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CONTACT:

Award Staffing
8030 Old Cedar Avenue South
Suite 110
Bloomington, MN 55425
Tel: (952)924-9000
Fax: (952)929-1300
Email: success@awardstaffing.com

Getting “Real” About Wages: The Effect of Labor Market Factors on Real Wages

Almost everyone has heard stories, maybe from a parent, older relative, or even a television show, about the “good old days” when a dime could buy all of the sweets a child’s heart could desire, gas was under one-dollar a gallon at the pump, and mere hundreds of dollars could buy a brand new automobile. Compared to today’s prices, it seems as though, in the past, everyone should have been able to afford to live in the lap of luxury. However, this was not the case because pay rates were also lower in the “good old days”.

In fact, there is much more to the value of a dollar than a straightforward numerical amount reveals. Specifically, the value of the amount that individuals earn and the price items cost are directly related to market factors such as inflation. Consequently, the amount that an employer must pay to attract quality workers is also related to these factors.

Comparisons made over time of wages, and as a result people’s buying power, can only be accurate if they are stated in real wages, or wages adjusted according to inflation. For example consider the available data from the Bureau of Labor Statistics (BLS) for average hourly wages in the Minneapolis-St. Paul area in 1998, and those same wages adjusted for present day inflation:

Occupation	1998 AHW (Average Hourly Wage)	1998 AHW Adjusted for Inflation in 2006
Miscellaneous Food Preparation	\$7.40	\$9.21
Janitors and Cleaners	\$8.36	\$10.41
Laborers (Excluding Construction)	\$9.22	\$11.48
Production Helpers	\$10.83	\$13.48
Construction Laborers	\$16.56	\$20.61

This inflation adjusted wage rate chart shows that in order for a worker, making the average hourly wage for his/her occupation to maintain the same level of consumption today that (s)he had in 1998, (s)he would have to make approximately 24.5 percent more than in 1998 because the purchasing power of the dollar has eroded as much since 8 years ago. This also means that today employers will have to pay approximately 24.5 percent more than they did in 1998 to fill the exact same position.

(Real Wages continued on page 2....)

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Did you know...
~ **Businesses nationwide hired approximately 629,000 seasonal workers to prepare for increased sales during the 2005 holiday season.**

~For the 2006 holiday season, retail spending is expected to increase approximately 5 percent, or \$457.5 billion.

~In the face of the nation’s currently low unemployment rates, businesses may find it challenging to find qualified seasonal help for the upcoming holidays.

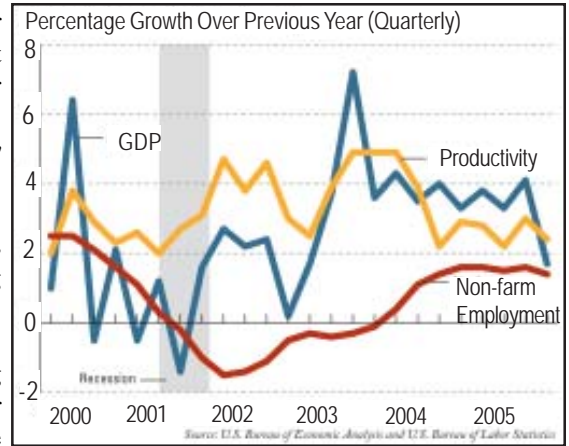
~Call your Award Staffing Contact to learn how our experienced “Staffers” can fill your seasonal positions today!

(...Real Wages continued from page 1)

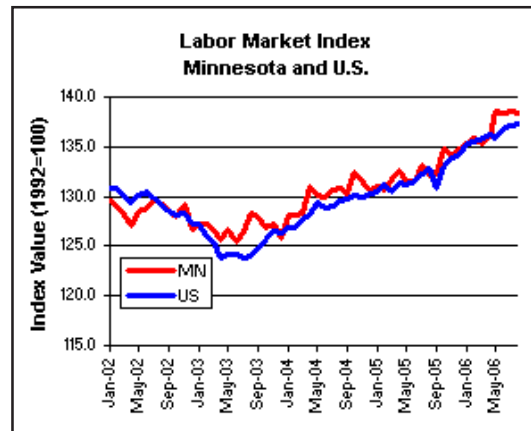
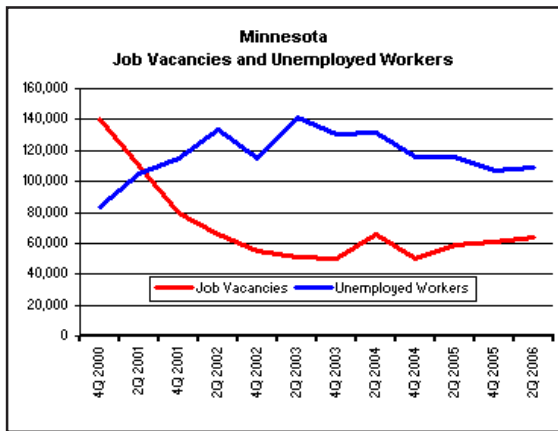
In addition to inflation, growth in productivity, government spending, and the labor market also affect the amount that an employer is going to have to pay to attract good workers for a position. Generally, a lower inflation rate, coupled with a lower rate of government spending as a percentage of GDP, and a higher rate of productivity, results in higher rates of real wage growth. (See the graph at right for a summary of recent growth in productivity, GDP, and non-farm employment in the U.S.).

A tighter labor market also leads to higher wage rates as the gap between job vacancies and unemployed workers closes, and finding qualified workers to fill remaining positions becomes increasingly competitive.

The BLS recently released information for the third quarter of 2006 showing nominal, or unadjusted, wage gains in the median weekly pay from the third quarter in 2005 were 4 percent. Inflation only increased by 3.3 percent over that same time period. A contributing factor to the lead gain in nominal wages over inflation could definitely be the tight current labor market.



Consider the graphs below from the Minnesota Department of Economic Development:



The graph to the left shows that in Minnesota the gap between job vacancies and unemployed workers is currently closing. Often, when unemployment goes down, the labor market tightens because the number of workers available to fill vacant positions is diminishing. Presently, both the Minnesota Labor Market Index and the National Labor Market Index have responded to current employment conditions by steadily increasing for the past six months.

As an employer this is important information to consider when determining the pay rate necessary to attract quality workers to a position. Ultimately, as long as the labor market index continues to rise, the gap between job vacancies and unemployed workers continues to close, and labor markets continue to tighten, employers will have to pay a premium wage to attract good workers.

Hourly Wage- National Average in 2005

Occupation	Average Hourly Wage
Team Assemblers	\$12.50
Hand Packers/Packagers	\$9.13
Production Work Helpers	\$10.45
Bindery Workers	\$12.92
Receptionists/Information Clerks	\$11.12
General Office Clerks	\$11.82
Landscaping Workers	\$10.74
Food Preparation Workers	\$9.14

(Data collected from the U.S. Department of Labor, Bureau of Labor Statistics)

The chart above shows the most recent statistics available for the average wage paid in a variety of occupations in the United States. If you don't see your industry, check the Bureau of Labor Statistics online at www.bls.gov to see if your company's wages are on par with companies across the nation.

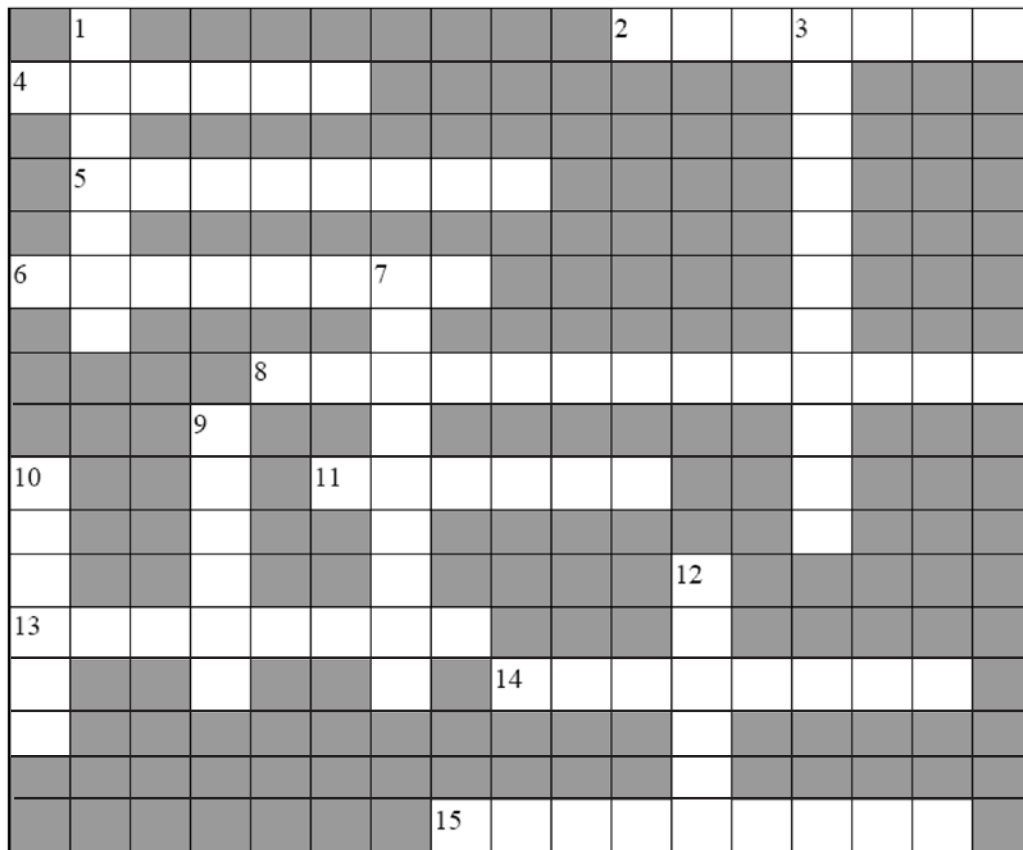
All in all, as an employer, factoring inflation and labor market factors into your decisions regarding the appropriate wage to pay your workers will create profitable benefits for your business. Offering a competitive wage rate will enable you to attract workers with the talent to get the job done right, and your workers will be happy knowing that they are being reasonably compensated for their work. Qualified and satisfied workers results in maximum productivity which equals bottom line profits!

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For the Break Room

Test your mind on your next break by solving Award Staffing's puzzles. Learn facts about the upcoming Thanksgiving holiday by completing Award's Thanksgiving Crossword Puzzle, and hunt out terms related to Award's November Feature Story in the Award Word Find.



ACROSS

- 2. President that declared Thanksgiving an official holiday
- 4. Traditional Thanksgiving Bird
- 5. Sweet
- 6. Celebrated first Thanksgiving in 1621
- 8. Location of the first Thanksgiving Celebration (2 words; include space)
- 11. Horn of
- 13. Thanksgiving Month
- 14. Thanksgiving Day
- 15. This state raises more turkeys than any other in the U.S.

DOWN

- 1. Traditional Thanksgiving Pie
- 3. Traditional Thanksgiving Side Dish
- 7. Pilgrims' vessel
- 9. Potatoes
- 10. Day for giving
- 12. Annual Thanksgiving Day

Answer Key: ACROSS: 2.) Lincoln 4.) Turkey 5.) Potatoes 6.) Pilgrims 8.) Plymouth Rock 11.) Plenty 13.) November 14.) Thursday 15.) Minnesota DOWN: 1.) Pumpkin 3.) Cranberries 7.) Mayflower 9.) Mashed 10.) Thanks 12.) Parade

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Find each of the following words.

Answers are hidden vertically, horizontally, and diagonally. Some answers are hidden forward and some are hidden backward.

TEMPORARY	PRODUCTIVITY	AWARD	WORKER
HOLIDAYS	WAGES	STAFFING	NOMINAL
WORKFORCE	BLS	INFLATION	LABOR
REAL	SEASONAL	ADJUSTED	
MARKET	GDP	UNEMPLOYMENT	

E T A W A R D L R P S E O A T N O U D N N H R E K R O W L T
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P L D A P M D N B R T L V O W E U S A A P D R L E M F I G U
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E G R S I I S P R E D B U A O B L B R T A F Y S L R A N L P

Sources of Information for Getting “Real” About Wages: *The Effect of Labor Market Factors on Real Wages: -Labor Market Information-Economic Highlights.* The Minnesota Department of Employment and Economic Development. Online. www.deed.state.mn.us/lmi.Home.htm. 24 October 2006.

-Occupational Employment and Wages, May 2005. The U.S. Department of Labor Bureau of Labor Statistics. Online. www.bls.gov. 23 October 2006.

-Occupational Employment Statistics. The U.S. Department of Labor Bureau of Labor Statistics. Online. www.bls.gov. 24 October 2006.

Source of Information for *Did you know...:*

-Seasonal Retail: Five Jobs and the Companies that are Hiring Now. Sologig. Online. www.sologig.com/Seasonal/1066. 27 October 2006.

Crossword puzzle created online at: www.crosswordpuzzlegames.com

Word Find created online at: www.edhelper.com

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