



# Compensation Trends October 2022

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# Overview

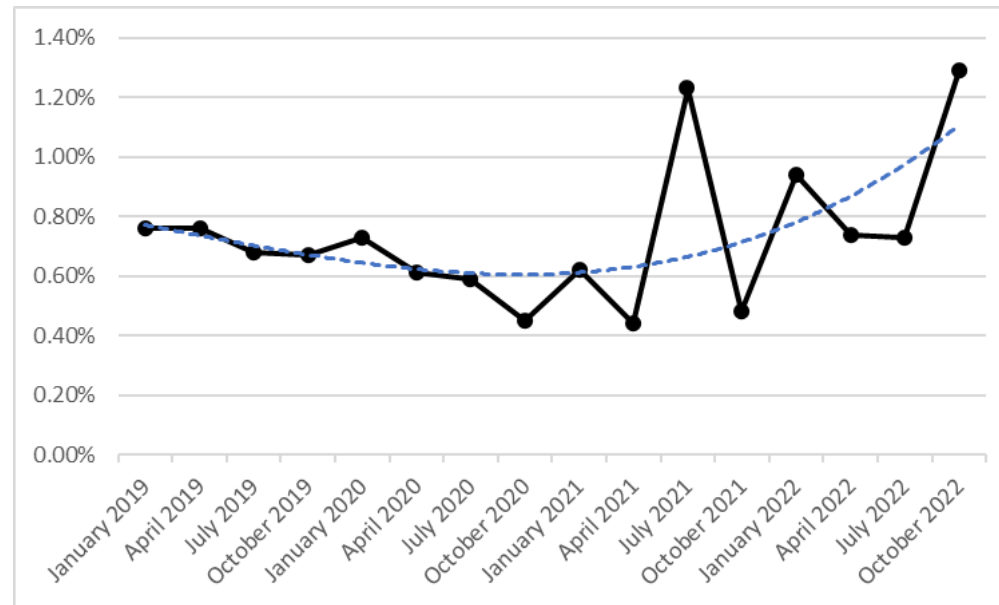
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- Recent growth
  - Quarterly
  - Annual
  - Federal Reserve Data
  - Highest Growing Areas/Sectors
- Future Growth
  - Drivers of Growth
  - Measures of Growth
  - Inflation
  - Recession Risks
- Conclusions



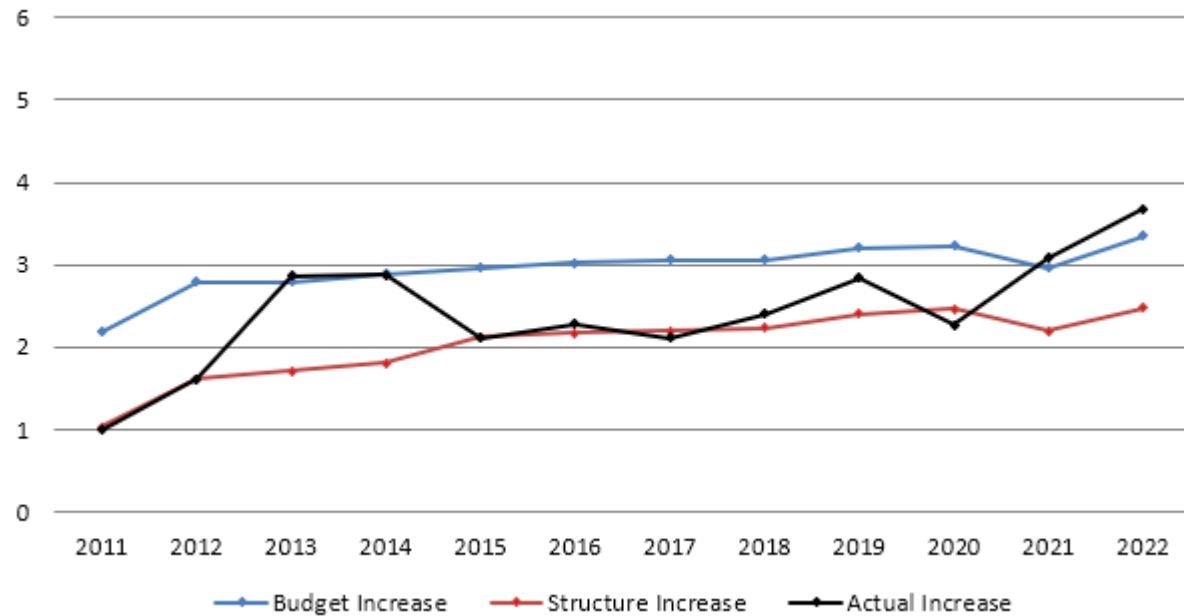
# Quarterly Growth

- October 2022: 1.29%
  - July 2022: .73%
  - April 2022: .74%
  - January 2022: .94%
  - October 2021: .48%
- Average growth (20 year): .60%



# Annual Growth

- One year growth: 3.69%
- 2021 Growth: 3.21%
- 2020 Growth: 2.27%
- 2022 projections
  - Budget: 3.4%
  - Structure: 2.5%
- 2023 projections
  - Budget: 3.78%
  - Structure: 2.98%



# Federal Reserve Data

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- Average Employee Earnings
  - 1 year Growth: 4.55% (St. Louis)
  - 1 year Growth: 6.7% (Atlanta)
  - 3 month Growth: 1.2% (St. Louis)
- Aggregate Payrolls (St. Louis)
  - 1 year Growth: 15%
  - 3 month Growth: 3.1%



# Highest Growth

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- Areas
  - Cincinnati, OH
  - Flagstaff, AZ
  - Central and Southern California
  - Ithaca, NY
- Jobs
  - Production
    - Production Operators (Assembly, Plant, Food Processing, Textile), Production Supervisors
  - Logistics
    - Material Moving Occupations, Warehousing
  - Restaurant
    - Food Attendants and Servers



# Changing Growth Rates

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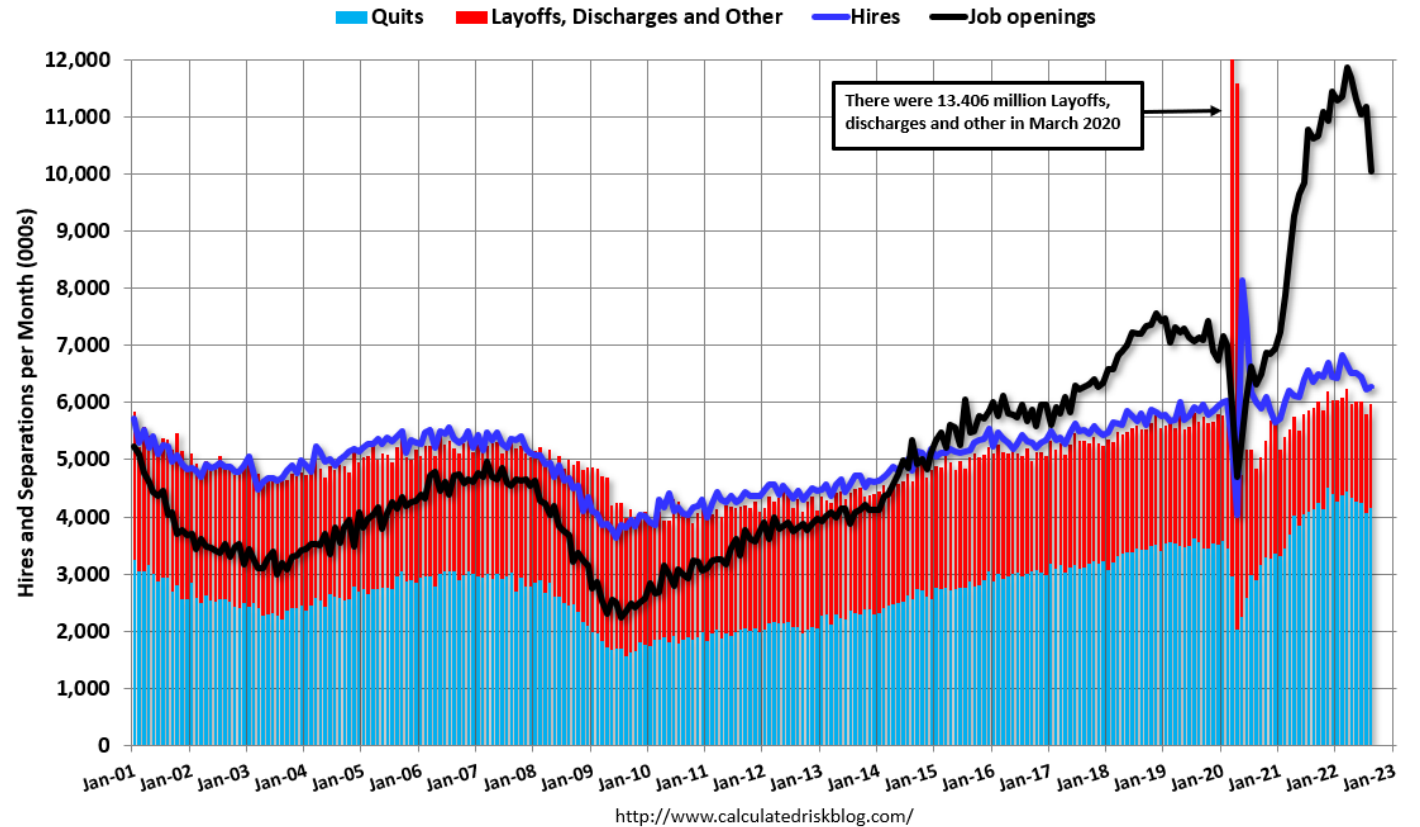
- Slack: Available employees vs open jobs
  - Upward pressure: more open jobs than available workers
  - Downward pressure: more available workers than open jobs
- Measures of slack
  - Open Jobs, Quits, hiring, Unemployment, Population Ratio
- Inflation
- Recession



# Openings, Hires, and Quits

- Open Jobs Rate: 6.2%
  - Down from 7.3% in March
  - 4.1% - 10 year average
- Hires: 4.1%
  - Down from 4.3% in May
  - 3.8 – 10 year average
- Quits: 2.7%
  - Down from 2.9% April
  - 2.1% - 10 year average

Hires and Separations Monthly (SA) from  
Job Openings and Labor Turnover Survey (JOLTS), Source: BLS





# Leading Metrics

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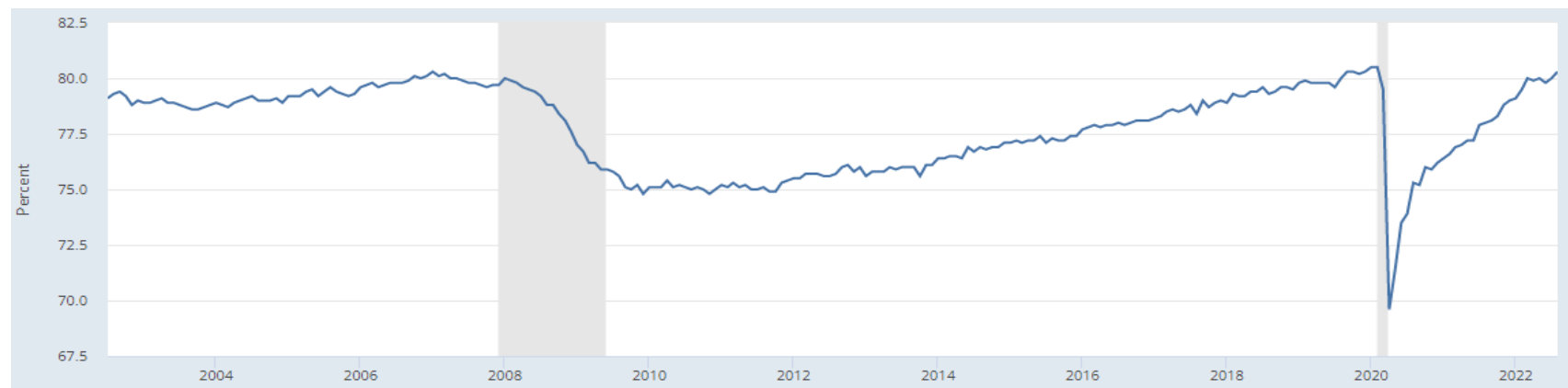
- Unemployment Rate

- 3.7%



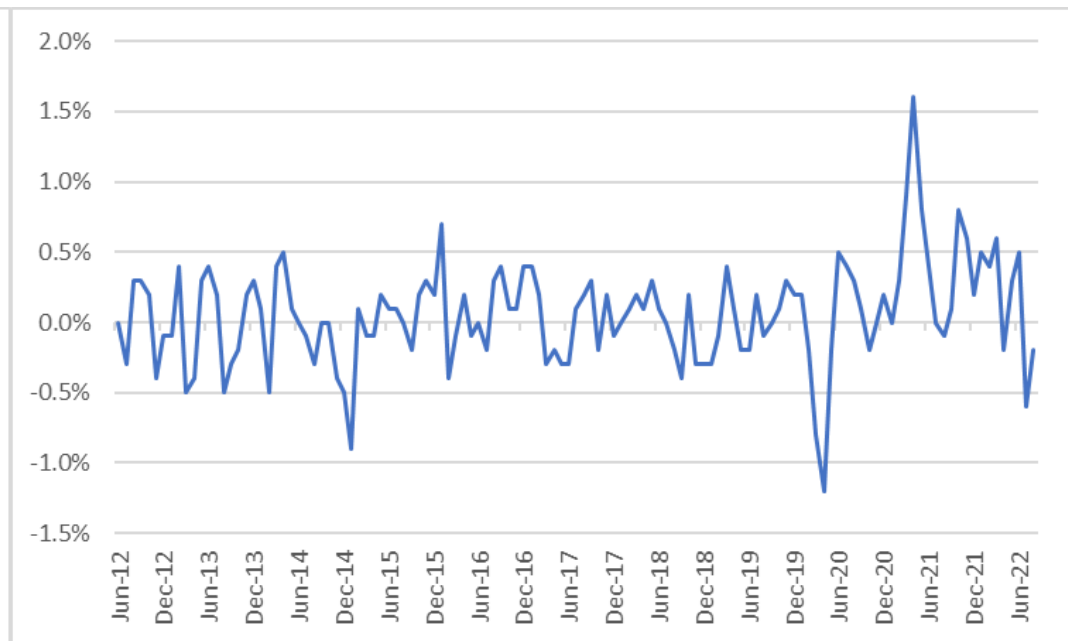
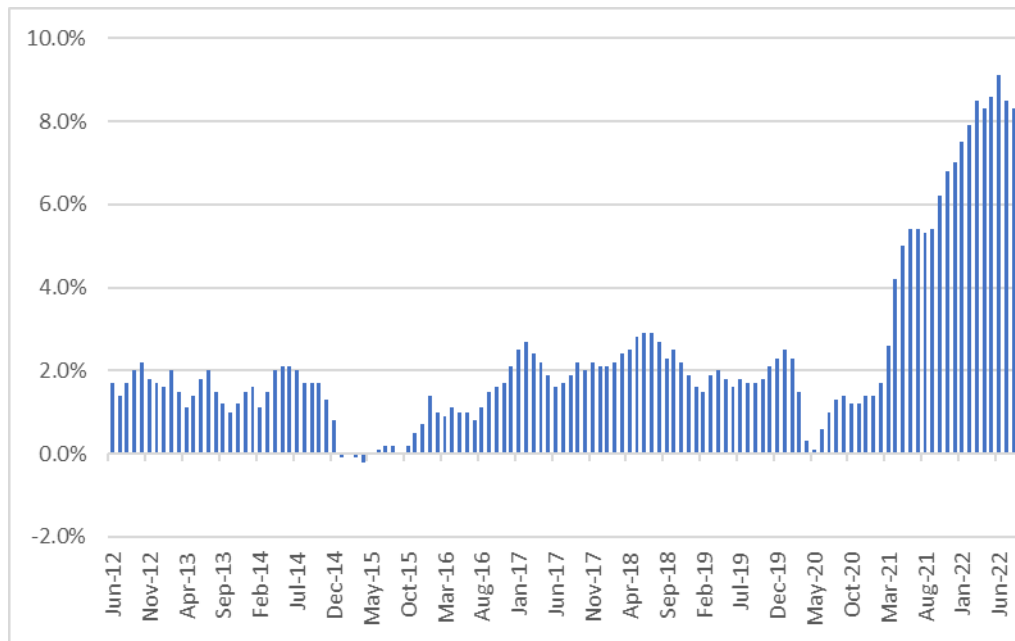
- Prime Age Employment Population Ratio - 25-54 Yrs. (EPOP)

- 80.3%



# Inflation

- Inflation: 8.3%
  - High inflation is correlated with increased compensation growth
  - Wage Inflation spiral



# Recession Risks

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- Two definitions of recession
  - Two quarters of negative GDP growth
    - GDP Q1: -.4% (FRED)
    - GDP Q2: -.15% (FRED)
    - GDP Q3: .5% (Atl GDPNow)
  - A significant decline in economic activity across GDP and the below variables.
    - Real Income: -1.6% (1 year)
    - Employment: 80.3% Prime age employment
    - Industrial Production: 2.4% (Jan-Aug)
    - Wholesale Sales: 4.8% (Jan-August)
    - Retail Sales: 3.5% (Jan-July)
- Stagflation (recession-inflation)
  - Fed Funds Rate: 2.5%



# Conclusions

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- Growth indicators
  - Higher inflation
  - Leading indicators suggest growth
    - Open Jobs rate
- Headwinds
  - Recession risk
  - Interest rates
- Continuation of growth?
  - Entering a time of transition.
- Recommendations
  - Attend to change
  - Compression should have been controlled
  - Focus on critical groups



# Questions

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