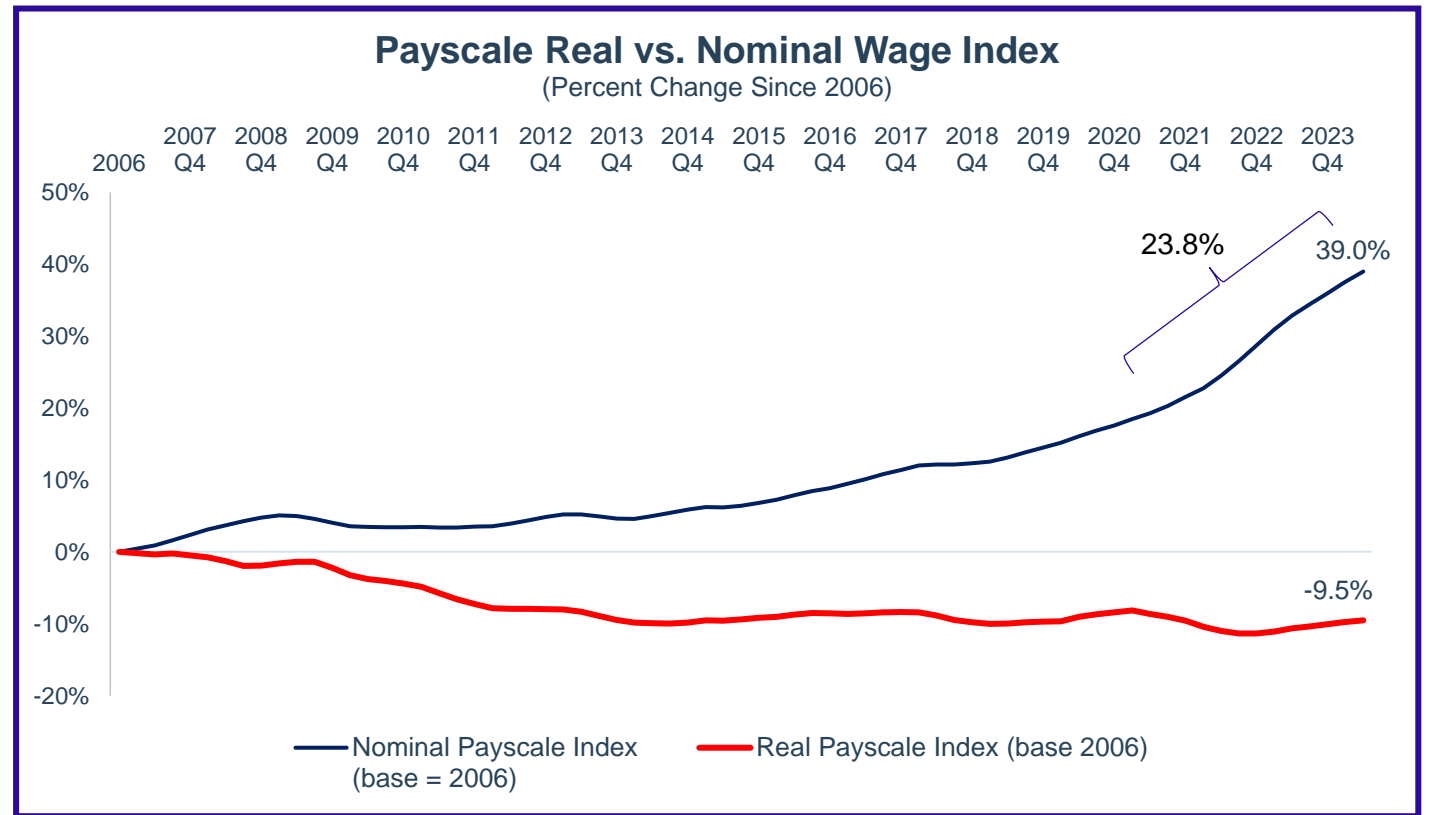
Since Q1 2020 prices have increased **20.8%**.



Wage growth over time (nominal vs. real since 2020)

Wages have grown **23.8%** since Q1 2020 — According to Payscale Index.

The BLS also shows a **23%** increase since 2020. The latest average hourly wage amongst all workers is \$35.07 in 2024 compared to the average hourly wage in Jan of 2020 of (\$28.44).



Wage growth by industry

Payscale Index – Q2

Rank	YOY Wage Growth	Industry
1	5.9%	Education
2	5.3%	Nonprofits
3	5.3%	Agencies & Consultancies
4	5.0%	Arts, Entertainment, & Recreation
5	4.8%	Real Estate and Rentals
6	4.8%	Retail & Customer Service
7	4.7%	Energy & Utilities
8	4.6%	Transportation & Warehousing
9	4.6%	Engineering & Science
10	4.6%	Accommodation & Food Services
11	4.5%	Finance & Insurance
12	4.5%	Healthcare
13	4.4%	Manufacturing
14	4.3%	Construction
15	4.1%	Technology

Bureau of Labor Statistics – Q2

Rank	YOY Wage Growth	Industry
1	5.0%	Finance & insurance
2	4.9%	Manufacturing
3	4.8%	Construction
4	4.4%	Transportation & Warehousing
5	4.1%	Professional & Business Services
6	4.0%	Arts, entertainment, and recreation
7	3.6%	Engineering
8	3.6%	Health Care & Social Assistance
9	3.5%	Accommodation and food services
10	2.8%	Information
11	2.4%	Real Estate
12	2.3%	Retail
13	1.7%	Utilities

Top 5 wage growth industries across multiple sources

Rank	SBS	BLS	Peer	ERD
1	Government 4.5%	Finance & Insurance 5.0%	Metals & Mining 8.4%	Education 5.9%
2	Engineering & Science 4.3%	Manufacturing 4.9%	Hospitality 5.9%	Agencies & Consultancies 5.3%
3	Arts, Entertainment & Recreation 4.1%	Construction 4.8%	Education 5.9%	Nonprofits 5.3%
4	Construction 3.9%	Transportation & Warehousing 4.4%	Government 5.5%	Arts, Entertainment & Recreation 5.0%
5	Agencies & Consultancies 3.8%	Professional & Business Services (Includes Tech) 4.1%	Food & Beverage 5.3%	Retail & Customer Service 4.8%

Industries seeing higher wage growth across multiple sources also show more competition for labor.

Construction

For every quit, there are **3x as many hires**. Turnover is low and there is still demand for more workers! There are even more hires than there are job openings. These conditions suggest a spike in demand for workers that outpaces supply, driving wage growth.

Education

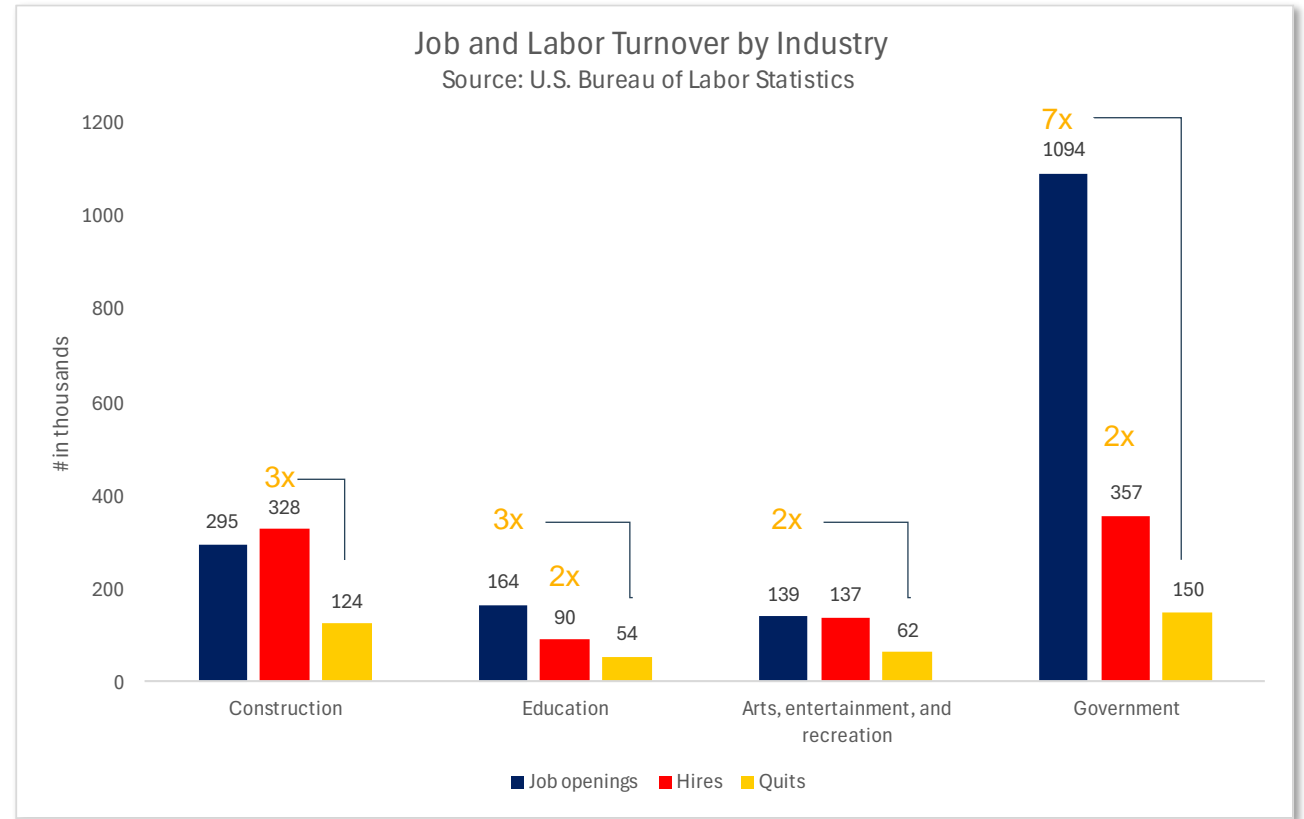
For every quit, there are **3x as many job openings**. Education is yet another industry playing whack-a-mole trying to fill roles – driving up wage growth.

Arts, Entertainment & Recreation

For every quit, there are **2x as many hires** and **2x as many job openings**. Demand is high and wage growth is increasing.

Government

For every quit, there are **7x as many job openings** and **2x as many hires**. In other words, for every person that leaves their role there are 7x as many open roles that need filled. High demand to fill numerous open positions is driving up wage growth.

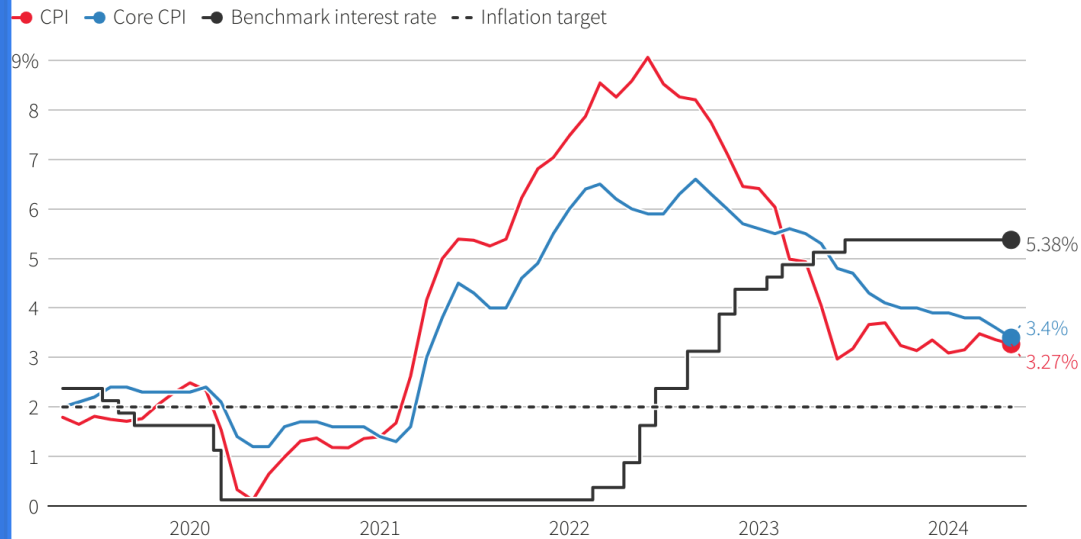


Current U.S. labor market dynamics

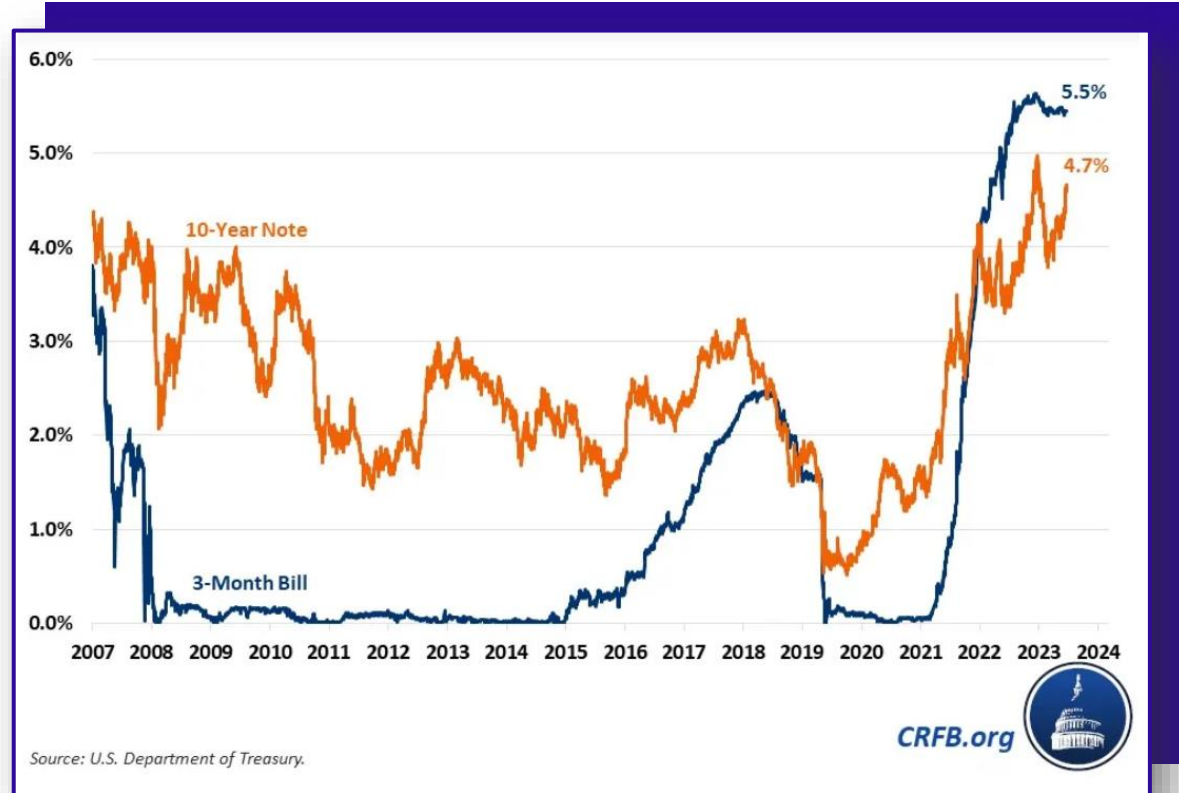
Interest rates were raised in 2022 to tame inflation.

US inflation and interest rates

Benchmark interest rate and year-on-year change in CPI inflation



The benchmark interest rate is the midpoint of the federal funds target rate. Published June 12, 2024 at 12:32 PM GMT
Sources: Bureau of Labor Statistics, LSEG

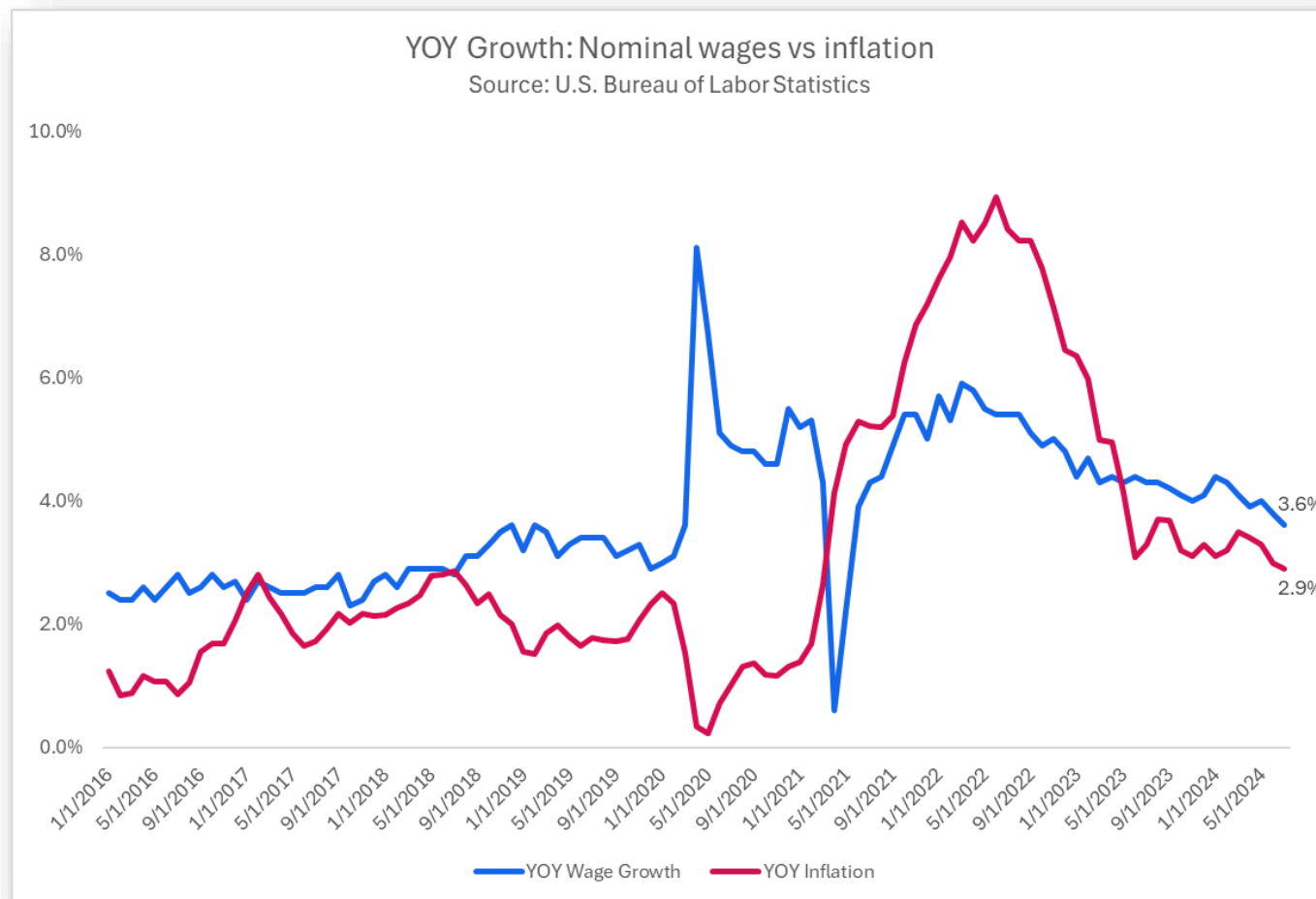


Source: U.S. Department of Treasury.



Inflation has finally fallen below **3%** - target was 2%, which core inflation has reached.

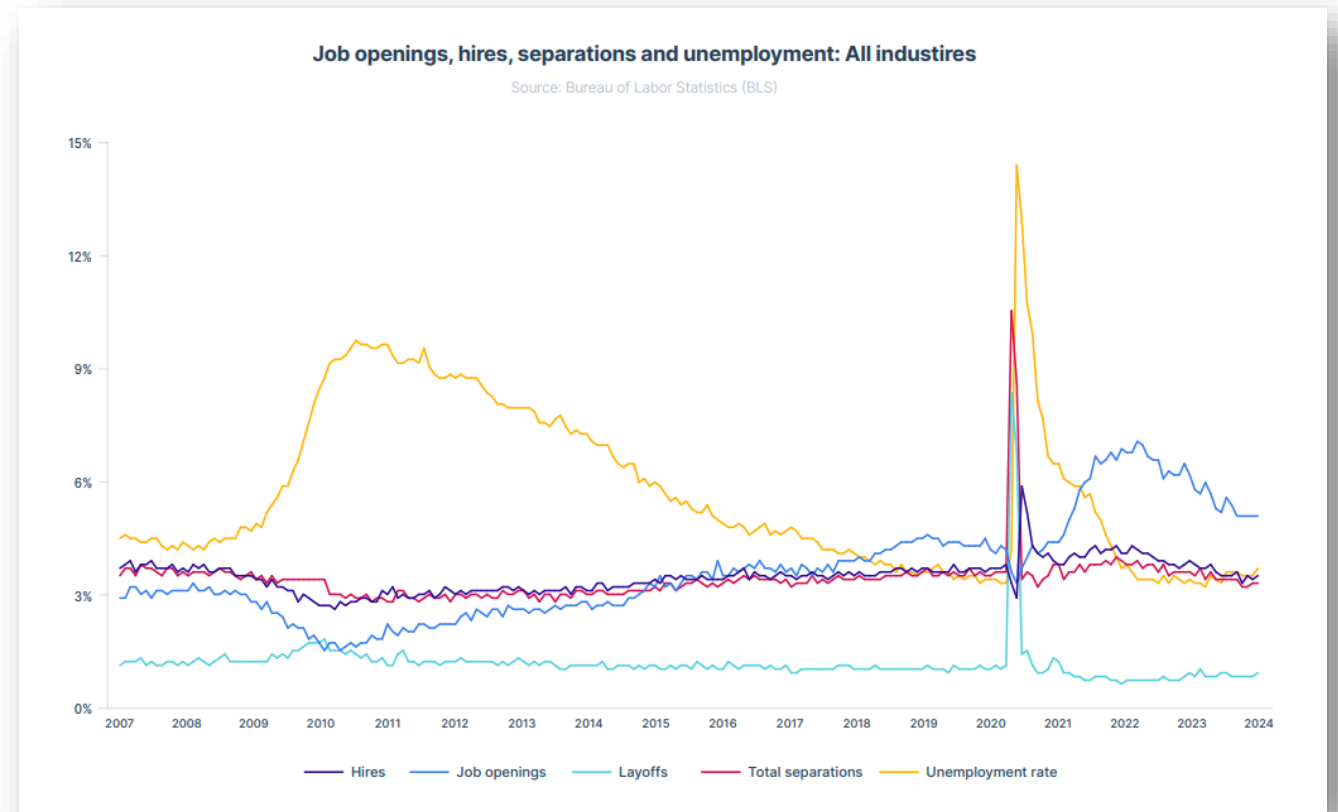
Wage growth now exceeds inflation, although not by a full percentage point.



The labor market has also slowed, with hire rates down and the unemployment up to 4.3% as of August 2024

In addition, the Bureau of Labor Statistics (BLS) reported a labor market correction 8/21/24:

The economy created **818,000 fewer jobs** from April 2023 through March 2024 — the biggest revision to federal jobs data in 15 years.



Are we going to go into a recession?

GDP Growth

2.8%

Not bad

A recession requires the GDP growth be negative for at least two quarters. This happened in 2020 and mildly in 2022, but we have seen positive GDP growth since, up 2.8% in Q2 of 2024.

Unemployment

4.3%

Worsening

Wage growth is falling, hiring has stymied, and unemployment is increasing, suggesting that the labor market is showing signs of strain, especially given recent corrections in job growth in 2023-2024.

Sahm Rule

0.53

Danger?

The Sahm Rule signals the start of a recession when the three-month moving average of the national unemployment rate rises by 0.50 percentage points or more relative to its low during the previous 12 months. It has hit 0.53.

Poll: Do you think we're going into a recession?

- A. I believe it is coming soon
- B. Not immediately, but in the next year
- C. I don't think so
- D. I am unsure

Impact of interest rate cuts

The Fed is expected to cut interest rates on **September 18th**.

Markets may experience a shock as speculators react. In the last **11 out of 15** times the Fed cut interest rates, a recession followed.

However, it may be different this time as hiking rates was designed to tame inflation with a soft landing. Interest rate cuts could stimulate economic growth.



Pay increase planning

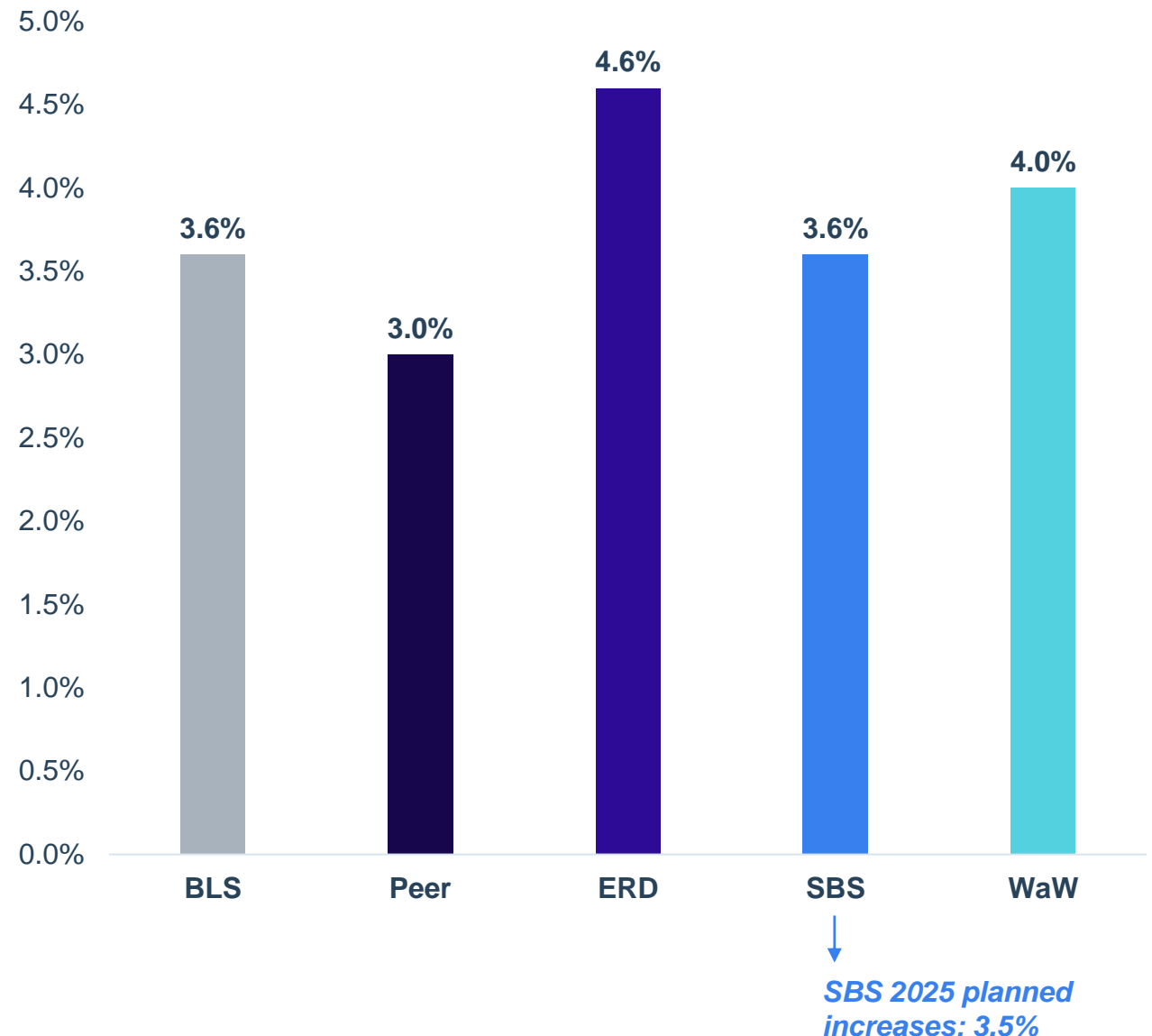
Balancing cost versus competitiveness

- Against a background of economic instability business leaders are **conscious of capital expense** and the growing perception of a cooling labor market as we enter Q4.
- Despite gains in real wages employees are still concerned about **cost-of-living and affordability**. Pay remains the most important topic they are looking for when considering a job, trumping everything else.
- We are now walking the tightrope between **securing the talent franchise to deliver on business strategy** whilst controlling overall spend.
- Part of our role is to persuade leaders that **compensation is an investment rather than a cost**.

Consult multiple sources to assess wage growth trends in your industry.

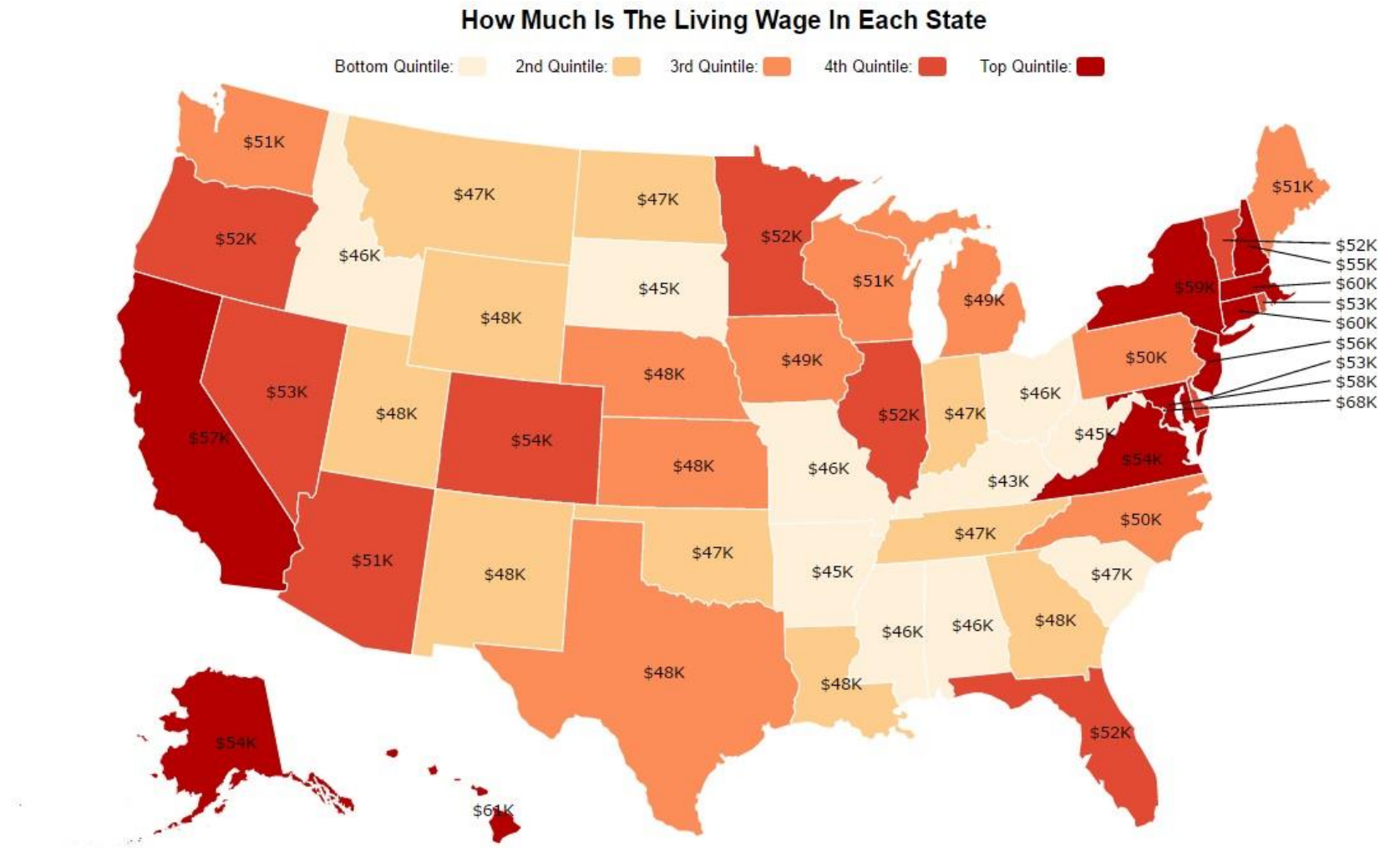
- **Bureau of Labor Statistics (BLS)**
Government data
- **Peer**
HR-reported salary data set available with PayScale compensation software.
- **Employee Reported Data (ERD)**
Consumer data from PayScale's online salary survey and available with PayScale compensation software.
- **Salary Budget Survey (SBS)**
Report from PayScale's survey-based research to comp practitioners.
- **World at Work (WAW) SBS**
Report from World at Work based on survey to comp practitioners.

Wage growth trends across different data sets



Are you paying a living wage to your lowest wage workers?

(Note: Data aggregated by a third party)



<https://research.zippia.com/living-wage.html>

<https://livingwage.mit.edu/>: Data last updated on February 14, 2024.



Gain a competitive edge in a fierce talent market while building a more fair, equitable and transparent pay strategy

Market Pricing

Pay Structures

Survey Management
& Participation

Reporting
& Analytics

Pay Equity

Compensation
Planning

Total Rewards
Statements

Job Descriptions
Management



Peer

A transparent & dynamic HR
reported data network

Employee Reported

The world's largest real-time
salary database

HR Market Analysis

A composite of analyst curated
employer reported survey data

**Interested in a demo of
Payscale's compensation
management solutions?**

We'd love to chat! Let us know in the polls tab and a member of the team will be in touch.

Q&A

Feel free to ask any questions in the chat!

