Labor Market Insights: Job Growth & Wage Trends

The economy continues its solid growth, inflation is lessening, and unemployment remains low. There's lots going on from a legislative perspective too. As we work our way through Q3 and into Q4, here are some things we think you need to know!

The first half of 2024 saw significant job growth, with an average of 255,000 jobs added each month, surpassing the 213,000 jobs added per month in the second half of 2023. In January, 353,000 jobs were added, primarily in professional/business services, healthcare, and retail trade. The healthcare sector continues to lead in job growth, offering numerous opportunities for both clerical and administrative, as well as clinical positions.

Wage Growth

Wage growth, while slower in the first quarter of 2024, is expected to remain close to 4% for the full year. The increases in the cost of wages and benefits have closely tracked each other from March 2018 to March 2024. Although major compensation research organizations typically release wage growth projections in the fall, early estimates suggest an additional 4% wage growth in 2025.

Competitive wage growth is essential for retaining top talent in a tight labor market. Companies that proactively increase wages are better positioned to reduce turnover and attract skilled workers.

When evaluating wage growth, it's important to consider total compensation, including benefits. Many organizations are enhancing their benefits packages to complement wage increases. Comprehensive healthcare plans, retirement contributions, paid leave, and wellness programs are increasingly seen as essential components of a competitive compensation package. Trends in benefit offerings show a growing emphasis on mental health support, flexible working arrangements, and family-friendly policies.

Unemployment Stats

Despite a recent uptick, the unemployment rate remains low. The unemployment rate for July 2024 was 4.3%, an increase from 4.1% in June 2024. This compares to the recent low of 3.4% in April 2023 and the high of 14.8% in April 2020. The USDOL considers an unemployment rate of 4% or less to be "full employment," indicating potential recruiting challenges for employers as the number of positions exceeds the number of available candidates. Many economists view this uptick in the unemployment rate as a sign of a cooling job market, potentially signaling the Federal Reserve to cut interest rates. Lower interest rates can make borrowing cheaper, encouraging businesses to invest in expansion and hiring. Therefore, now might be an opportune time for companies to consider ramping up their recruiting efforts.

Heads Up on Legislative Issues

Effective July 1, extensive changes to salary thresholds for “white collar” and highly compensated employee overtime exemptions took effect. The USDOL estimates that as many as 4 million workers could be impacted by these changes.

In April, the Federal Trade Commission issued a new ruling that bans enforceability for the vast majority of workers covered by noncompete agreements. The Commission determined that such agreements negatively impact competitive conditions in labor markets, inhibit new business formation, and lead to higher prices for consumers.

Following the hottest year on record, the Occupational Safety and Health Administration is expected to announce a ruling designed to protect more than 50 million workers exposed to high heat conditions where they work. The ruling would apply not only to farm and construction workers, but also to those who sort packages in warehouses and cook in commercial kitchens. Although not finalized, the ruling is expected to require additional breaks, access to water and shade, and air conditioning.

Hot Topics

As noted above, base pay increases are expected to remain at about 4% through 2025. A recent Payscale survey asked participants how base pay increases were determined. A large majority responded that merit/performance continues to be the primary driver, but 57% reported market pressure as another important consideration and 40% cited internal pay equity as a determiner.

Variable compensation continues to be a supplement to base pay in many organizations. A recent survey conducted by the Academy to Innovate Human Resources reports that 77% of US businesses currently have some type of variable pay program (they come in all shapes and sizes), and another 9% are expected to add this type of program in 2024.

Pay transparency is defined by World at Work as “the degree to which employers are open about what, why, how and how much employees are compensated. There are legal pay transparency requirements in several states, but more companies are becoming increasingly open about their compensation policies and practices to improve recruitment and retention.

Many organizations wait until the last minute to do their compensation planning for the following year. Don’t be one of them! Here’s a short list of third-quarter activities that will help position you for year-end:

- Collect market information for your positions, with special focus on those that present recruitment and/or retention challenges.

- Plan market adjustments based on results.
- Review current compensation programs/policies/procedures for needed changes and revisions.
- Identify communication and/or training needs.
- Begin salary planning for the annual increase process.
- Begin salary planning for bonus and incentive payouts.

Staying informed and proactive about these trends and changes will help ensure your organization remains competitive and compliant in the ever-evolving labor market. When in doubt, connect with The Workplace Advisors to guide you.

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