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FOR IMMEDIATE RELEASE

Are Pay Scales Ready to Tip?

AS UNEMPLOYMENT FALLS TOWARD 5.0%, ONE EXPERT SAYS SALARIES HAVE NOWHERE TO GO BUT UP

CHICAGO, May 21, 2015 – As the economy continues to improve and the unemployment rate continues to drop, many are wondering when wages will see improvement. While wages have been slow to recover, a new outlook from global outplacement consultancy Challenger, Gray & Christmas indicates that wages, which are typically the last piece of the employment mix to recover, should see a healthy rebound in 2015.

“The number of metropolitan areas with an unemployment rate below 5.0 percent is growing every month. In these areas, workers already may be difficult to find and there is anecdotal evidence of employers offering better wages and benefits to attract and retain talent,” said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

“The return of higher-skilled, higher-paying manufacturing and construction jobs should also lift wages around the country. Furthermore, as more light is shed on the growing income gap between the haves and have-nots, there appears to be more effort on the part of some to correct the imbalance. Whether, those efforts will be enough to move the scales remains to be seen, but the fact that it is being addressed at all, is certainly a promising development.”

Since the recovery began about 64 months ago, job gains have averaged 182,500 per month. That is significantly improves upon the 147,000 new jobs added per month during the 2003 – 2007 economic expansion. Over the last year, job creation has increased to an average of 250,000 new jobs per month. The strongest year during the previous expansion saw average job gains top out at about 239,000 per month.

Meanwhile, unemployment stands at 5.5 percent. However, as of March, there were 127 metropolitan areas with an unemployment rate below 5.0 percent, at which point finding available talent becomes far more difficult for employers. The combined civilian labor force for these metropolitan areas is nearly 47 million, or just over one-third (35 percent) of the 135 million Americans working or looking for work nationwide.

The growing number of cities facing low unemployment suggests employers may begin to see shortages for the most in-demand talent, leading to higher starting salaries, and higher wages overall.

A recent survey by the National Association of Colleges and Employers found that starting salaries for college grads will average \$62,998 this year, up 31 percent from \$48,127 last year. A Towers Watson report estimated the average raise at 3 percent in 2015, compared to 2.9 percent in both 2014 and 2013.

“Employers may also start to feel pressure to increase wages as companies come under more scrutiny over the gap between CEOs and their employees. The Securities Exchange Commission now requires public companies to reveal this pay ratio. As a result, we are already starting to see a handful of companies take steps to close the ever-widening income gap, as well as ensure pay equality among genders.”

Dan Price, CEO of Gravity Payments, cut his own income to give all his employees a \$70,000 salary, telling CNN Money the move led to the best week for new business since the inception of the company 11 years ago.

“While giving everyone the same salary isn’t a practical business move, making everyone’s salary known might be. One recent study found most human resource executives were in favor of some sort of salary transparency,” noted Challenger.

The study, conducted by Challenger last November, found that 13 percent of HR executives felt everyone’s salary info should be accessible to all employees, while 42 percent were in favor of providing salary ranges for specific positions.

“Communicating openly about salary information could simplify the somewhat onerous and awkward conversations many workers have with their employers over their compensation. It could also jettison the need for negotiations, much like in the public sector, where positions have a set compensation range.”

Reddit, the user-generated news and content site, recently eliminated negotiating initial salaries, which is unusual for a private company. The move came after current CEO Ellen Pao lost a gender discrimination case in which Pao alleged being passed over for promotions as well as sexual harassment.

Data suggests salary negotiations tend to work out better for men versus their women counterparts. In a study devised by Emily Amanatullah, a current University of Texas assistant professor of management, and discussed on NPR's Planet Money, women asked for on average \$7,000 less than their male peers. This is on top of the fact that women are paid on average 78 percent of what men make in the same positions.

"For now, salary negotiations are not going away. However, workers can arm themselves with appropriate information to help ensure they are receive fair compensation. Numerous websites, forums, and cost of living calculators exist, including Payscale and Salary.com, that can help both job seekers and those already employed research what they are worth," said Challenger.

"For job seekers negotiating initial salary, the best course is to make sure you have the offer first. Avoid asking about compensation during the interview process, but make sure you have a minimum salary figure calculated. If the hiring manager offers you a salary that is too low, stick to your figure.

"Convey to the interviewer that you very much want to work for the company, but explain how you arrived at your figure and that you simply cannot accept anything lower. Reinforce how great of an asset you can be and that your skills and experience qualify you for a certain compensation level.

"The same can be said for those already employed. Make sure you know what those in your field and geographic area typically make and determine if your pay is in line with market conditions. If not, present metrics and accomplishments to your supervisor that support a pay raise. The improving economy can only help job seekers and employed persons seeking higher wages," said Challenger.

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