

Truflation U.S. Pay Index (TruPay-US)

Methodology

April 3, 2026

Contents

1. Executive Summary	3
2. Truflation U.S. Pay Index Framework	4
3. The Output Metrics	6
4. Governance & Future Enhancements	7
5. Truflation US Pay Index Benefits	7
6. Summary	8
7. Version History	9

1. Executive Summary

The Truflation U.S. Pay Index (TruPay-US) is a critical tool for understanding and managing labor costs, which are typically the largest expense for most organizations. It provides a consistent, data driven view of how compensation is evolving across roles, sectors, and geographies.

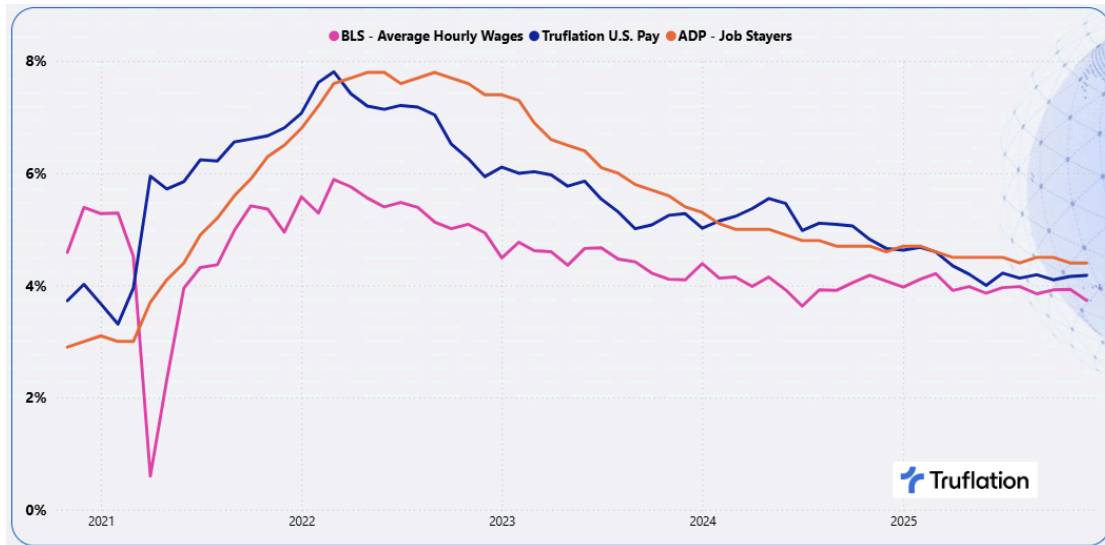
By tracking pay inflation over time, the index enables more accurate budgeting and financial forecasting, helping organizations anticipate cost pressures and protect margins. It also supports a more competitive and informed compensation strategy, ensuring businesses can attract and retain talent without overextending on payroll.

In addition, the index facilitates meaningful comparisons between nominal wage growth and real purchasing power, offering insight into how wage dynamics influence consumer spending and ultimately, GDP growth. This provides important context for both internal decision making and external market positioning. The index also introduces objectivity and transparency into compensation related decisions, ensuring they are grounded in comprehensive market data.

Within the wage data landscape, several established benchmarks exist, including the U.S. Bureau of Labor Statistics, the ADP Pay Insights, and other market based compensation measures. The Truflation U.S. Pay Index represents a new addition to this ecosystem, offering a comprehensive view of pay dynamics through a differentiated methodology and a higher frequency update cycle.

Each wage metric is constructed differently and exhibits distinct behaviors over time. Exhibit 1 compares the BLS, ADP and Truflation indices from November 2020 through December 2025. While the magnitude of these indices varies, their overall directional trends remain broadly aligned. Truflation, however, provides a more timely and comprehensive perspective, driven by its methodology and updated cadence.

Exhibit 1 - Comparisons of U.S. Wage Indicators (November 2020 - December 2025)



Ultimately, given the critical role wages play in the economy, TruPay-US supports the transition of labor cost management from a reactive process to a proactive, strategic function. It also enhances understanding of the broader economic implications of wage movements, including their impact on the cost of services, consumer spending, and overall economic growth.

This document outlines the methodology used to define, calculate, and update Truflation’s measure of the U.S. pay growth at the highest feasible frequency, leveraging publicly available data and credible institutional sources.

2. Truflation U.S. Pay Index Framework

The methodology consists of three primary steps:

- Defining what the wages index includes and excludes
- Determining the data sources used for the index
- Measuring and tracking changes in wage growth

Step 1: Defining Pay

There are several terms used to describe income wages, salaries, and pay, but they differ in scope:

- *Wages*: Compensation based on time worked. Typically hourly, variable, and often includes overtime eligibility. Common in operational or shift based roles.
- *Salaries*: Fixed compensation paid regularly, usually expressed annually and not directly tied to hours worked. Often includes bonuses and benefits.

- *Pay*: The broadest definition, encompassing all forms of compensation, including wages, salaries, bonuses, commissions, overtime, and (in some contexts) benefits.

TruPay-US uses “pay” as its core definition ensuring comprehensive coverage across all forms of compensation. This distinction is critical for consistent modeling, benchmarking, and forecasting.

Step 2: Data Sources

TruPay-US is based on a multi source methodology, incorporating data from both public and private institutions, including the U.S. Bureau of Labor Statistics, ADP Pay Insights, Bureau of Economic Analysis, Federal Reserve Bank of Atlanta, Revelio Labs, Mercer and the Federal Reserve Bank of Philadelphia.

Each source is evaluated based on:

- Coverage and representativeness
- Frequency and timeliness
- Data quality and consistency

All datasets are validated against historical trends to ensure reliability. This multi source approach enhances robustness and reduces dependency on any single dataset.

Step 3: Weighting

Before weighting, all datasets undergo a cleaning process that includes the evaluation of the new datasets, removal of duplicate records and outlier detection and adjustment. From here the index applies a dual weighting approach:

- Calculating the average pay growth across all data sources for Job stayers and Job changers and
- Adding a weighting factor for stayers and changers that reflect labor market dynamics.

The category weighting for the Job Stayers and Job Changers is highlighted in Exhibit 2 and is based on the average between the published data from Mercer and Federal Reserve Bank of Philadelphia.

Exhibit 2 - Weighting of Job Stayers and Job Changers based 2025 data

Date	Job Stayers	Job Changers
December 2025	19.4%	80.6%

Job changers typically experience higher wage growth than job stayers. However, during tighter labor market conditions, job mobility declines and the wage gap narrows. The weighting is periodically updated to reflect these structural shifts.

Step 4: Index Calculation

The index starts from November 2020 as the base period. The calculation formula is as follows:

$$\text{TruPay-US} = (\text{Average Pay Growth} - \text{Job Stayers} \times 80.6\%) + (\text{Average Pay Growth} - \text{Job Changers} \times 19.4\%)$$

To ensure alignment with established benchmarks, BLS Average Hourly Earnings growth is incorporated as a calibration reference.

Step 5: Rebalancing & Scaling (Divisor Adjustment)

An annual rebalance is conducted every April, on the first day of the month. Sources are evaluated based on data inputs as well as the development of the labor market that impacts the percentage of job stayers vs job changers.

A scaling factor is applied to ensure the index continuity during structural changes. The scaling factor is calculated as:

$$\text{Scaling Factor} = \text{Old Weighted Sum} / \text{New Weighted Sum}$$

This prevents artificial jumps due to changes in the data sources, weight adjustments and methodological update resulting from structural events. Structural events include additions or deletions of data sources, changes in index weights due to scheduled rebalancing and other methodology driven adjustments. All changes are documented to ensure transparency and auditability.

3. The Output Metrics

The Truflation U.S. Pay Index is updated on a monthly basis and includes:

- Truflation U.S. Pay Index year on year percentage change
- Truflation U.S. Pay Index Job Changer year on year percentage change
- Truflation U.S. Pay Index Job Stayers year on year percentage change
- Historical time series

The index was launched on April 3, 2026, with historical data going back to November 2020. The release schedule of the Truflation U.S. Pay Index for 2026 is listed out in Exhibit 3.

Exhibit 3: Index Release Schedule for 2026

Release Date	Reported Month
April 9th, 2026	March 2026
May 9th, 2026	April 2026
June 9th, 2026	May 2026
July 13th, 2026	June 2026
August 11th, 2026	July 2026
September 10th, 2026	August 2026
October 10th, 2026	September 2026
November 9th, 2026	October 2026
December 9th, 2026	November 2026

In addition to the indexes mentioned above there is an additional calculation which is the aggregated pay which calculates the overall wage growth from November 2020.

4. Governance & Future Enhancements

The methodology is reviewed periodically by relevant stakeholders with all updates documented, version controlled and communicated transparently.

Future enhancements of the index are focussed on the following areas:

- Integration of additional real-time data sources
- Expansion into industry, role, and geographic segmentation
- Improved coverage of the informal and gig economy sectors
- Application of machine learning for nowcasting and predictive insights

5. Truflation US Pay Index Benefits

The primary objective of the Truflation US Pay Index (TruPay-US) is to provide a consistent, transparent and timely measure of compensation growth by

providing a multi sourced, high frequency index that delivers insights into compensation dynamics and the broader health of the economy.

Key benefits of the Truflation U.S. Pay Index include:

- ***Comprehensive and Multi Source Coverage:*** The index integrates data from multiple leading sources, including the U.S. Bureau of Labor Statistics, ADP Pay Insights, and other institutional datasets. This multi source approach enhances robustness, reduces bias, and provides a more representative view of wage dynamics across the U.S. economy.
- ***High Frequency and Timely Insights:*** With a higher frequency update cycle compared to traditional wage indicators, the index delivers more timely insights into labor market conditions. This enables businesses, policymakers, and investors to respond more quickly to changes in wage trends and economic conditions.
- ***Distinction Between Job Stayers and Job Changers:*** By explicitly separating and weighting pay growth for job stayers and job changers, the index captures a critical dynamic in labor markets. This provides deeper insight into underlying pay pressures, labor mobility and shifts in bargaining power.
- ***Enhanced Forecasting and Decision Support:*** The index supports more accurate budgeting, forecasting and strategic planning by providing a forward looking view of wage inflation. It enables organizations to anticipate cost pressures, manage margins, and align compensation strategies with evolving market conditions.
- ***Real Economic Insight and Macro Linkages:*** TruPay-US provides a clear link between pay growth, consumer spending and broader economic performance. By enabling analysis of real wage trends, the index offers valuable insight into purchasing power, demand dynamics, and overall economic growth.
- ***Transparent and Systematic Methodology:*** The index is built on a clearly defined and repeatable methodology, including data validation, weighting and rebalancing processes. This transparency ensures consistency, auditability, and confidence in the results.

6. Summary

The Truflation U.S. Pay Index (TruPay-US) transforms pay measurement from a lagging indicator into a timely, data driven and strategic tool enabling better decision making across corporate, investment and policy contexts.

7. Version History

Version	Release Date	Notes
1.0	April 3, 2026	Genesis of the Truflation U.S. Pay Index