

Toward the end of 2018 the US labor market continued to undergo some major changes. Many of these changes directly impact employers and their ability to recruit and retain talent. As an employer, here is what you need to know:

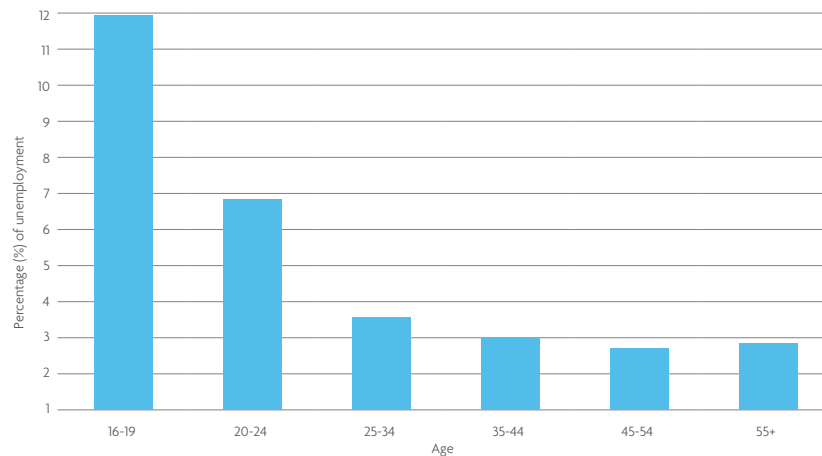
## Unemployment

The US unemployment rate continued its 10-year decline throughout 2018 and is now at 3.7%. The US Department of Labor generally considers an unemployment rate of 4% or less to be full employment, and 32 states now have unemployment rates less than 4% (up from 26 states in June). Unemployment rates vary wildly by metropolitan area. Of the 388 areas ranked by USDOL, Bureau of Labor Statistics, Ames, IA has the lowest unemployment rate at 1.4%; El Centro, CA has the highest at 19.3%.

Unemployment rates also vary significantly by age. The table below contains current information from USDOL, Bureau of Labor Statistics.

Unemployment is projected to decrease a bit further through the middle of 2019.

**Unemployment Rate by Age (All Workers)**



### What employers need to do:

- Expect more difficulty in recruiting suitable candidates and retaining current employees.
- Anticipate the need to increase wages to recruit and retain (see projected wage growth).
- Understand who your competitors are for talent in your recruiting market(s).
- Identify additional traditional and non-traditional sources for candidates.
- Anticipate the need to provide more training and education opportunities as the pool of skilled, experienced candidates continues to shrink.

## Immigration

Congress continues to be gridlocked over the issue of immigration reform and few anticipate action within the next year. However, employers can expect increased ICE activity and USCIS initiatives.

Workplace raids by ICE increased dramatically over the past year. In 2018, ICE conducted 6,000 workplace audits, up from just 1,300 in the prior year – an increase of more than 360%. And the number of workplace arrests, mostly of undocumented workers, increased nearly 700% over the same period, from 300 arrests in 2017 to 2,300 arrests in 2018. Employers can expect this dramatic increase in immigration control activity at the federal level to continue in 2019 and should take measures to ensure proper documentation of all current and new hires.

## Wage Growth

Wages continued their 2018 growth spurt, and have grown approximately 3.2% through November.

In high-growth urban areas such as Seattle and San Jose, wages have increased almost 7%. Forbes reports that Boise, ID is now the fastest-growing area in the US, with increases in the number of new jobs, wage increases, and home price increases outpacing all other metropolitan areas. As unemployment rates continue to fall, wages for skilled workers tend to rise first and fastest, but wages for other workers eventually rise as well. In October Amazon announced a raise in minimum wage for all employees, including part-time, temporary, and seasonal workers, to \$15.00 an hour.

Projections call for average wage growth of 3.2% - 3.5% through 2019. These projections are the highest since the Great Recession.

### What employers need to do:

- Review current pay policies for competitiveness in recruiting market(s) and internal salary equity with current employees and new hires.
- Anticipate the need to increase wages to recruit and retain.
- Provide richer, more comprehensive benefit packages and more on the job training and education.
- Provide more flexible schedules and work requirements.
- Anticipate the need to raise prices of goods/services to pay for increased wages and benefits.

## Minimum Wage

The federal minimum wage of \$7.25 has not been increased since 2009.

Congress has indicated a willingness to revisit the minimum wage in 2019 but in the absence of federal movement, individual states have taken action to increase their minimum wage levels. Currently, 29 states and the District of Columbia have minimum wage levels that exceed the federal minimum, and new minimum wage legislation is scheduled to take effect in 11 states in 2019.

42 municipalities have already enacted minimum wage legislation that increases the minimum wage beyond the state minimum. Expect that number to increase significantly during 2019 and into 2020.

17 states and the District of Columbia are also considering minimum wage legislation that will index the minimum wage to the rate of inflation. Some of the changes will be enacted during 2019; others will be implemented in 2020.

Several states continue to consider adapting regional minimum wage legislation to address cost of living differences in different areas of a state. For a listing of current and projected minimum wage rates, visit the National Conference of State Legislatures site: [ncl.org/research](http://ncl.org/research).

### What employers need to do:

- Understand that this is active, ongoing legislation – not just something to be looked at annually.
- Keep informed of what's happening at state and local levels in all the locations where they do business.
- Be aware of effective dates - not all changes take effect on January 1.

## Compensation and Benefit Issues and Trends

**#1 Recruitment and Retention:** As the labor market has continued to tighten and wages have continued to grow, recruitment and retention of talent have emerged as the current compensation hot topic.

A typical scenario in late 2018 unfolds something like this: You have a Customer Service Representative who has been with you for 5 years and makes \$35,000. They resign for a job with one of your competitors that pays \$45,000. When you attempt to recruit a replacement, you are unable to find anyone who is qualified for less than \$42,000-\$45,000. Your other CSRs, all of whom have more experience with you and some of whom have more total experience, make around \$35,000. If you hire a new person for \$42,000, you have a potential internal equity mess on your hands, not just with the CSRs, but potentially with employees in other positions that you have historically paid more than the CSRs.

Research suggests that most employees who are working want a 10%-15% salary bump to switch jobs. If you've done your homework and set pay rates to be competitive with the market(s) you recruit in, you now have to pay above market to recruit someone with the skills you need.

This is a complex issue that doesn't have a simple solution, and will challenge many employers through 2019.

### What employers need to do:

- Review current pay policies for competitiveness in recruiting market(s) and internal salary equity with current employees and new hires.
- Anticipate the need to increase wages to recruit and retain.
- Consider one-time salary payments (e. g. sign on payments, special incentives) to address issues of external competitiveness and internal equity.
- Understand who your competitors are for talent in your recruiting market(s).
- Anticipate the need restructure jobs and provide more training and education opportunities as the pool of skilled, experienced candidates continues to shrink.

## Legislative Outlook

2018 has been a quiet year for federal labor legislation, and no significant legislation appears to be under serious discussion for 2019.

State legislatures have been active, however, in passing all types of legislation. In addition to the minimum wage changes outlined above, expanded pay equity laws, which ban salary history questions during the interview process and prohibit setting pay levels based on salary history, have been enacted or are under consideration in a total of 39 states.

Recreational marijuana is now legal in 9 states and medical marijuana is legal in 31 states. The increasing number of jurisdictions that recognize the legal use of marijuana may mean that current drug testing policies that have been in place for many years do not comply with new laws.

Although not technically classified as legislation, it is important to note that increased prices for basic consumer goods (+2.5% over last 12 months) and increasing inflation rates (2.52% as of October) have a disproportionate impact on lower paid workers. This may cause workers to demand higher wages or leave positions for better wages elsewhere.

### What employers need to do:

- Examine pay policies, application forms, and interview strategies that may perpetuate pay inequity and make appropriate changes.
- Examine current drug testing policies and practices to ensure alignment with current state and local legislation.
- Understand that there is active, ongoing legislation in many states and municipalities – employers operating in multiple locations need to be proactive in recognizing the impact of legislation on current policies and practices.

## Occupational Outlook

As of August, 2018, there were 7.1 million job openings in the US. At the same time, there were 6.1 million people unemployed and looking for work.

Employers added 250,000 new jobs in October, 2018 and another 155,000 in November. During the same two-month period, the unemployment rate continued its decline to 3.7%.

The US DOL, Bureau of Labor Statistics provides all types of information for many different occupations. The table below shows the occupations projected to add the most new jobs from 2016 – 2026.

Projected Occupation Increases 2016 – 2026

Occupation	New Jobs	Change
Personal Care Aide	777,600	+38.6%
Food Prep/Service Worker	579,900	+16.8%
Registered Nurse	438,100	+14.8%
Home Health Aide	431,200	+47.3%
Application Software Developer	255,400	+30.7%
Janitor/Cleaner	236,500	+9.9%

Manufacturing Assembly jobs, by contrast, are expected to decline by 14% during this period.

### What employers need to do:

- Understand who your competitors are for talent in your recruiting market(s) and that your competitors may be other industries. This is particularly true for entry level employers.
- Anticipate the need to increase wages to recruit and retain as demand increases.