

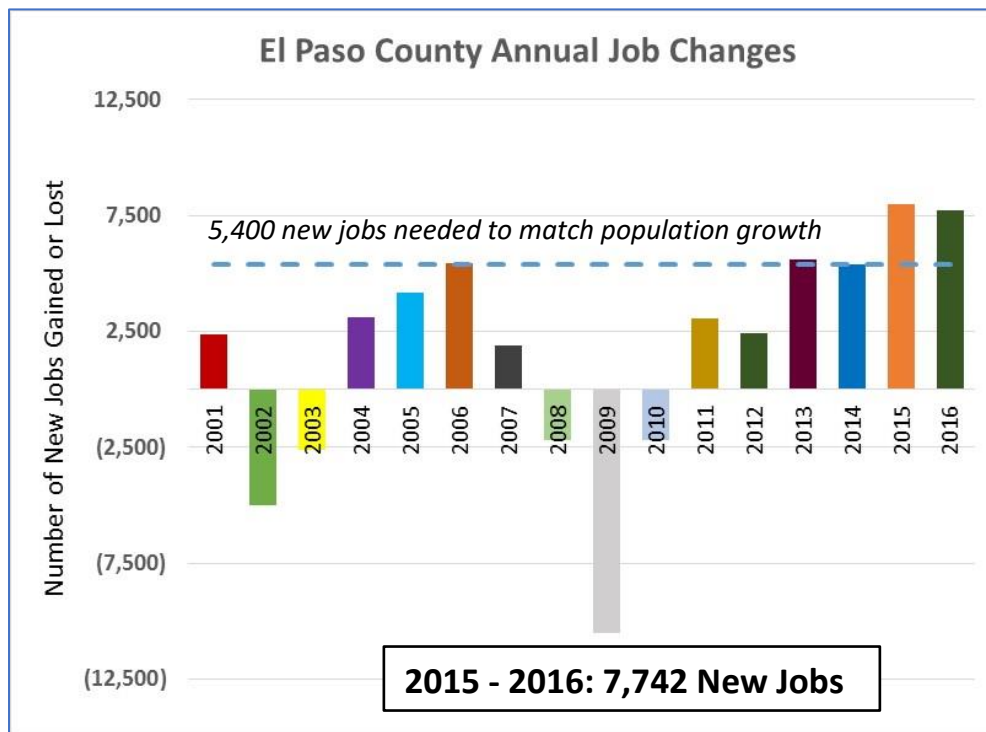
Are Lower Wages Hampering Our Growth?

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It is intuitive that in a tight labor market, wages would rise in order to attract qualified labor to the jobs that are available. It is an elementary application of supply and demand: if demand for labor is high and supply is low, wages should rise in order to lure workers into the labor force. The problem is that this mechanism does not always work well in the short and medium run because wages are “sticky,” meaning they can take a long time to adjust to market needs. In Colorado Springs, wages appear to be particularly sticky and stubborn to move, and this may hinder our continued growth.

The current job market data in Colorado Springs MSA in April of this year showed 12,689 job openings, but only 8,304 people looking for work. This may seem like a good problem to have, but it has its downsides. The state’s economists have been saying for at least a couple of years that job and business growth overall could be more robust if businesses could find more qualified workers. Some of this dilemma is tied to the mismatch between training/education and today’s business needs, but in El Paso County, some of it is likely tied to the relatively lower wages we have. In theory, the tight labor market should be pushing wages upward; however, the latest numbers released from the Bureau of Labor Statistics show that wages in El Paso County did not improve in 2016.

Most likely, this is part of the reason that total, new jobs in El Paso County were a bit lower in 2016 than they were in 2015. The first graph shows that in 2013 and 2014, El Paso County finally met the number of new jobs that are needed to match our regional population growth, which is about 5,400 new jobs per year.¹ In 2015, we well exceeded that number at 8,004 new jobs: a 48% increase over 2014. With the continued, high number of job postings it seemed likely that the number of new jobs should have further increased in 2016. That did not materialize. The number of new jobs actually declined slightly in 2016 to 7,742. It is important to note that the favorable job increases of the past few years are cumulative so 48% increases are not likely sustainable even if businesses are thriving. However, the decline in 2016 appears to be following the trajectory of the Denver/Boulder area (2.2%), which has a very similar unemployment rate to ours (2.5%).



Source: Colorado Department of Labor and Employment, Quarterly Census of Employment & Wages

¹ This “ideal” number of new jobs assumes a natural (and relatively low) unemployment rate.

What is different about our region, however, is that our wages are well below the Colorado average pay, and also below the U.S. average pay (see table). It will certainly be difficult for us to continue to lure people back into the labor force if our wages are not at least at par with U.S. averages. As the table shows, for the vast majority of industries, El Paso County wages lag behind Colorado and U.S. wages, and it is now evident that the wage discrepancies are likely hindering business growth via the low supply of labor. As we all know, business growth equals economic growth so it is in our collective best interest to know about this shortcoming and wherever possible, address it. We have education levels well above the U.S. levels, and we live in a state with a plethora of diverse, booming industries. We need to have wages that attract and retain qualified labor so that our region can continue to flourish.

So, if you have a meeting with your boss coming up and your business overall is a high performing one, find your industry on the table provided and take this article with you when you ask for a raise. Just say a plucky economist sent you (but please don't use my name).

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El Paso County 2016 "Private" Industries Only	Average Annual Pay El Paso County	% Difference in pay EPC to CO pay	% Difference in pay EPC to U.S.
Total, All Industries	\$46,095	-16.0%	-13.8%
Agric, Forestry, Fishing & Hunting (0.2%)	\$29,932	-14.5%	-10.1%
Utilities (not CSU) (0.2%)	\$114,124	19.2%	10.9%
Construction (6.8%)	\$51,139	-10.8%	-12.8%
Manufacturing (5.3%)	\$59,079	-10.9%	-8.9%
Wholesale Trade (2.6%)	\$65,427	-17.8%	-11.2%
Retail Trade (14.7%)	\$29,441	-3.8%	-2.8%
Transportation & Warehousing (1.9%)	\$39,482	-25.6%	-21.7%
Information (2.7%)	\$78,369	-18.0%	-20.4%
Finance & Insurance (5.6%)	\$64,619	-28.2%	-36.1%
Real Estate & Rental and Leasing (2.1%)	\$41,351	-24.8%	-24.8%
Professional & Technical Services (10.7%)	\$85,419	-5.5%	-6.1%
Mgmt of Companies & Enterprises (0.6%)	\$143,223	11.4%	24.4%
Administrative and Waste Services (8.7%)	\$36,583	-5.6%	-3.7%
Educational Services (2.0%)	\$37,049	-5.9%	-24.0%
Health Care & Social Assistance (14.9%)	\$45,560	-6.7%	-5.0%
Arts, Entertainment, & Recreation (2.2%)	\$20,977	-41.9%	-42.9%
Accommodation & Food Services (13.6%)	\$18,469	-12.0%	-7.8%
Other Services (incl. nonprofits) (5.0%)	\$40,666	6.4%	13.2%

Source: Bureau of Labor Statistics, "private" industries only (excludes public)

Percentages next to industry name represent proportion of that industry's employment to total employment.

Two classifications with <150 employees were excluded. U.S. total is for urban and rural.