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Wage and Benefit Growth The benefits and wages that employees receive influence the manner in which they operate in their place of work. It is vital for a firm to ensure that employees are satisfied with the benefits and wages they receive to improve their performance. In the U. S., benefits and wages are believed to be rising at a faster pace than experts thought previously. In a report by the Labor Department, the costs that an employer incurs when compensating employees rose by about 4.9 percent compared to the previous year on March. This rise represents the second successive rise at such a relatively healthy level (Sparshott). The average cost of labor every hour in March 2015 increased to \$33.49 compared to \$31.93 the previous year. Salaries and wages went up by 4.2 percent to \$22.88 whereas benefits increased by 6.4 percent to \$10.61. Health insurance, which serves as one of the key elements of benefits rose by 2.5 percent. The overall growth is more than 1.2 percent gain when likened to the third quarter of 2013. This means that the labor market is tightening because employers are creating employment opportunities in a healthy manner (Sparshott). The rise in wages and benefits witnessed in the past four quarters serves as one of the firmest when compared to other over-year-ago variations in Employer Costs for Employee Compensation (ECEC) records since 1991. ECEC does not serve as the only preferred way of measuring inflation. Nonetheless, the recent firming in terms of wages and benefits changes echoes a similar message as in the case of other connected measures, which have been gaining strength in the recent years. In addition, a large number of economists prefer applying employment cost index (ECI), which is followed

by the Labor Department to track how compensation is growing. During the first quarter of 2015, for instance, ECI revealed that costs of labor increased by 2.6 percent. This was an acceleration from 2.2 percent growth when compared to the third and fourth quarter of the previous year (Sparshott). The ECI assigns static weights to individual occupations and industries. Therefore, in theory, it reveals the way that compensation may have changed in case employment composition remained static through occupations and industries. Although this model is imperfect yet, it controls an economy better, particularly if the sectors are growing in an uneven manner. This is unlike the case of ECEC or other models that report hourly earnings data frequently. During the first quarter of 2015, for example, the average earnings reported hourly rose by 2.3 percent compared to the previous year. This represents the fastest growth since mid-2013 (Sparshott). It is not yet clear why the different measures have diverged in such a sharp manner. One reason may be that a workforce's structure may be witnessing a permanent shift while the occupations are growing rapidly with strong gain in wages. This is something that would facilitate in filtering through the major workforce (Sparshott). Thus, I have realized that with regard to evaluation of rise in benefits and wages, some disparities prevail. Certain economists support ECEC while others prefer ECI. For instance, supporters of ECEC agree that other measures tend to understate the cost of labor. This way, they pose threats to inflationary pressure even though they support in recovering the growth of consumer expenditure. Thus, although data indicates that wages and benefits are growing, it is vital to make

adjustments in these measures. These would help to understand the pressures of compensation and change their structure to help make solid estimations of growth in wages and benefits (Sparshott). Work Cited Sparshott, Jeffrey. Are Wages and Benefits Growing Faster Than We Think? The Wallstreet Journal. 10 Jun. 2015, web. 12 Jun. 2015. .