

Special Webcast

Compensation Trends in the US
August 17, 2021



Some of the critical issues we will be covering today

- What are the **latest compensation trends** in the US?
- What is the **wage outlook** for 2021, 2022, and beyond?
- How is the **tightening labor market** influencing wage growth?
- What are the **drivers** of wage growth?
- How have **salary budgets and salary structures** changed since the start of the pandemic?
- How would an increase in the federal **minimum wage** impact workers and employers?



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Today's Presenters



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The Conference Board



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Compensation Trends in the US

■ The US labor market outlook:

- ✓ There is a **strong recovery** in the hardest hit **in-person services industries**, but **job growth in other industries** is not particularly fast.
- ✓ **Labor shortages** have made a comeback because of a rapid reopening.

■ The compensation outlook:

- ✓ The **wage growth trajectory in the US** fits into three distinct phases:
 - **Strong wage growth in the spring and summer of 2021**, especially for blue-collar and manual services jobs as the economy reopens and willingness to work is limited.
 - **Moderating wage growth by late 2021 and during 2022** as demand and supply mismatches normalize, although COVID variants pose a threat to stabilization.
 - **Accelerating wages beyond 2022**, most notably in blue-collar and manual services, because of a shrinking working-age population and low unemployment rates.
- ✓ **Salary increase budgets and structures** are projected to return to prepandemic rates in 2022.
- ✓ **Inflation and productivity**—both drivers of wage growth—are accelerating and this may lead to increased wage growth over the next year.
- ✓ **Employers operating in expensive labor markets** may be able to lower overall labor costs by employing more **remote workers** in cheaper US labor markets or abroad.
- ✓ **Wage inequality has continued to decline** as wages for lower income workers are rising faster than for higher earning management and professional workers.
- ✓ States with a **minimum wage** larger than the federal rate have experienced stronger wage growth for low earners.



The potential impact of Delta on the labor market

- **Labor Demand side:**

- ✓ Lower economic activity in in-person services.
 - Especially among older household and households with young, unvaccinated children.
- ✓ Lower demand for workers in these industries.

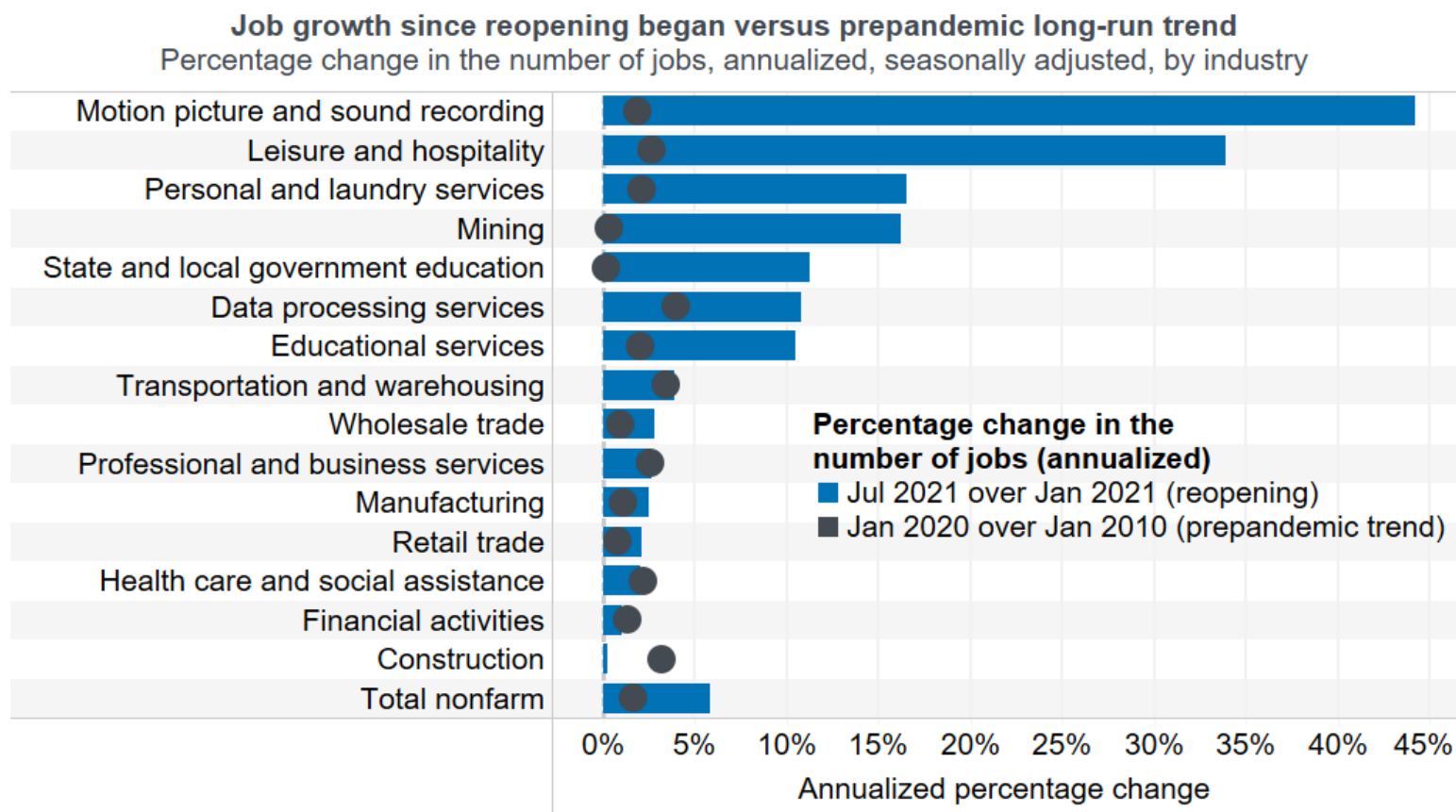
- **Labor Supply side:**

- ✓ Fear of getting infected is not going away.
- ✓ Schools may not fully reopen.
- ✓ In sum, the supply of labor will not fully recover.



US Labor Market Update and Outlook

Job growth in 2021 has been strong in leisure and hospitality but around prepandemic trends for other industries

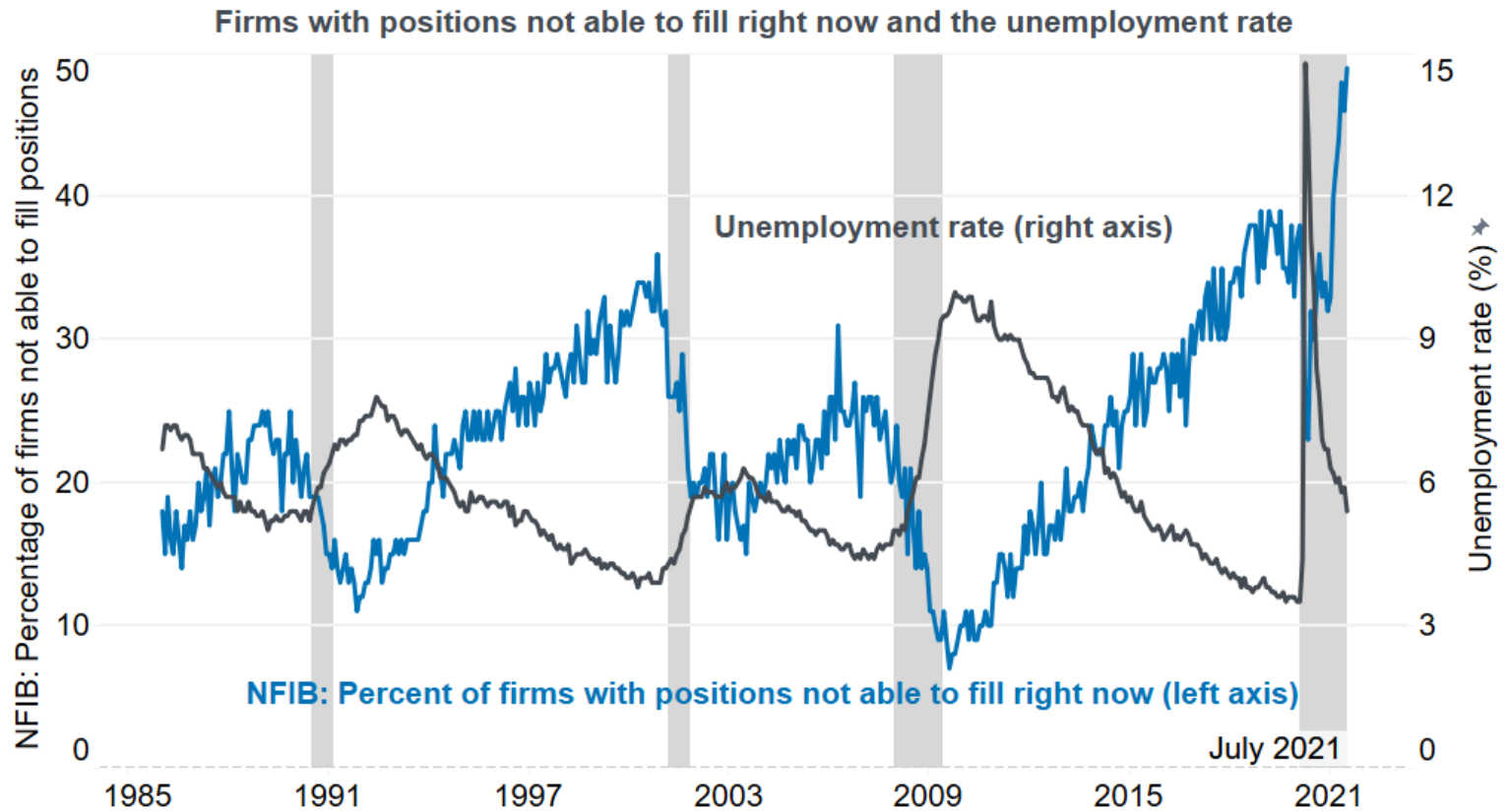


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Recruiting difficulties remain at an historically high level although the unemployment rate is still relatively high

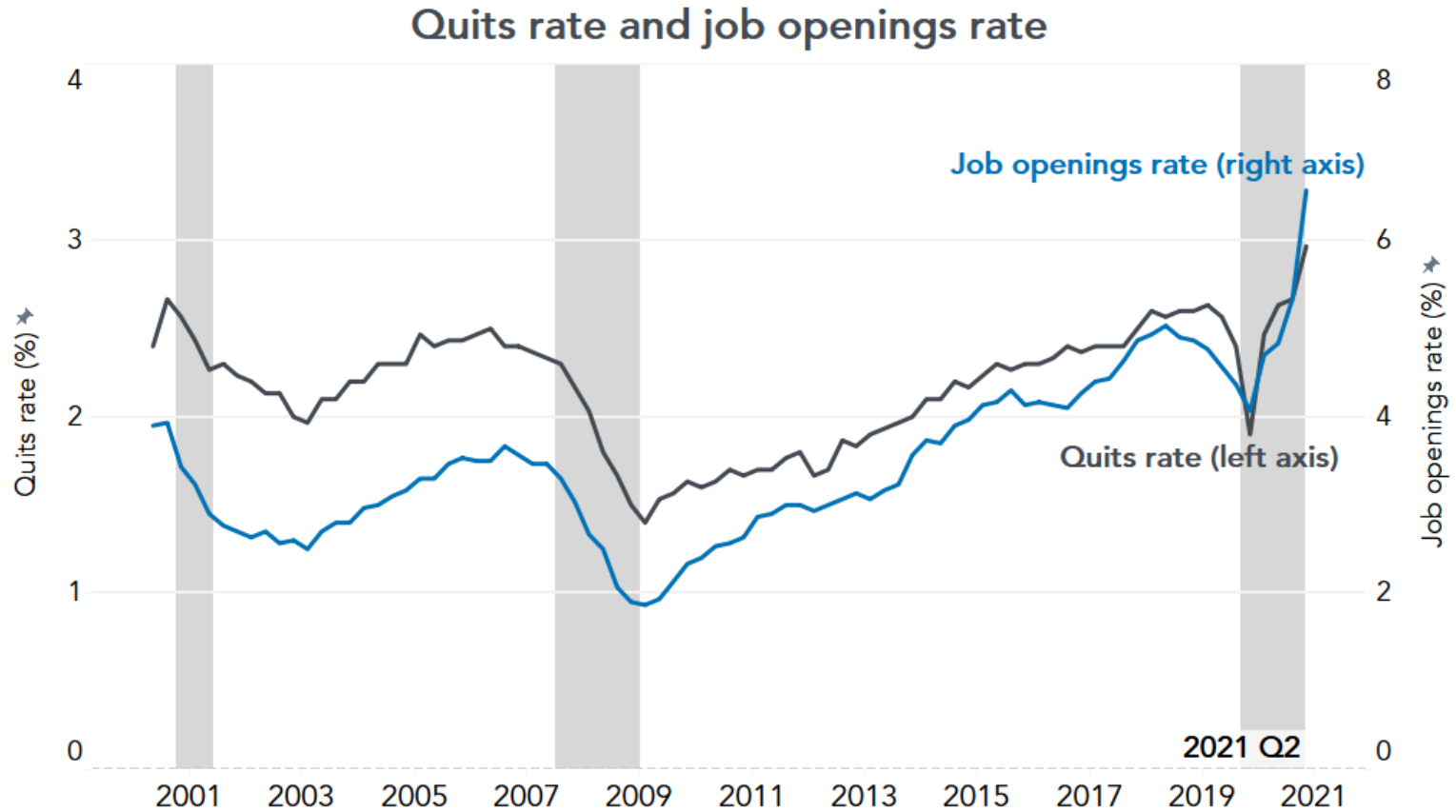


Source: National Federation of Independent Business;
US Bureau of Labor Statistics

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Job openings are at the highest ever and many people are quitting their jobs



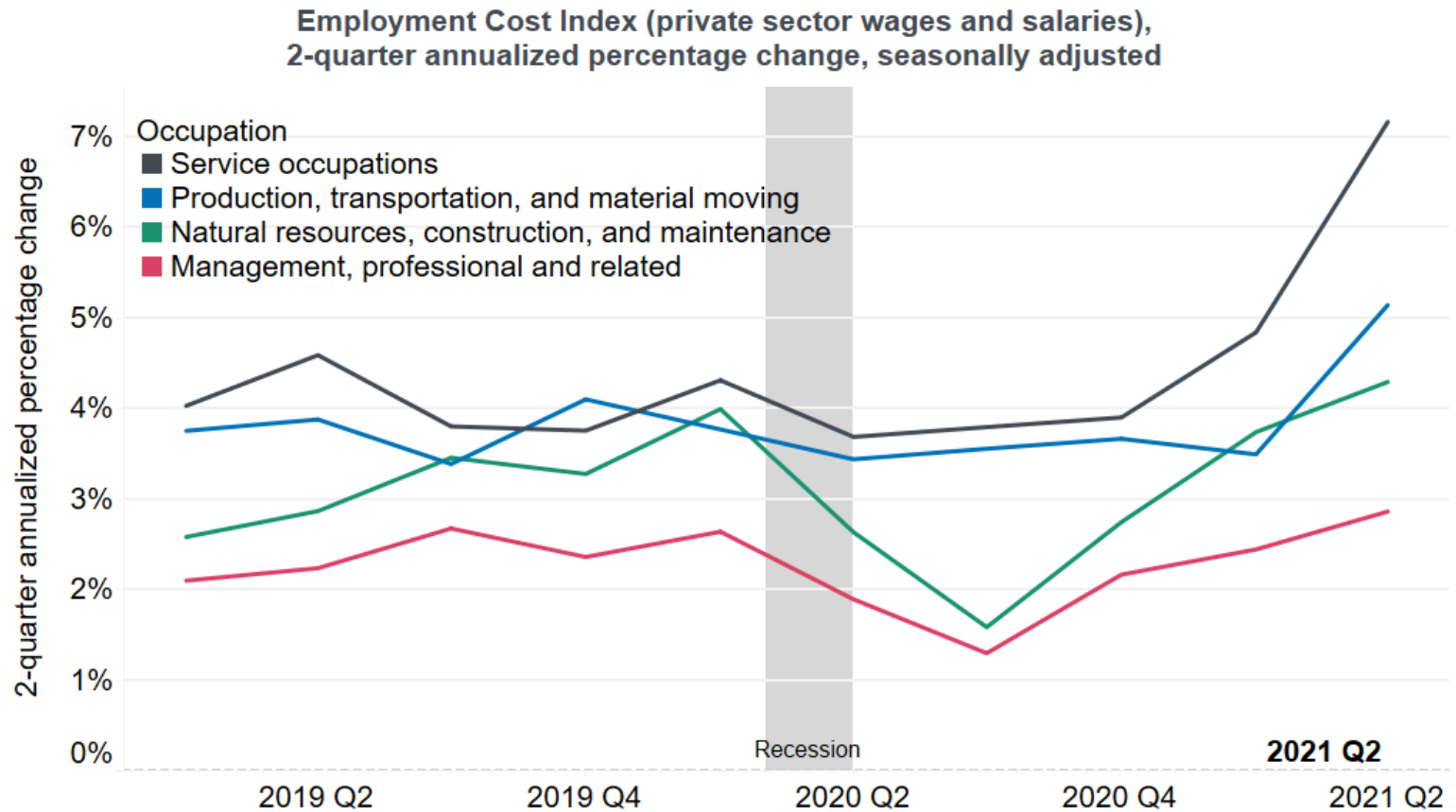
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Compensation Trends in the US

Wages are growing especially fast in service and blue-collar jobs since the start of 2021

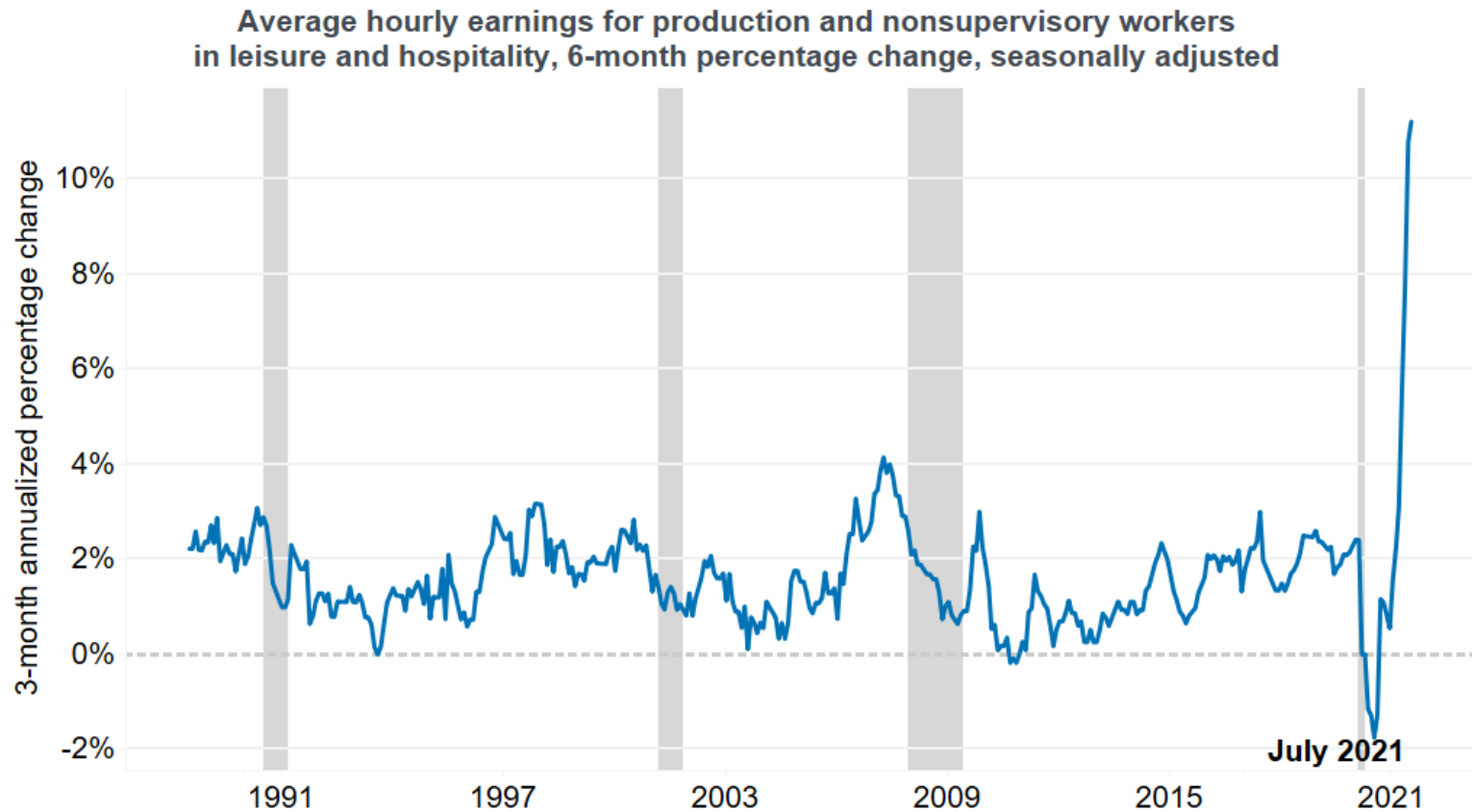


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Wages in leisure and hospitality are growing particularly fast

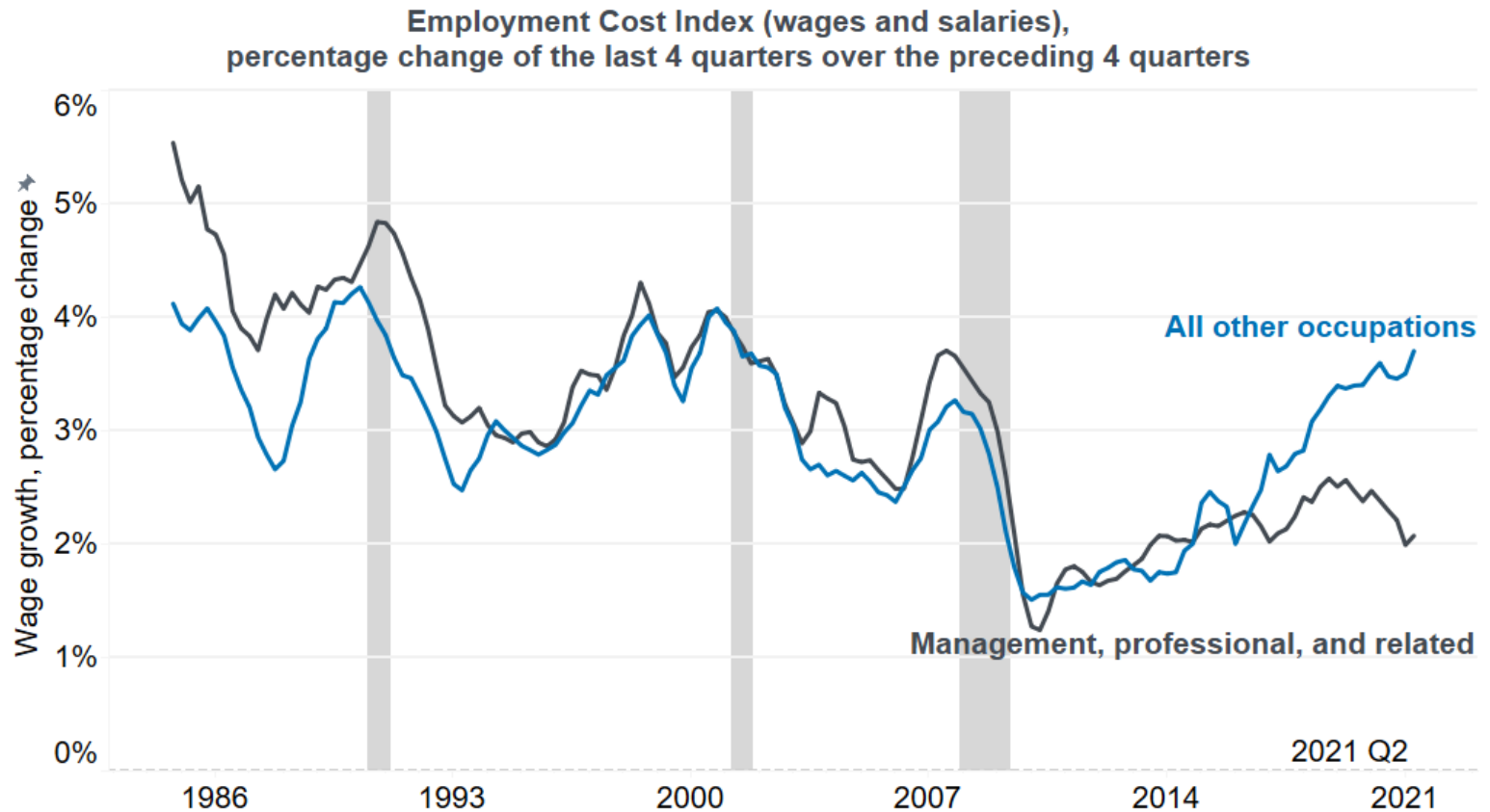


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For the first time, wages for management and professional jobs are growing slower than all other occupations

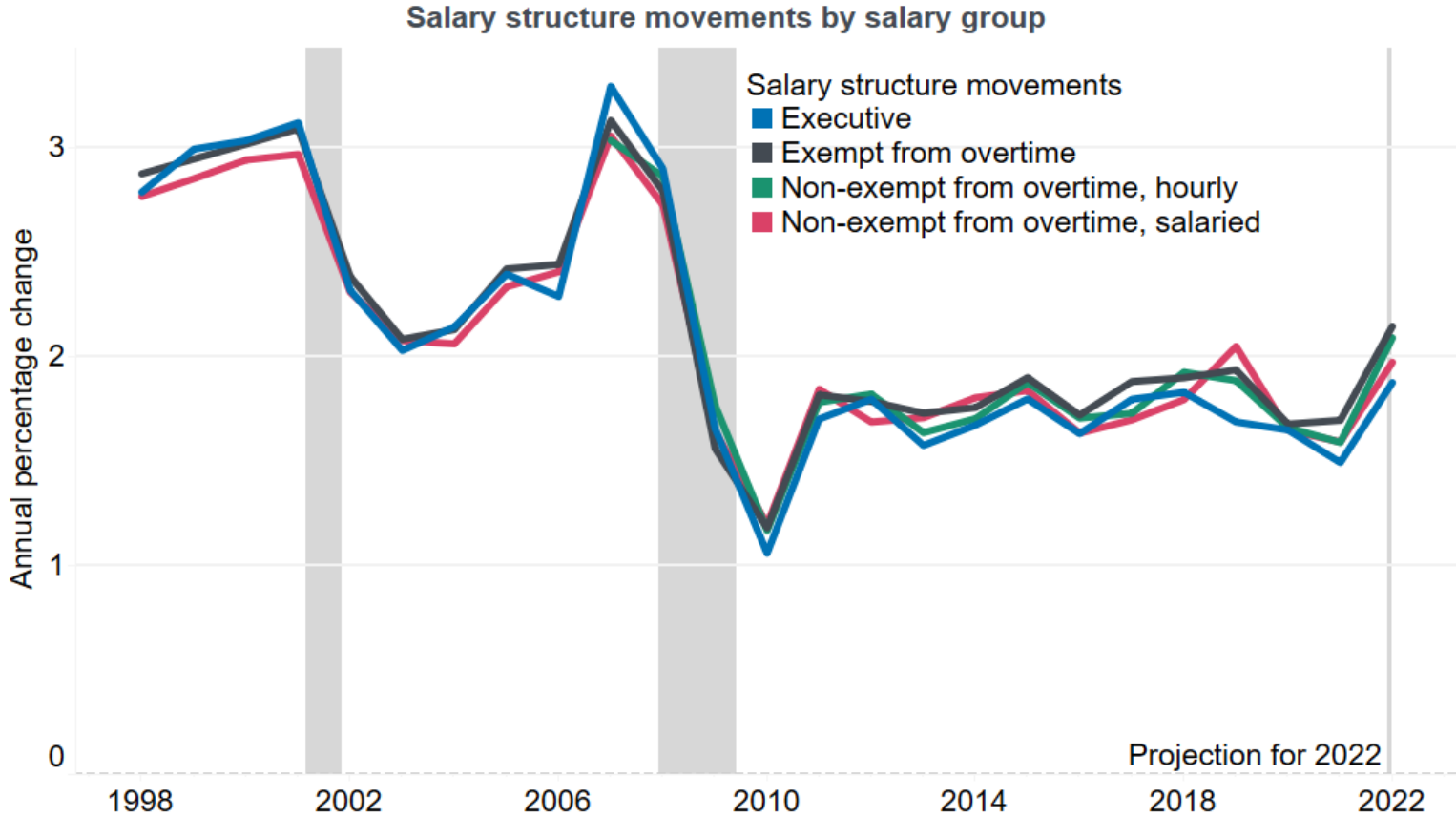


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Salary structures are projected to return to prepandemic growth rates in 2022

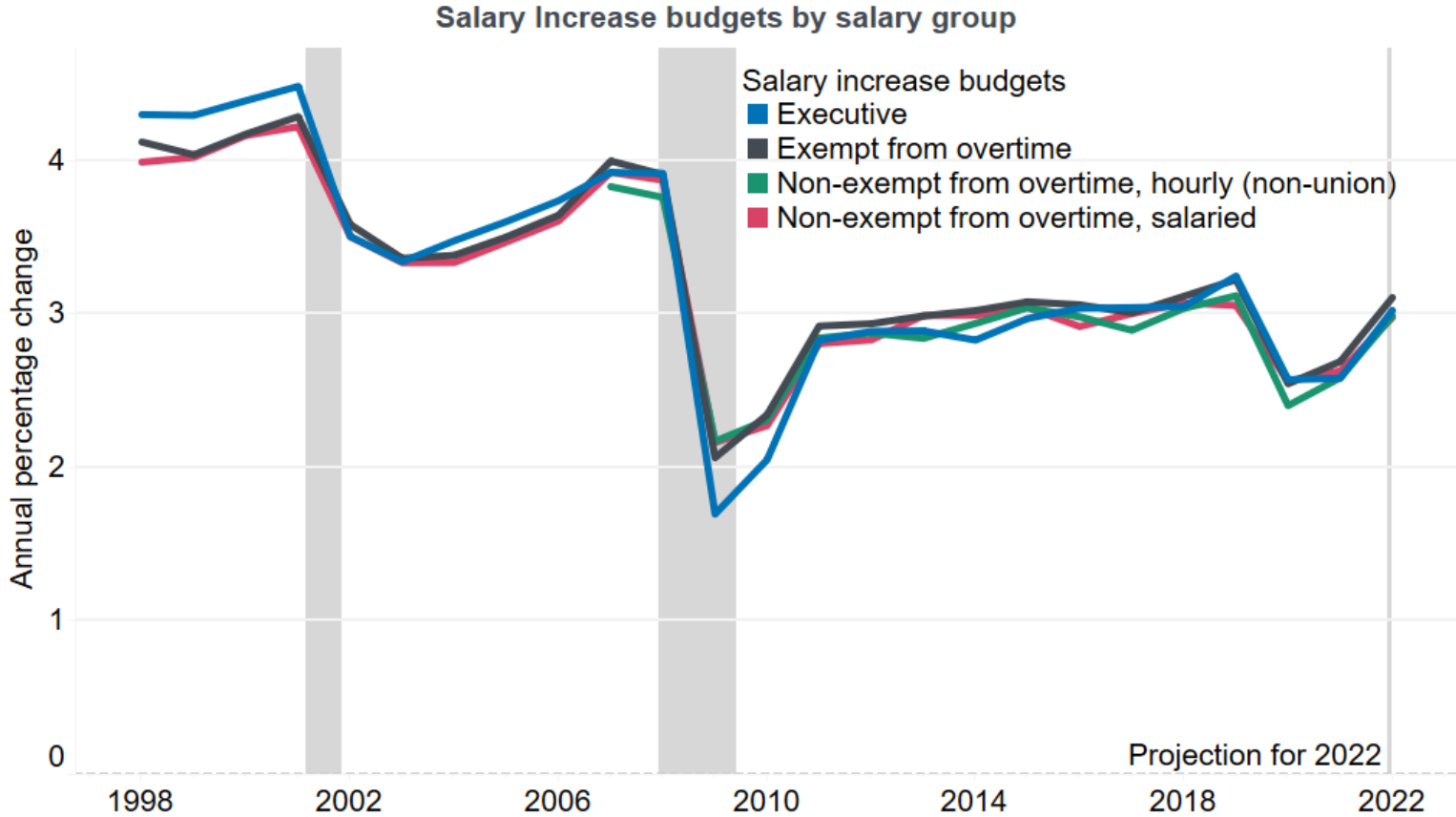


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Salary budgets are also projected to increase in 2022, after decelerating during the pandemic

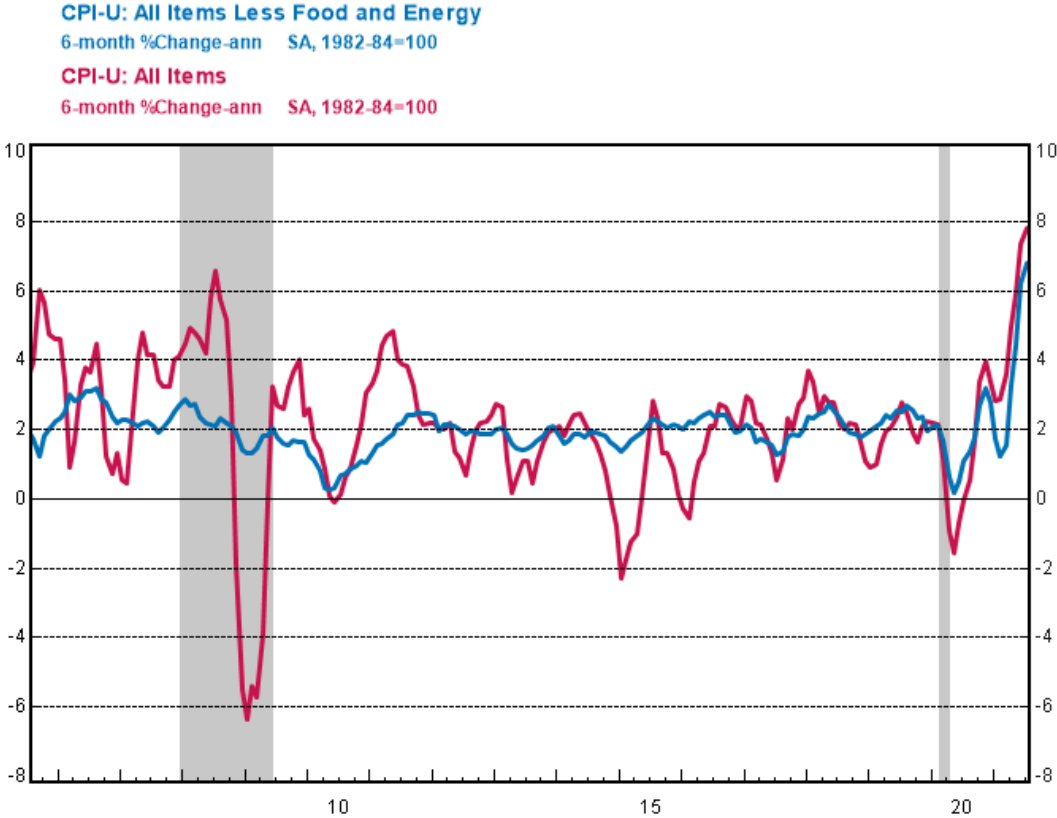


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Inflation has picked up since the beginning of 2021 and may result in increased wage growth

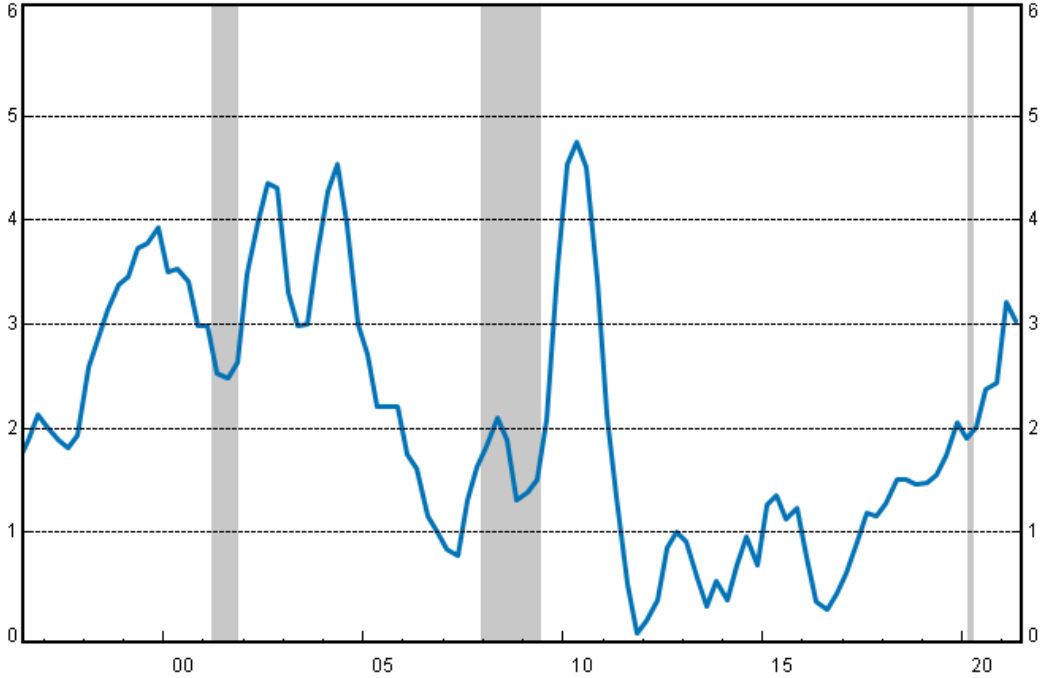


Source: Bureau of Labor Statistics



Rising productivity growth may lead to employers raising compensation

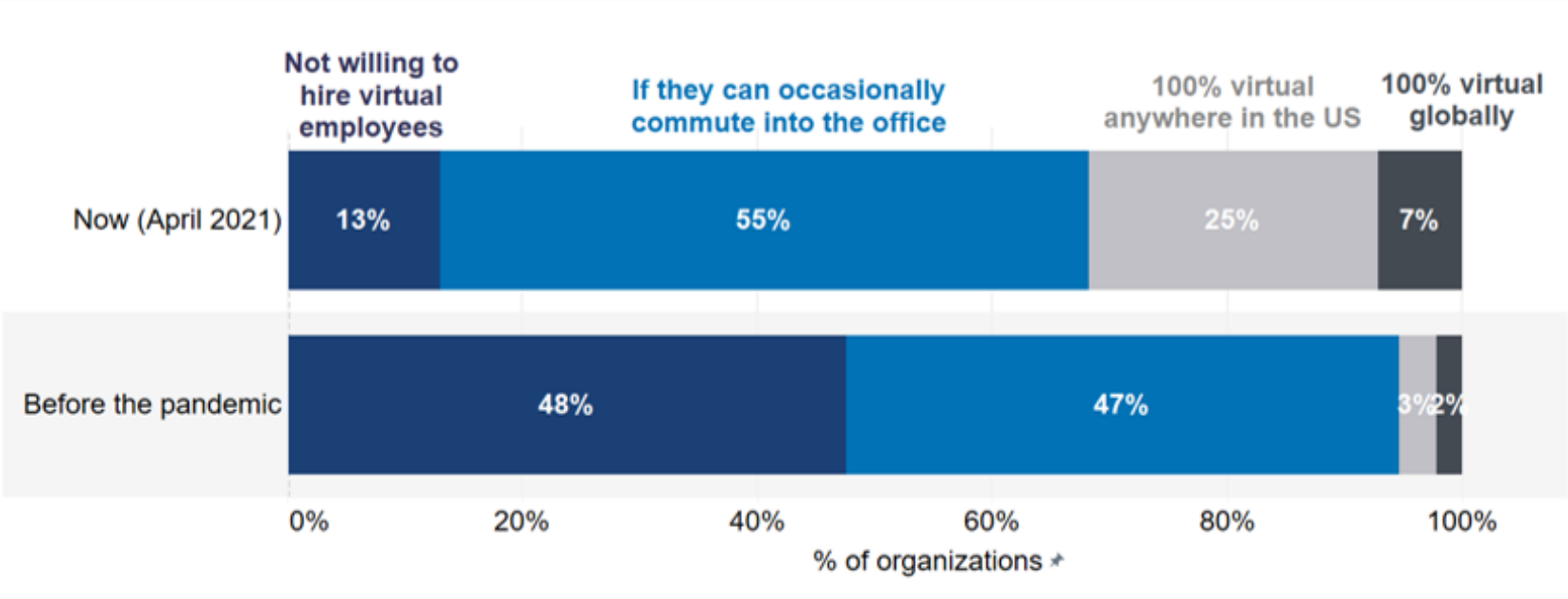
Nonfarm Business Sector: Real Output Per Hour, All Persons
4-qr MovingAverage SA,%Chg.Yr.Ago



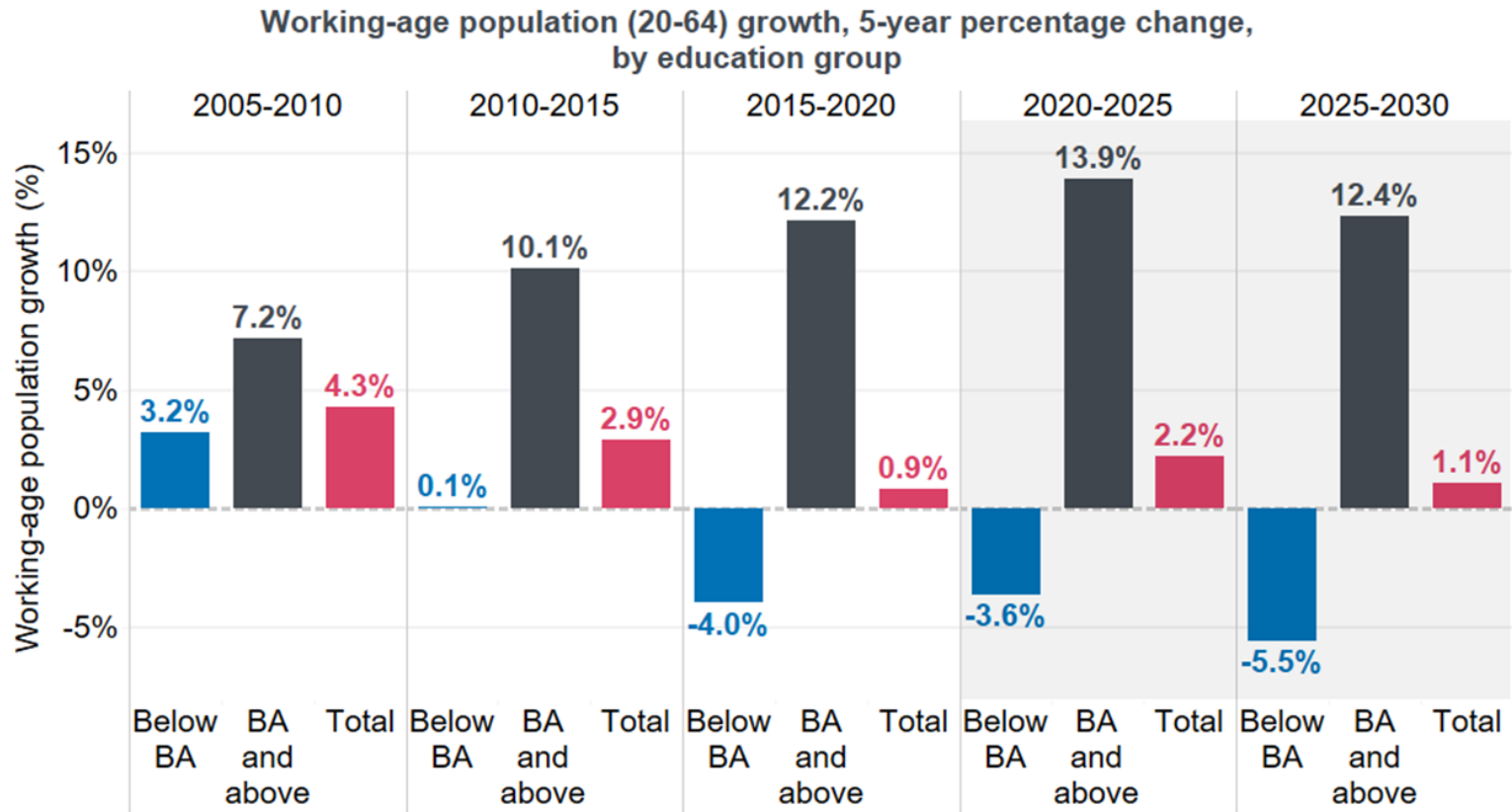
Source: Bureau of Labor Statistics



Employers may lower wages for new remote employees in areas with lower local prevailing wages or costs



The number of working-age people without a bachelor's degree is expected to rapidly shrink in the coming decade

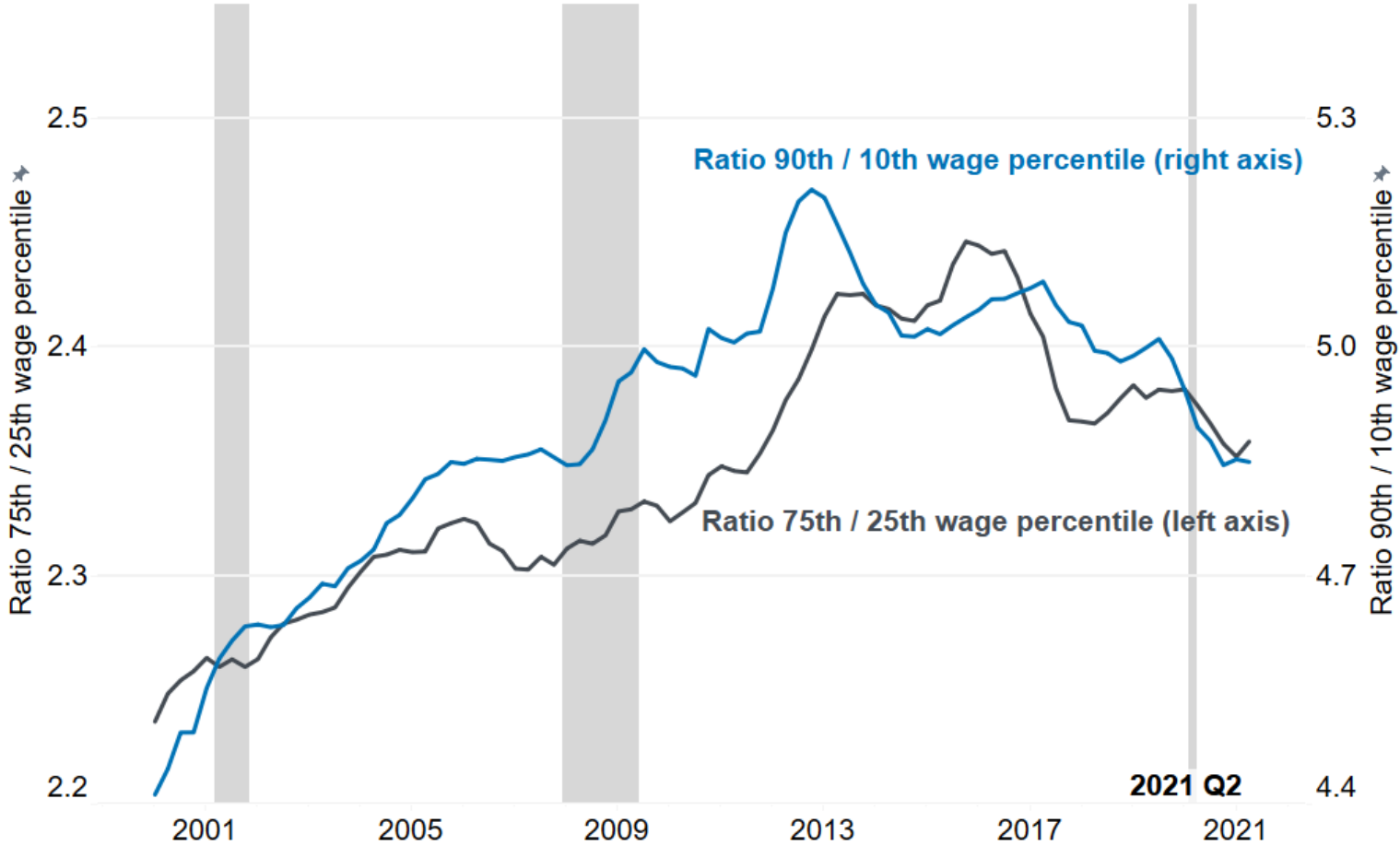


Source: The Conference Board calculations using data from US Census Bureau and IPUMS-ACS, University of Minnesota

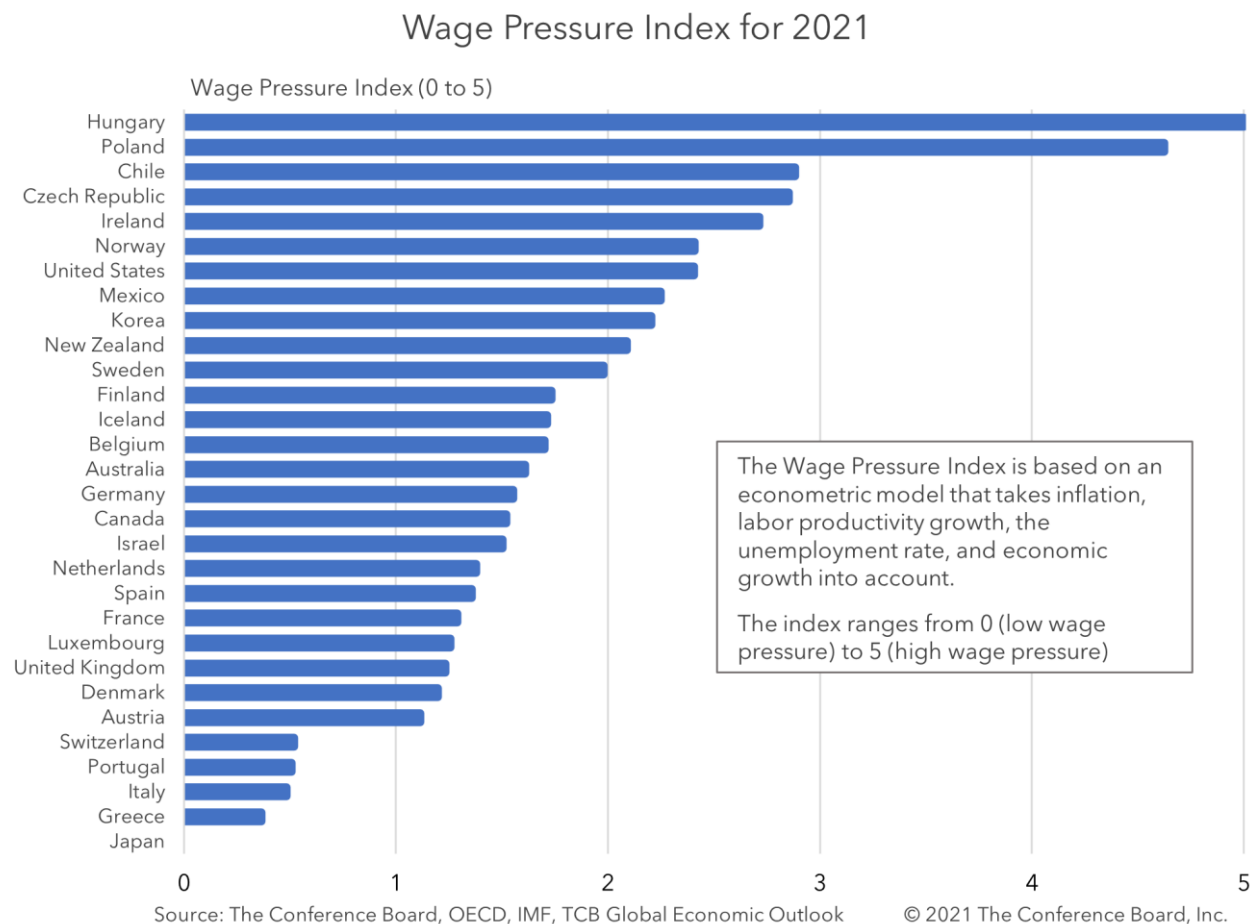
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Wage inequality has continued to decline



Wage pressures in the US are high, but could even be larger in Central and Eastern Europe



Federal Minimum Wage

Policy proposals to increase the federal minimum wage

■ The labor market outlook:

- ✓ The Biden administration has **considered proposals** to increase the minimum wage to **\$11 or \$15/hour by 2026**.
- ✓ The effects of a minimum wage increase **will not be felt equally** across all income levels.
 - Some directly impacted (**earning below** new minimum), others indirectly impacted (**earning just above** new minimum but have increased bargaining power).
- ✓ Concentrated impacts in groups.
 - **States with a \$7.25 minimum wage** will be most impacted.
 - **Low-paying occupations**, which are experiencing **severe labor shortages** today and in the future, may see an **increase in labor supply** as wages rise.
 - **Black and Hispanic workers** disproportionately impacted by minimum wage policy.

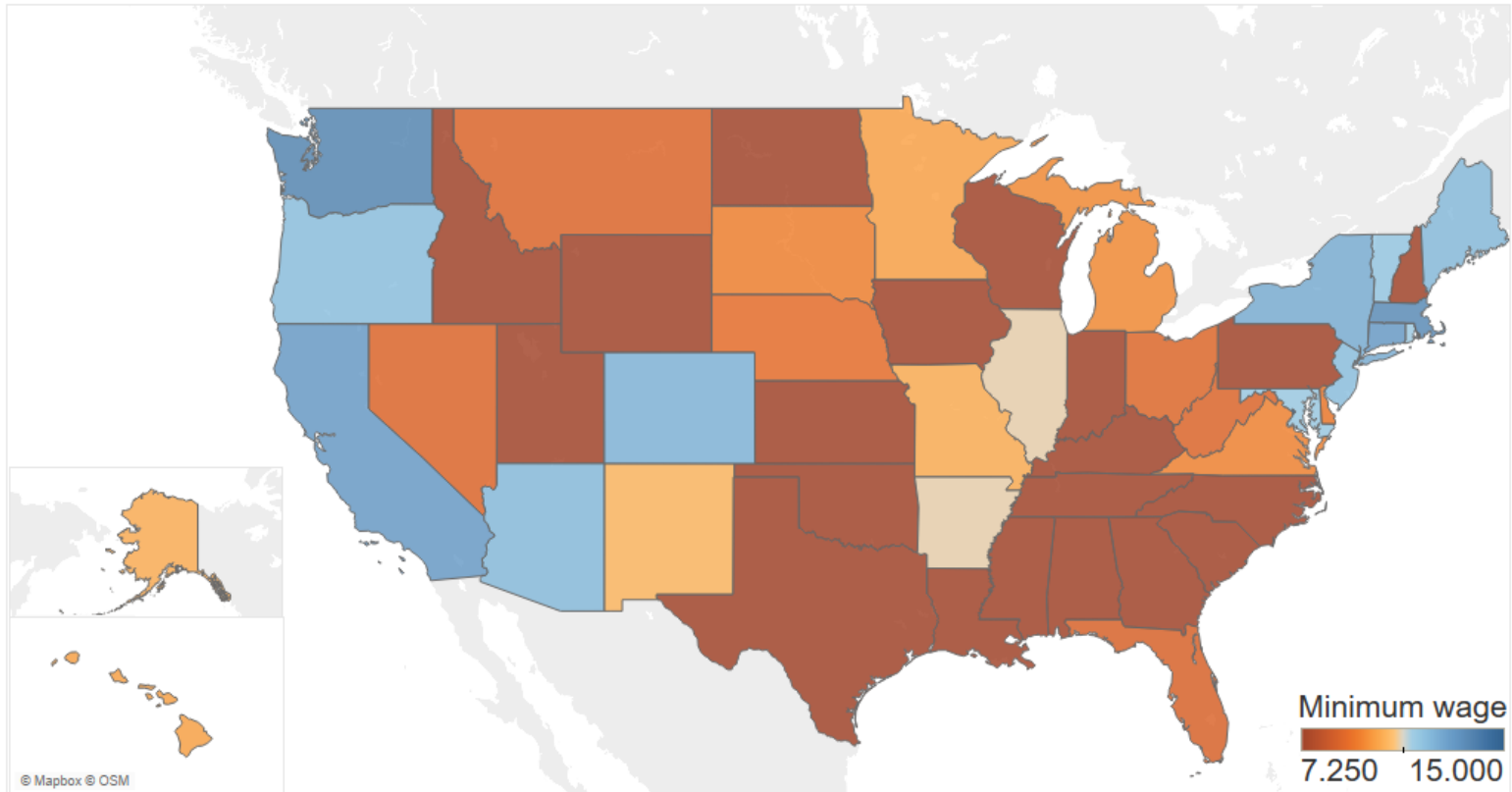
■ The economic outlook:

- ✓ **Minimum wage increases** impact the composition and level of aggregate demand.



20 states have their minimum wages at the federal minimum (\$7.25/hr)

Minimum wage in 2021

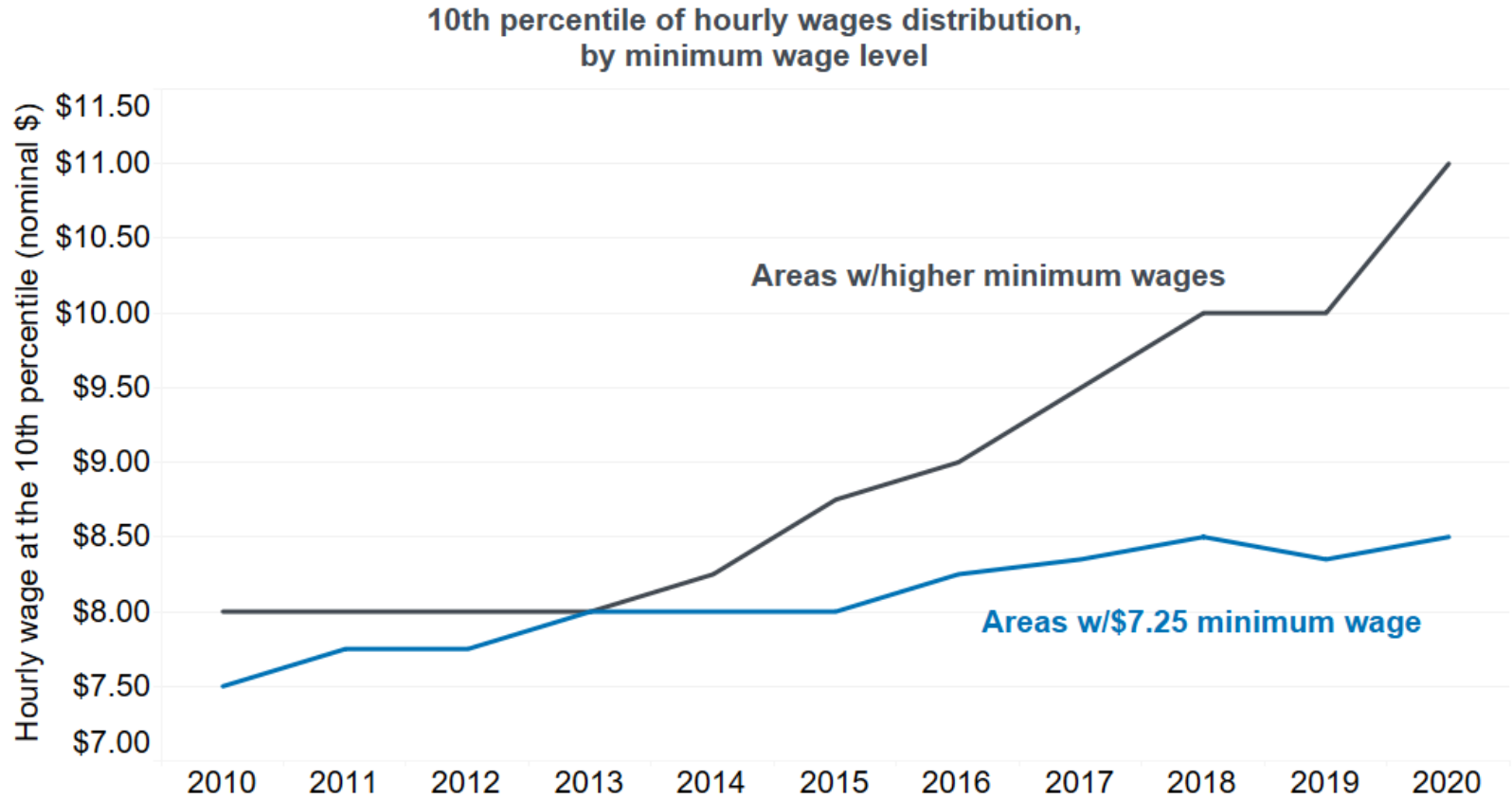


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Two distinct trajectories for low-wage workers

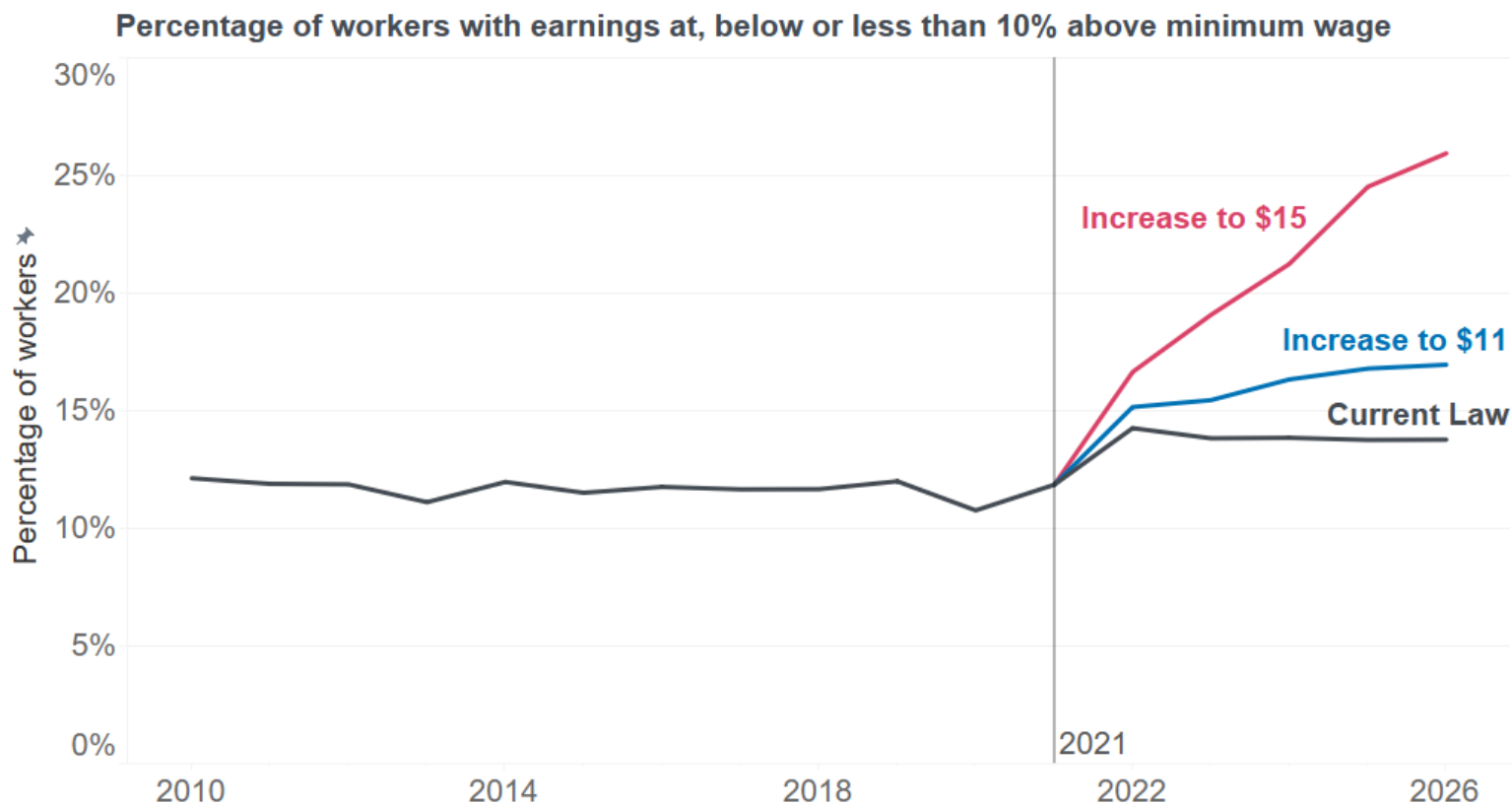


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Increase of federal minimum to \$15/hour would increase wages for 14% of workers



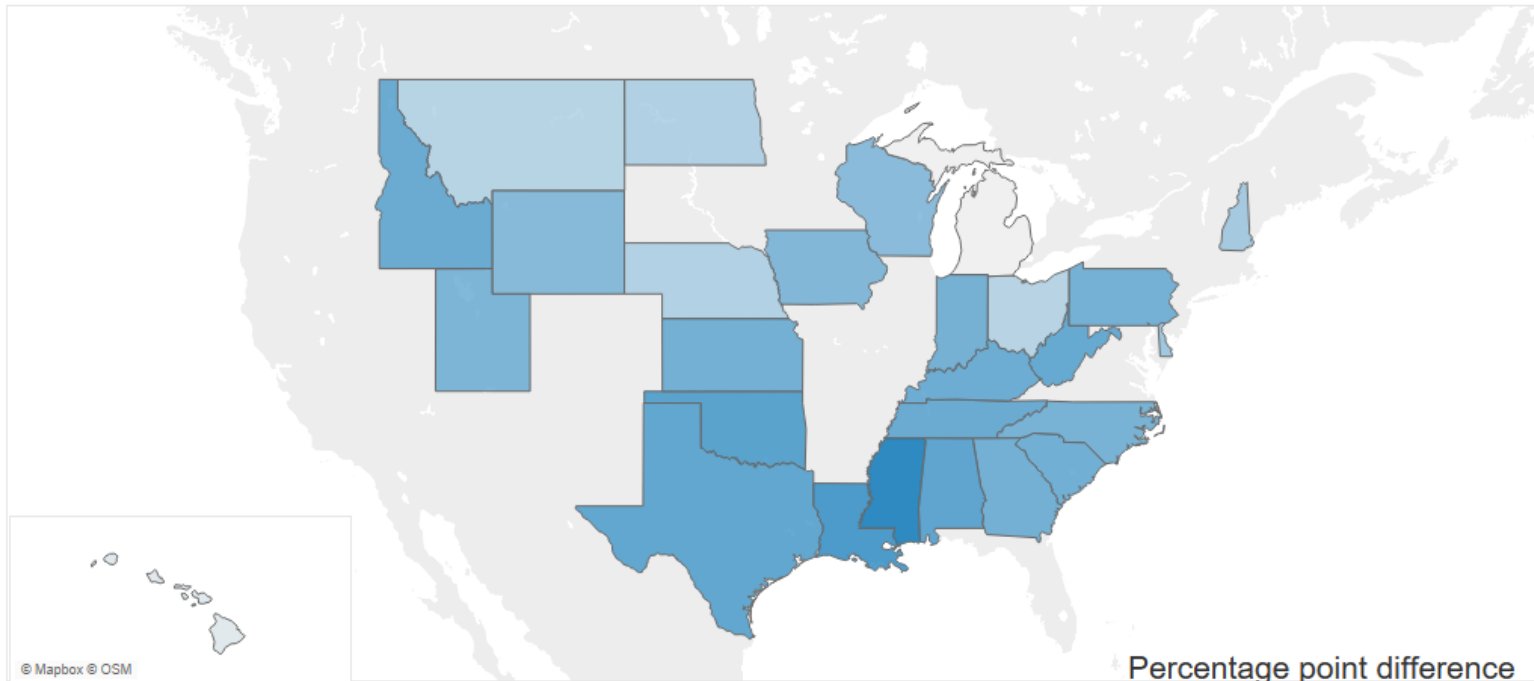
Note: Projections conducted by The Conference Board
Source: US Bureau of Labor Statistics

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Increase in federal minimum wage would have biggest impact in the \$7.25 states

Percentage of workers with earnings at, below or less than 10% above minimum wage, difference between current law and \$11/hour proposal



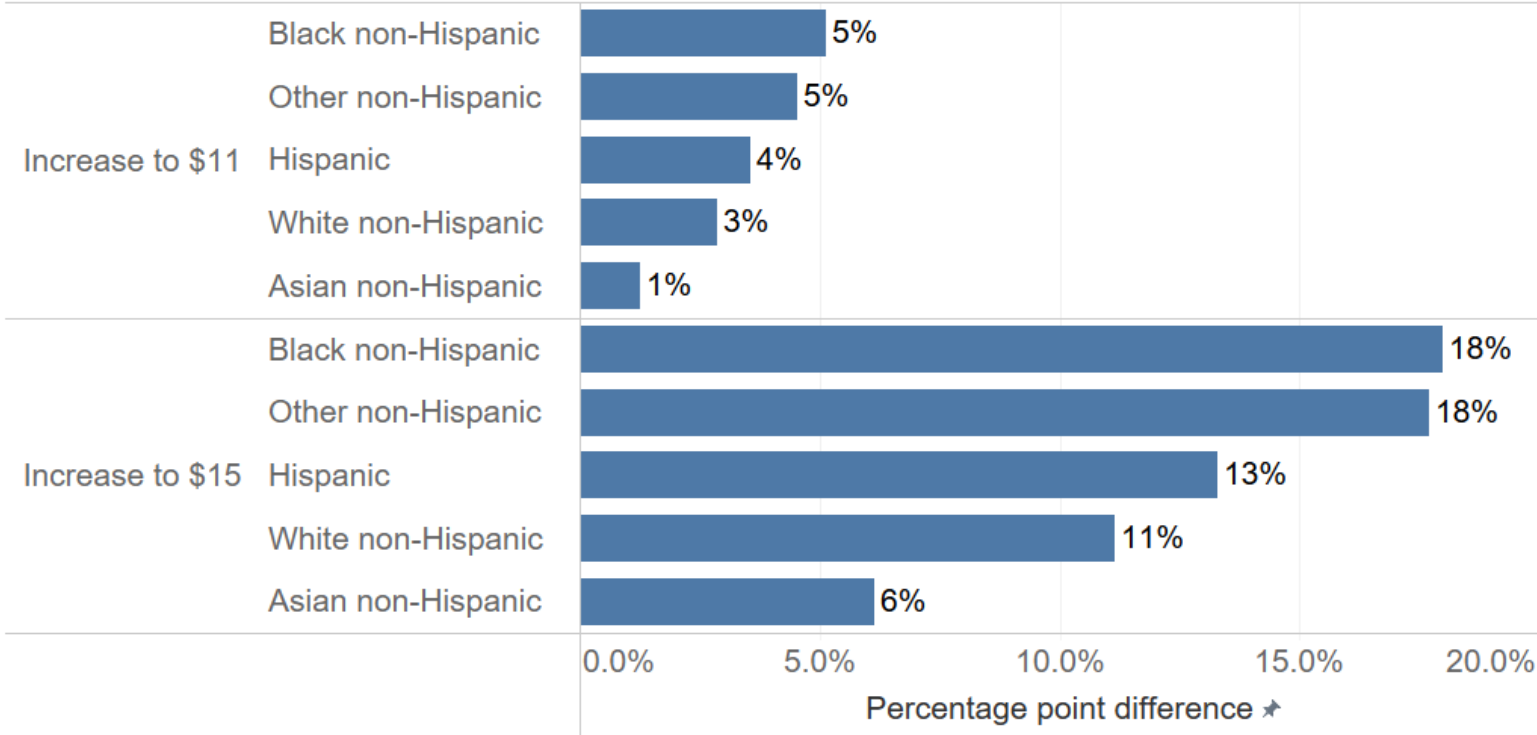
Notes: Projections conducted by The Conference Board.
No impact in Alaska (not shown)
Source: US Bureau of Labor Statistics

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Black, Hispanic workers will be helped the most by minimum wage increase

Percentage of workers with earnings at, below or less than 10% above minimum wage, difference between current law and proposals by race/ethnicity



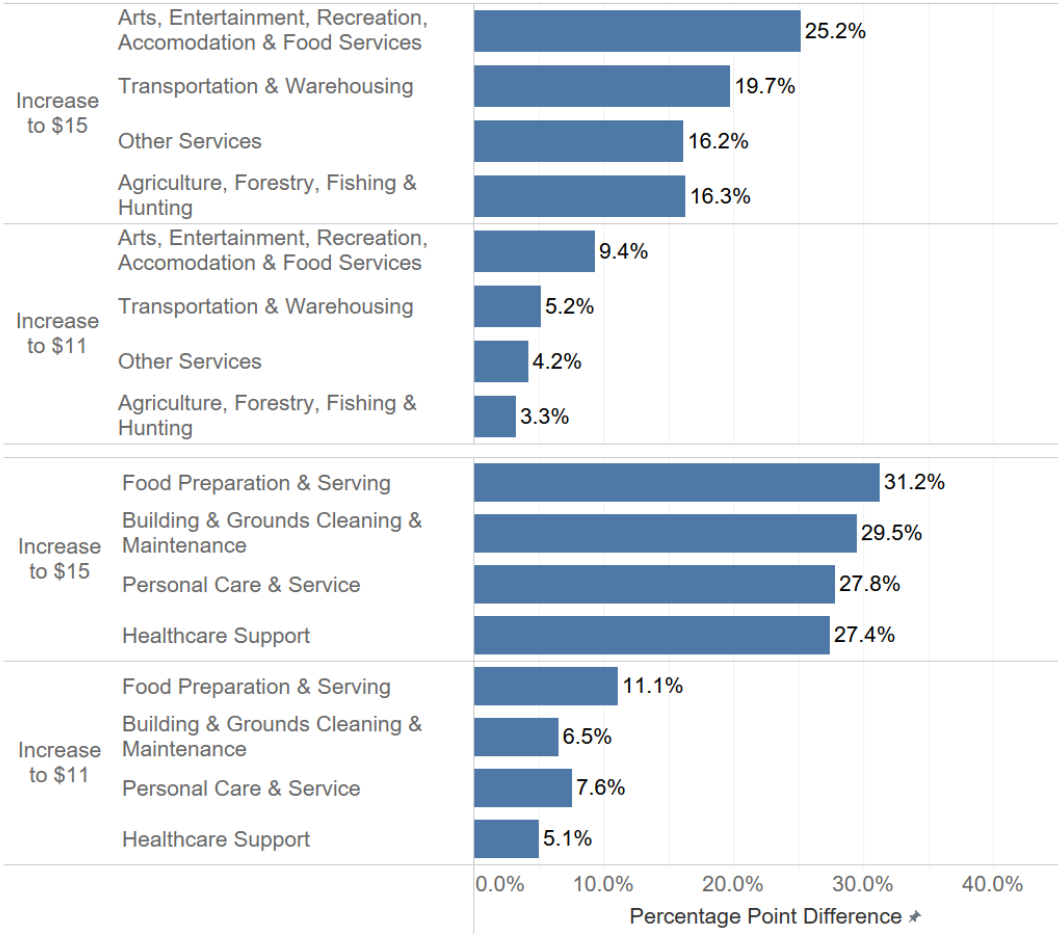
Note: Projections conducted by The Conference Board
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Industries and occupations most impacted by minimum wage increase

Percentage of workers with earnings at, below or less than 10% above minimum wage, industries (top) and occupations (bottom) with largest difference between current law and proposals



Note: Projections conducted by The Conference Board
 Source: US Bureau of Labor Statistics

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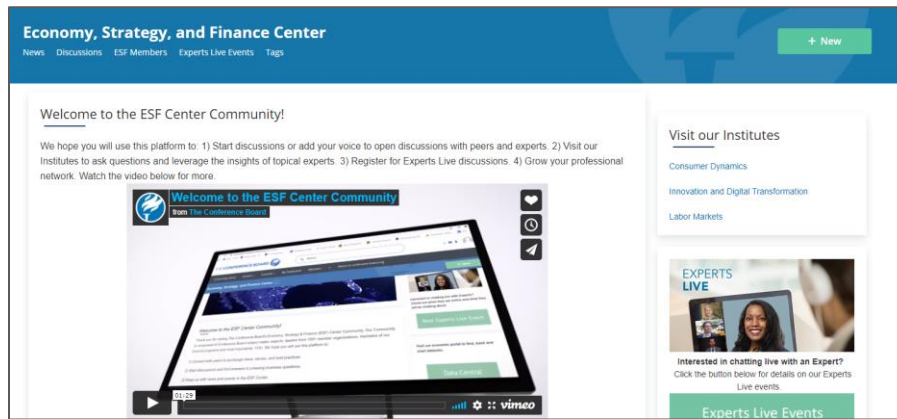
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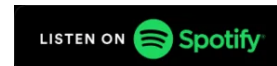


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