



# Labor Relations Week™

Source: Labor Relations Week: News Archive > 2010 > 04/15/2010 > Economic Trends > Compensation: Annual Rate of Wage Increases To Remain Low, BNA Index Forecasts

24 LRW 590

**Compensation**

**Annual Rate of Wage Increases To Remain Low, BNA Index Forecasts**

Private sector employees likely will continue to experience near record-low wage increases in the coming months, according to the final first quarter Wage Trend Indicator released April 14 by BNA.

The forward-looking index declined for the eighth consecutive quarter, to 97.16 (second quarter 1976 = 100) from 97.42 in the fourth quarter of 2009.



Source: Wage Trend Indicator Database

A BNA Graphic/dy0070g3

“Although the job market appears to have stabilized, I’m not expecting wages to turn around immediately,” Kathryn Kobe, an economic consultant who maintains and helped develop BNA’s WTI database, said. “Anytime you have an unemployment rate near 10 percent, there’s still a lot of excess labor capacity,” Kobe said.

In March, the unemployment rate held steady at 9.7 percent for the third month in a row, while nonfarm employers added 162,000 jobs to payrolls, the most for any month since early 2007 prior to the start of the recession that year, the Labor Department reported (24 LRW 549, 4/8/10).

**Smallest Gain on Record**

In the coming months, the pace of wage growth for private sector employees is expected to remain at or below the 1.4 percent increase in 2009, as measured by DOL’s employment cost index (ECI) (24 LRW 173, 2/4/10).

That was the smallest 12-month increase on record since the ECI began in 1979 and was a significant decline from

the 2.4 percent growth posted in 2008.

Over its history, BNA's Wage Trend Indicator has forecast a turning point in wage trends six to nine months before the trends are apparent in the ECI. A sustained decline in the index is predictive of a deceleration in the rate of hourly wage increases, while a sustained increase is predictive of greater pressure to raise wages in the private sector.

Reflecting mixed economic conditions, two of the index's seven components made large negative contributions to the final first quarter reading, outweighing four positive contributors. One component was neutral.

"We seem to have bottomed out in terms of labor market weakness, but I think it will still be several months before conditions improve enough for wages to turn up," Kobe said.

The two negative contributors to the latest WTI were the unemployment rate, reported by DOL, and industrial production, tracked by the Federal Reserve Board.

The four positive factors were the expected rate of inflation, compiled by the Federal Reserve Bank of Philadelphia; job losers as a share of the labor force, from DOL; the share of employers planning to hire production and service workers in the coming months, and the proportion of employers reporting difficulty in filling professional and technical jobs, as shown in BNA's quarterly Employment Outlook Survey (24 LRW 421, 3/18/10). The neutral component was average hourly earnings of production and nonsupervisory workers, also from DOL.

BNA is scheduled to release the preliminary WTI for the second quarter on May 18.

---

*More information on BNA's Wage Trend Indicator is available at <http://www.wagetrendindicator.com>.*

---

Contact us at <http://www.bna.com/contact/index.html> or call 1-800-372-1033

ISSN 1522-8819

Copyright © 2010, The Bureau of National Affairs, Inc.. Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy.

<http://www.bna.com/corp/index.html#V>