

If You Thought
Wages Go Down in a Recession

Think Again



Contrary to common thought, wages in the state have increased each year of the last decade.

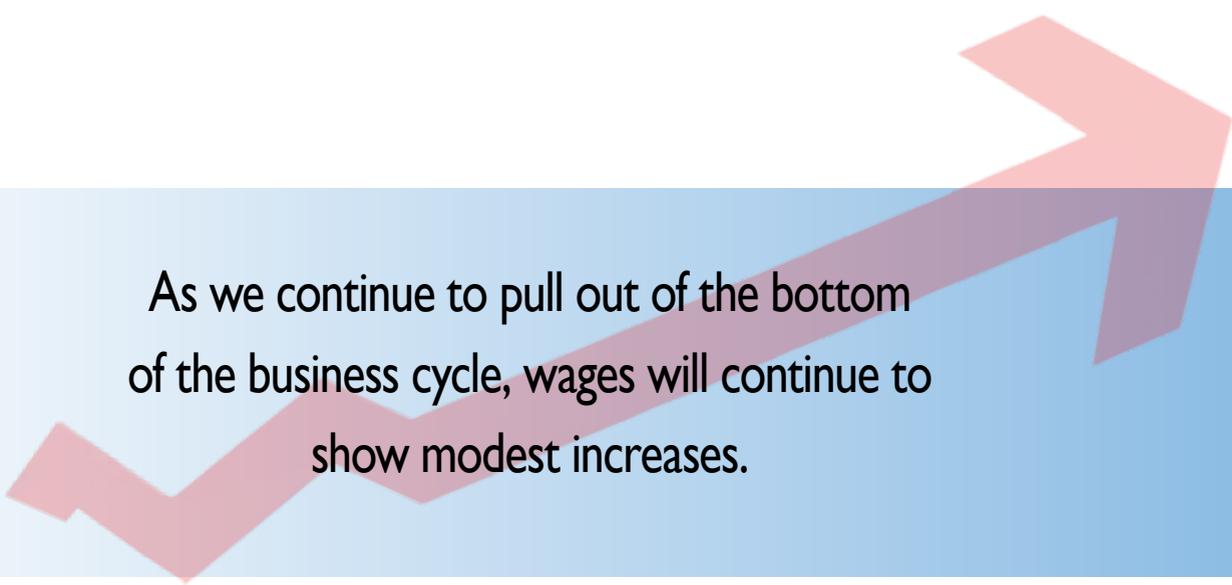
As Utah starts to pull out of the recession, the thoughts of how the economy was constrained by lack of demand causing layoffs, no hiring, and curtailed work hours continue to play out. Right along with this is the concept that wages in Utah had to drop because of the recession. Sounds logical. What happened was contrary to common thought. Average wages in the state did increase each year all the way through the 2000's. That's not to say we didn't have a recession. We did. At the business cycle peak in 2007 employment in Utah was 1,250,000. In 2010, well after the official bottoming of the recession occurred in June of 2009, job counts dropped to 1,180,000. That's evidence of the downturn. Employment declined but average wages increased.

As the market crumbled in 2008, demand disappeared, and worker shortages disappeared. Employers adjusted their workforces to hold on to their most important and productive staff. They let the newly hired and marginal workers go. Competition among businesses for workers fell off. You would think that pressure on wages would evaporate. Even in the face of declining revenues, increased unemployment, declining employment, and payroll dollars, the average wage in the state increased. Wages increased 2.6 percent in 2008 (about half of the 5.5 percent from the boom year of 2007) and 1.6 percent in 2009. Since the Utah economy is starting to see some light, the wage change between 2009 and 2010 increased to 2.6 percent. As we continue to pull out of the bottom of the business cycle, wages will continue to show modest increases.

Average Wages Increased During the Boom

As demand for goods and services surged during mid-decade, the call for more workers was not met by the market. With a shortage of workers, employers were scrambling to recruit, and their most potent tool was to increase wage offers to make their job openings more attractive than the next employer. Wage pressures were realized as the average wages in the state rose to 3.5 percent during 2004 and 2005. As the situation continued to heat up, average wages spiked at 5.4 percent in 2006 and 5.5 percent in 2007—right at the peak of the boom.

	Utah Average Monthly Wage	Percent Change Prior Year
2004	2,641	3.5
2005	2,736	3.6
2006	2,883	5.4
2007	3,043	5.5
2008	3,121	2.6
2009	3,171	1.6
2010	3,263	2.9



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Wage Changes in Industries “in the News”

Construction—This industry took the biggest “hit” to employment during the recession, dropping from the peak of 103,500 in 2007 to 65,250 in 2010. It lost more than a third of its peak employment. Wages, however, were increasing but at decreased rate—from 4.5 percent in 2008 to 3.9 percent in 2009 and then 2.9 percent in 2010. Construction tightened up, and many jobs were lost, but average pay increased. The companies and their employees that were able to hang on, actually made more money each year.

Manufacturing—This industry lost 13 percent of its employment between 2007 and 2010. The industry maintained wage increases of 5.6 percent in 2007 and 2008. Wage increases slipped to 2.4 percent in 2009 and buoyed up to 3.7 percent in 2010 as the industry felt its first positive movement out of the downturn.

Trade (Wholesale and Retail)—During the boom, even the large trade sector, where there are many unskilled and part-time workers, had average wage increases of over 6.0 percent during 2007 and 2008. Spending fell precipitously as the recession settled in and wages actually fell, but by less than 1.0 percent in 2008 and 2009. Very few industries experienced a decline in wages during the recession.

Healthcare and Social Assistance—Some think this stalwart of employment is recession-proof. This is somewhat the case as employment has continued to grow during the thick and thins of economic cycles. Wage pressures were strong in mid-decade as the average wage increased by 5.8 percent in 2005. After that, however, average wage percent changes were half of the peak with a 2.7 percent rise in both 2007 and 2008. In 2009 the industry average wage rose by 4.1 percent but last year (2010) wage increases slipped to a -0.3 percent change. The increasing demand for services and escalation of costs may be manifested by increasing wages for this industry. ①

For more information

on industries and average wages, go to our web site and click on the Utah Industry Employment and Wages section: <http://jobs.utah.gov/jsp/wi/utalmis/gotoIndustry.do>