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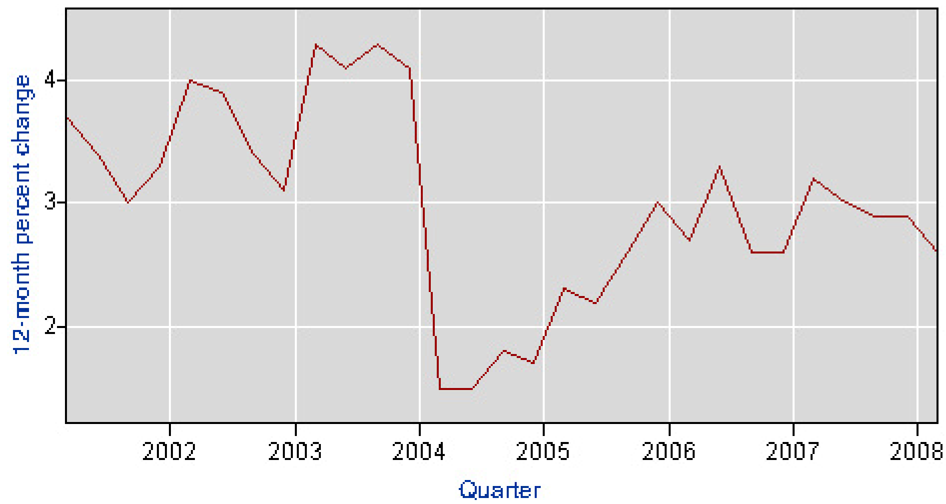
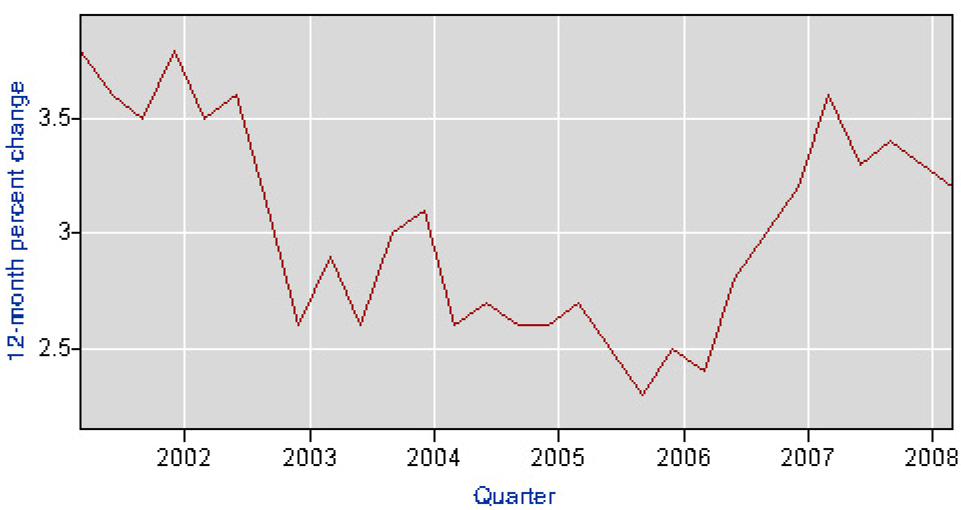


Bureau of Labor Statistics

The rate of increase of private industry wages and salaries in the Midwest as measured by the Employment Cost Index has been declining since the first quarter of 2007. Midwest wages continue to lag the national average.



Bureau of Labor Statistics

The rate of increase of private industry wages and salaries for all workers nationwide, while declining recently, has remained higher than in the Midwest.

Rising inflation outstrips annual increase in Midwest wages

***by* [Sara Sargent]**
Apr 30, 2008

Wages in the Midwest rose 2.6 percent in the past 12 months, according to the Employment Cost Index released Wednesday. This increase did not keep pace with inflation and the heightened cost of living in the region.

The ECI, published by the U.S. Bureau of Labor Statistics, measures quarterly changes in wages for civilian workers. From March 2007 to March 2008, wages for private industry workers in the Midwest increased 2.7 points to 106.3 from 103.6. In the East North Central region—which comprises Illinois, Indiana, Michigan, Ohio and Wisconsin—wages moved only 2.1 percent. The index was 100 in its base year, 2005.

“We’re tracking the cost of labor, so we’re looking at wages and salaries and benefit costs,” explained Paul LaPorte, economist with the BLS in Chicago. “To a worker in general, probably the most important category here is the wages and salaries index because they can look at that index and the percent change and see how they fared versus other workers in the region.”

Overall, LaPorte said, the increase in Midwest wages fell short of the increase in the cost of living as measured by the Consumer Price Index. The CPI has jumped 3.7 percent since last March.

“The 3.7 percent increase in the cost of living was greater than the wage increase of 2.1 percent, so that wage increase did not offset the increase in prices,” LaPorte said. “So even if we had a higher wage it’s still not enough to offset the increase in cost of living. Our wallets are a bit lighter this year as compared with last.”

Midwest wage earners are faring worse compared with employees nationwide. Wages for all private industry workers rose to 107.6, which is 1.3 points ahead of the Midwest index.

LaPorte opined that the looming presence of the manufacturing industry in the Midwest contributed to the region’s depressed wage level.

“We look at the national ECI and we know that our particular region, with Michigan and Ohio and Illinois and Indiana, is heavy with manufacturing industries, and nationally speaking, wages in the manufacturing industry overall were up only 2.5 percent,” LaPorte said.

John Savas, a partner with human-resources consulting firm Blue Prairie Group LLC in Chicago, pointed to the historically low cost of living in the Midwest and suggested that last year’s lagging wages reflect a balancing in the economic landscape.

“At the end of the day I’d rather buy a house in Chicago than in New York,” Savas said. “Maybe the cost of living is slowing down in other areas because it’s topping out and we in the Midwest have enjoyed some lower cost things and it’s catching up with the national average. It’s all relative to the starting point. I agree that we are losing ground on the cost of living but it’s only because we’ve enjoyed some benefits in the past when other geographic areas haven’t.”

Savas’s worry now is how the situation will right itself.

He said the Midwest wage trend is "causing a concern for a lot of companies,” Savas said, “because companies themselves can’t just fix this and give employees a higher rate because companies are caught in the same economic issues. For example, accounts receivable are getting pushed out further and further. That has a whole trickledown effect and hits the employees.”

That trickledown effect has Chicago Federation of Labor President Dennis J. Gannon dissatisfied with the current employment climate.

“The economy today is not working for working families,” Gannon said in an e-mail Wednesday. “Workers in America are the most productive in the world, working longer hours than in any other developed country. And we live in a country with more than $13 trillion a year in income. Yet we face stagnant wages and family incomes, increasing income insecurity, eroding health care benefits and disappearing pensions.”

Addressing the worker's dilemma, Savas said that although the low increase in Midwest wages is unfortunate, the best plan is to stay the course.

“Employees should be thinking about the fact that they have a job and there’s security in that,” he said. “You hope the company you work for is doing OK and is going to, when things turn around, be able to make up the ground that’s been lost. I don’t think a lot of companies are fattening the coffers at the cost of their employees. We’re all in this together and we have to pull together.”