



**Florida TaxWatch**  
ECONOMIC COMMENTARY  
**WAGE GROWTH AND TALENT ATTRACTION  
IN THE PANDEMIC LABOR MARKET**

FEBRUARY 2022

**AMID A TIGHT LABOR MARKET AND THE ONGOING “GREAT RESIGNATION,”<sup>1</sup> COMPANIES ARE PURSUING CREATIVE AND CONCERTED EFFORTS TO ATTRACT AND RETAIN TALENT.**

Especially for service industries wrestling with existing labor shortages, recruitment methods have included sign-up bonuses, tuition reimbursement, free coding classes, and of course, higher wages.<sup>2</sup> These strategies have produced higher pay for many workers and signaled a reversal from the lackluster wage growth in the years leading up to the pandemic.

Wage growth, like other economic trends, does not occur in isolation from other developments sweeping through the economy. As explored in last month’s Florida TaxWatch economic commentary,<sup>3</sup> inflation is another feature affecting the consumer market and eroding purchasing power. Due to the economic complexities surrounding wage growth, employers must be increasingly privy to the additional factors that will define effective recruitment and retention in a post-pandemic economy.

**HIGHER WAGE GROWTH ACROSS THE U.S. ECONOMY**

Even as the Delta variant’s influence began to dissipate, making way for the ultra-transmissible Omicron variant, wage growth trends remained rather elevated to close out 2021. Based on payroll data from the ADP Research Institute, overall U.S. wage

growth was 4.4 percent higher in December 2021 compared to the previous year, reaching an average hourly wage level of \$31.53.<sup>4</sup>

Upon deeper inspection, it becomes clear the “Great Resignation” has provided handsome benefits to those switching jobs or on the cusp of changing careers. Job switchers saw wages rise by 8.0 percent year-over-year, compared to 5.9 percent among those workers who decided to stay in their current position.<sup>5</sup> According to the payroll data, wage growth rates for job switchers have accelerated every month since March 2021—indicative of the ongoing economic benefits for those leaving their jobs for higher-paying positions.

Although the findings speak to the lucrativeness of job switching, another trend is emerging: for those staying in their current position, wages are beginning to steadily creep up as well, perhaps signaling renewed efforts by companies to stay competitive and retain workers.

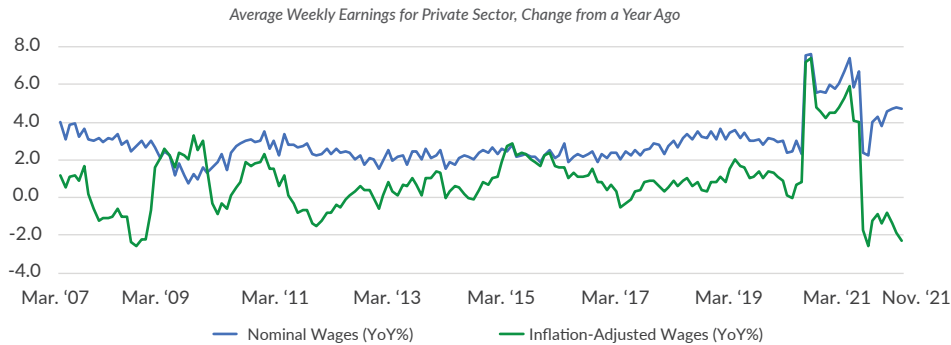
*“You would expect job switchers to see high growth in a tight labor market. What’s compelling about the quarter’s [Q4 2021] finding is that we’re also now starting to see strong wage growth for job holders catching up. Staying on the job is actually now becoming valuable.”*

—NEAL RICHARDSON, ADP’S CHIEF ECONOMIST

1 Florida TaxWatch, “Despite Positive Job Growth in Recent Months, People Are Quitting Jobs at Record Rates,” Jan. 7, 2022.  
2 CNBC, “Raising Wages Isn’t Enough to Attract and Keep Workers, Experts Say,” Sept. 1, 2021.  
3 Florida TaxWatch, “The Great Imbalance: Inflation’s Influence in the COVID-19 Economy,” Jan. 27, 2022.

4 ADP Research Institute, “Workforce Vitality Report for Q4:2021,” Jan. 26, 2022. Note: It is important to view this figure with caution since the average wage level can differ considerably between regions and economic sectors.  
5 ADP Research Institute, “Workforce Vitality Report for Q4:2021,” Jan. 26, 2022.

**FIGURE 1. POSITIVE EARNINGS GROWTH IS TURNED NEGATIVE AFTER ACCOUNTING FOR INFLATION<sup>7</sup>**



## INFLATION'S EROSION OF “REAL” WAGE GAINS<sup>6</sup>

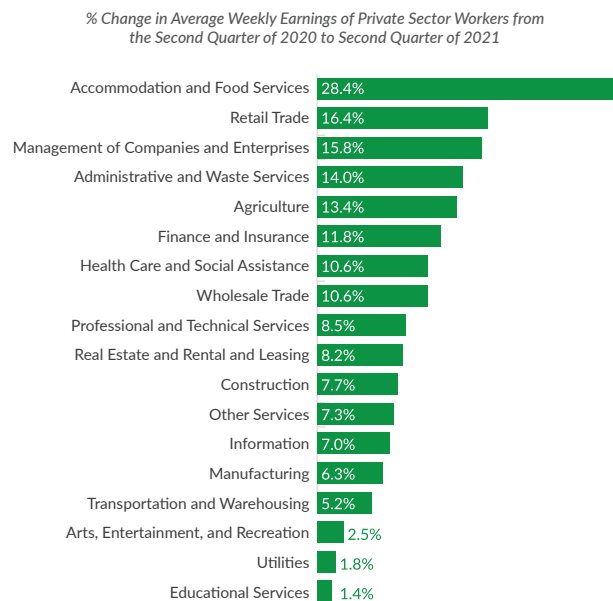
As alluded to previously, these registered wage gains are occurring against the backdrop of decades-high inflation. When exploring weekly earnings data—provided by the U.S. Labor Department—average weekly earnings grew by 4.7 percent in December 2021 compared to December 2020 (See Figure 1). After accounting for inflation, so called “real” wages declined by 2.3 percent compared to the previous year.<sup>7</sup> In other words, higher consumer prices have eaten into paycheck gains for many workers.<sup>8</sup>

Exactly how much inflation erodes pay gains for workers depends on various factors, such as the consumer’s job, income level, and purchasing behavior. For example, since lower-income families tend to spend a larger proportion of their household budgets on core needs (e.g., food, transportation, rent), which are also experiencing some of the highest inflation rates, “real” wage losses may be more impactful than for other households. These nuances underscore the need to consider wage gains in the context of the cost of living among different areas in Florida.

## THE FLORIDA EXPERIENCE

Much like the rest of the nation, Florida has recorded significant wage growth over the preceding year due to the labor market’s competitive landscape. The Accommodation and Food Services sector saw wages grow by 28.4 percent since the lockdown of 2020—swiftly outpacing every other sector (See Figure 2). This finding seems to evidence the particular severity of labor shortages and heightened labor demand for Florida’s restaurants, bars, and lodging locations. Jobs within the Retail Trade and Management of Companies and Enterprises sectors round

**FIGURE 2. SINCE FLORIDA'S LOCKDOWN IN SPRING 2020, ACCOMMODATION AND FOOD SERVICE WAGES HAVE RISEN THE HIGHEST OF ALL INDUSTRIES**



out the top three on the list, posting wage gains of 16.4 percent and 15.8 percent, respectively, between 2020 and 2021.<sup>9</sup>

At the other end of the spectrum, Florida’s Education Services; Utilities; and Arts, Entertainment, and Recreation sectors experienced the slowest wage growth of all sectors in Florida between the second quarter of 2020 and 2021. In nominal terms (without considering inflation), these sectors only saw paychecks rise between 1.4 and 2.5 percent. When adjusting for inflation, these figures turn negative and suggest workers in these sectors witnessed consumer prices grow faster than pay.<sup>10</sup>

<sup>6</sup> TIME, “The Great Resignation Fueled Higher Pay—Even For Those Who Didn’t Switch Jobs,” Jan. 27, 2022.

<sup>7</sup> U.S. Bureau of Labor Statistics (BLS), “Real Earnings Summary,” Jan. 12, 2022.

<sup>8</sup> CNBC, “Despite Higher Wages, Inflation Gave the Average Worker a 2.4% Pay Cut Last Year,” Jan. 12, 2022 and Washington Post, “That Pay Raise Meant Nothing: Inflation is Wiping Out Pay Increases for Most Americans,” Jan. 22, 2022.

<sup>9</sup> U.S. Bureau of Labor Statistics, “Quarterly Census of Employment and Wages (QCEW),” Accessed on Feb. 3, 2022.

<sup>10</sup> Note: This statement assumes inflation grew by 5.3% between June 2021 and June 2020, as reported by the U.S. Bureau of Labor Statistics (BLS).

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When comparing these sector-level figures to national findings,<sup>11</sup> Florida TaxWatch finds that wage gains in Accommodation and Food Services have grown faster than the national average of 18.4 percent, perhaps reflective of Florida's service-intensive economy. Even for more remote work sectors, such as Finance and Insurance and Professional and Technical Services, year-over-year wage growth outperformed the national averages of 9.8 and 7.9 percent, respectively.<sup>12</sup> For Florida's economic recovery, keeping an eye on wage changes among different industries will be insightful for ongoing developments to the "Great Resignation" and the current employee-driven market.

## WORKER RECRUITMENT AND RETENTION IN THE FUTURE ECONOMY

Higher earnings for many workers have been a pronounced feature of the COVID-19 economy and a marked departure from the stagnant growth in the years preceding the pandemic. Yet what do these changes signal for the future of hiring and talent retention for Florida's businesses and workers?

Cash compensation may very well be "king" in this current tight labor market; however, more than just base pay, factors such as work flexibility, childcare support, and professional development will begin to play a larger role in decision-making for current and prospective employees. As an example, a recent Florida TaxWatch working paper<sup>13</sup> found that lack of access to childcare and increased caregiving responsibilities were leading reasons why more than 170,000 women in Florida remain sidelined from the workforce and were hesitant to rejoin. When asked about how organizations can best support these challenges, providing more flexible work arrangements was the most cited preference.

Having more workplace flexibility is a sentiment shared by many in the workforce. A Grant Thornton national survey of full-time employees found that one in two workers would be willing to give up a 10 to 20 percent pay increase for more flexibility.<sup>14</sup> Respondents cited their family responsibility and work-life balance as driving factors.

For some service industries, providing more flexible work arrangements like remote work is not a feasible option given the nature of work. Despite this challenge, businesses in customer-facing jobs can still provide opportunities that boost

career ambitions and enable personal development.<sup>15</sup> Tuition reimbursement and other reskilling/upskilling programs are impactful ways to achieve these twin goals. Investing in workers—as opposed to just simply raising wages—will yield innumerable dividends for talent recruitment and the overall economy.

For Florida businesses navigating a competitive labor market, effective strategies to retain and attract talent stretch far beyond just pay and increased flexibility, as discussed already. Based on a series of McKinsey analyses, surveys, and interviews across industries, several themes emerged among organizations that were most effective in attracting and retaining talent:

- They energize employees through meaningful work;
- They invest early in relationship development with coworkers and managers;
- They promote a culture of development;
- They provide the resources and environment to balance stress and well-being; and
- They motivate with both financial (e.g. wages) and non-financial (e.g., appreciation and value) incentives.<sup>16</sup>

## LOOKING AHEAD

*"It is likely that severe labor shortages will continue through 2022. During that time, overall wage growth is likely to remain well above 4 percent. Wages for new hires and workers in blue-collar and manual services jobs will grow faster than average."*

—GAD LEVANON, PH.D., VICE PRESIDENT OF LABOR MARKETS  
AT THE CONFERENCE BOARD<sup>17</sup>

Wage growth can be expected to maintain its upward momentum as long as the tight labor market persists in 2022. Estimates from The Conference Board predict companies will raise pay an average of 3.9 percent in 2022—the fastest wage growth since 2008.<sup>18</sup> Of course, this headline projection will vary greatly between regions and industries. If trends continue, Florida's wage growth may outpace national averages in both service industries and more telework-intensive industries. Although wages and compensation are top of mind for Florida, beyond 2022, the recruiting and retention landscape for many businesses must adjust to the shifting preferences of employees seeking more flexibility and opportunity for upward mobility.

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11 Pew Research Center, "Many U.S. Workers Are Seeing Bigger Paychecks in Pandemic Era, but Gains Aren't Spread Evenly," Dec. 22, 2021.

12 Ibid.

13 Florida TaxWatch, "Working Paper: Where Are The Women?" Jan. 21, 2022.

14 Grant Thornton, "Grant Thornton Survey: Employees Value Flexibility Over Salary Increases – One-Third Looking for New Jobs," Oct. 6, 2021.

15 CNBC, "Raising Wages Isn't Enough to Attract and Keep Workers, Experts Say," Sept. 1, 2021.


16 McKinsey & Company, "When the Grass is Truly Greener: How Companies are Retaining Frontline Talent," Jan. 31, 2022.


17 The Conference Board, "2022 Salary Increase Budgets Are the Highest Since 2008," Dec. 7, 2021.


18 The Conference Board, "2022 Salary Increase Budgets Are the Highest Since 2008," Dec. 7, 2021.



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