

Supplemental Survey Report

Wages Up 5-6 Percent in the Past Year; Gains Expected to Moderate over the Next Year

Supplemental questions in the February 2023 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on the labor market—specifically, recent and projected changes in wages, effects of the cumulative rise in the minimum wage across the region over the past few years, and the prevalence of job openings. Most of these questions had been asked in earlier surveys, both during and prior to the pandemic.

In the current survey, businesses were asked about how their pay scales (excluding benefits) for existing workers had changed over the past twelve months and what they project for the next twelve months. Looking at the past twelve months, the median reported change for existing workers was 5 percent among service firms and 6 percent among manufacturers; the average changes were slightly higher. These are considerably steeper increases than seen both prior to the pandemic and in the midst of the pandemic, in April 2021, when we last asked this question. Looking ahead to the next twelve months, the average expected change was projected to slow to just over 3 percent, for both service and manufacturing firms. These increases are roughly in line with what we saw in earlier surveys.

Businesses were also asked how wages and salaries for new hires were seen changing from 2022 to 2023. Here, both service and manufacturing firms estimated an average (and median) increase of about 5 percent. For service firms this is a considerably steeper rise than when we asked these questions during the pandemic (April 2021) and moderately steeper than pre-pandemic (February 2018). In those earlier surveys, this question was asked with respect to the past twelve months, as opposed to the current versus prior calendar year.

Given the considerable ramping up of the minimum wage throughout the region, we asked businesses what cumulative effects they felt this increase has had on various aspects of their business. *[It should be noted that these are perceived effects, relative to what they thought would have happened if minimum wages had not been raised.]* About 50 percent of service firms and 40 percent of manufacturers said that the escalation in the minimum wage had no effect on their businesses. For those firms that did feel an impact, the most widespread effect reported was on overall compensation costs, followed by

the prices they charge—in both cases, of course, pushing them up. Of those respondents observing at least some effect on their business, a majority also reported some downward effects on overall profits. Businesses also reported that these minimum wage increases had somewhat expanded their overall degree of automation and modestly reduced the number of workers—both overall and entry-level—that they employ. However, there was little net effect reported on either revenues or employee turnover.

Finally, businesses were asked how many job openings they currently have and (in order to scale these numbers to the size of the business) how many people they currently employ. In both the service-sector and manufacturing surveys, the median respondent reported that job openings represented just over 4 percent of their firm's total employment. This is down somewhat from about 5 percent in last February's survey but up considerably from earlier surveys—notably, we have been asking this question at the beginning of the year for more than a decade; prior to 2022, this proportion had never exceeded 3 percent for manufacturers or 2.5 percent for service firms. ■

Supplemental Survey Report, *continued*

QUESTION 1

Suppose that a typical worker at your establishment is working in the same job as twelve months ago. On average, has this workers wage/salary (not including benefits) changed over the past twelve months?

	Business Leaders Survey			Empire State Manufacturing Survey		
	February 2023	April 2021	November 2019	February 2023	April 2021	November 2019
Median percentage change	5.0	2.0	3.0	6.0	3.0	3.0
Average percentage change*	5.5	1.6	3.5	6.4	4.0	4.2
Percentage of respondents reporting						
Decrease	1.9	7.6	1.2	1.0	0.7	0.0
No change	16.5	39.1	19.8	7.0	25.7	13.4
Increase	81.7	53.0	79.0	92.0	73.6	86.6
2 percent or less	4.4	6.8	9.9	3.0	5.6	9.7
More than 2 and up to 4 percent	12.7	21.6	38.9	13.0	32.6	49.3
More than 4 percent	64.6	24.6	30.2	76.0	35.4	27.6

*The "average" represents a trimmed mean among responses; the highest 5 percent and the lowest 5 percent of responses are excluded in this measure.

QUESTION 2

Now suppose that this typical worker is still working in the same job twelve months from now, for roughly the same number of hours. By about what percent do you expect this worker's wage/salary (not including benefits) to have changed, relative to now?

	Business Leaders Survey		Empire State Manufacturing Survey	
	February 2023	November 2018	February 2023	November 2018
Median percentage change	3.0	3.0	3.0	3.0
Average percentage change*	3.3	3.7	3.2	3.5
Percentage of respondents reporting				
Decrease	3.2	0.0	0.0	0.0
No change	24.1	20.1	29.0	17.9
Increase	72.7	79.9	71.0	82.1
2 percent or less	5.7	14.3	2.0	12.7
More than 2 and up to 4 percent	33.5	36.4	35.0	45.5
More than 4 percent	33.5	29.2	34.0	23.9

*The "average" represents a trimmed mean among responses; the highest 5 percent and the lowest 5 percent of responses are excluded in this measure.

Supplemental Survey Report, *continued*

QUESTION 3

How about for new hires? By about what percent do you project salaries for new hires to have changed this year, relative to hires for comparable job openings last year?

	Business Leaders Survey			Empire State Manufacturing Survey		
	February 2023	April 2021*	February 2018*	February 2023	April 2021*	February 2018*
Median percentage change	5.0	0.0	3.2	5.0	5.0	3.9
Average percentage change**	5.1	2.4	2.0	5.0	5.2	3.0
Percentage of respondents reporting						
Decrease	5.1	3.0	0.0	1.0	0.7	0.0
No change	31.0	53.3	45.0	32.0	33.6	36.4
Increase	64.0	43.0	54.9	67.0	65.5	63.5
2 percent or less	1.3	2.6	5.7	2.0	0.7	10.0
More than 2 and up to 4 percent	7.0	7.4	12.1	10.0	8.5	17.1
More than 4 percent	55.7	33.0	37.1	55.0	56.3	36.4

**In earlier surveys, this question was asked with respect to changes over the past twelve months, as opposed to the calendar year.*

***The "average" represents a trimmed mean among responses; the highest 5 percent and the lowest 5 percent of responses are excluded in this measure.*

QUESTION 4

Has the rise in the minimum wage over the past few years had any effect, either directly or indirectly, on your business?

	Business Leaders Survey	Empire State Manufacturing Survey
Percentage of respondents reporting		
Yes, directly	36.7	44.0
Yes, but only indirectly	15.8	18.0
No	47.5	38.0

Supplemental Survey Report, *continued*

QUESTION 5

If yes, please indicate what effect you think the increase in the minimum wage over the past few years has had on each of the following?

	Percentage of Respondents					Composite Net Effect*
	Large Downward Effect	Small Downward Effect	No Effect	Small Upward Effect	Large Upward Effect	
Business Leaders Survey						
The total number of workers you employ	9.8	35.4	51.2	3.7	0.0	-25.7
The number of entry-level workers you employ	11.0	32.9	46.3	8.5	1.2	-22.0
The general quality of your entry-level workers	7.4	29.6	59.3	3.7	0.0	-20.4
Employee turnover	2.4	11.0	50.0	29.3	7.3	14.1
Hours worked per week by your typical employee	4.9	23.2	63.4	8.5	0.0	-12.3
The overall degree of automation in your business	0.0	1.2	63.4	28.0	7.3	20.7
Your business' overall compensation costs	1.2	1.2	12.2	46.3	39.0	60.4
The prices you charge	0.0	1.2	25.6	47.6	25.6	48.8
Your overall revenue	4.9	28.0	36.6	26.8	3.7	-1.8
Your overall profits	18.3	48.8	26.8	4.9	1.2	-39.1
Empire State Manufacturing Survey						
The total number of workers you employ	11.3	46.8	37.1	3.2	1.6	-31.5
The number of entry-level workers you employ	14.5	33.9	46.8	4.8	0.0	-29.1
The general quality of your entry-level workers	19.7	31.1	47.5	1.6	0.0	-34.5
Employee turnover	4.9	26.2	44.3	18.0	6.6	-2.4
Hours worked per week by your typical employee	1.6	24.2	72.6	0.0	1.6	-12.1
The overall degree of automation in your business	0.0	3.2	40.3	35.5	21.0	37.2
Your business' overall compensation costs	1.6	8.2	11.5	34.4	44.3	55.8
The prices you charge	0.0	3.2	14.5	62.9	19.4	49.3
Your overall revenue	4.8	25.8	37.1	32.3	0.0	-1.6
Your overall profits	18.0	59.0	21.3	1.6	0.0	-46.7

*The Composite Net Effect is a summary measure giving the first 5 columns weights of -1, -0.5, 0, +0.5, +1. It could range from -100 (if everyone indicated "large downward effect") to +100 (if everyone indicated "large upward effect"). If responses were evenly balanced between positive and negative, the index value would be 0.

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QUESTIONS 6-7

	Business Leaders Survey				Empire State Manufacturing Survey			
	Median (Except Where Indicated)				Median (Except Where Indicated)			
	February 2023	February 2022	February 2021	February 2020	February 2023	February 2022	February 2021	February 2020
QUESTION 6 Roughly how many workers are currently employed at your establishment?	43	48	40	55	48	48	50	55
QUESTION 7 Roughly how many job openings are there at your establishment at the present time?	2	3	1	2	2	2	2	1
Job openings as a share of workforce*	4.2%	4.9%	1.3%	2.2%	4.4%	5.2%	2.9%	1.6%

**This represents the median proportion across all respondents answering both questions.*