

Data-driven compensation planning that helps Compensation teams respond to rising inflation and increasing costs of labor

Inflation in the U.S. is at its highest annual rate in over 40 years, and the cost of labor is rising with it. The rising cost of living paired with an increased competition for labor have created extraordinary challenges for Compensation teams to pay equitably and competitively for the growth of the business.

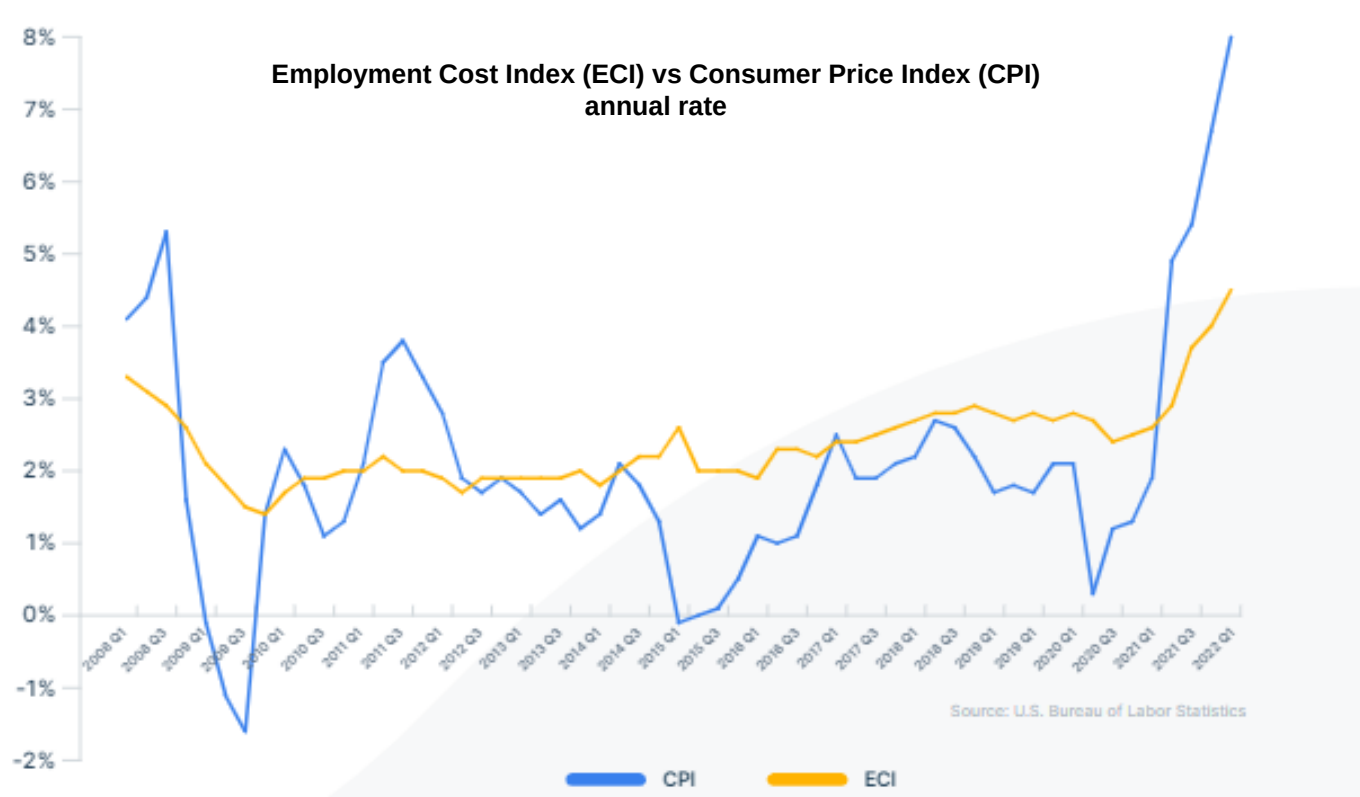


Concern over inflation

Most organizations have not had to consider cost of living adjustments (COLA) in annual wage reviews, but now they do. Increases will vary in degree and timing, depending on geographic, occupation, and industry characteristics. Workers will need more money simply to maintain their lives. Competitive compensation adjustments are among the best tools for maximizing retention and attracting talent and why Compensation professionals need access to timely market data to inform competitive, equitable, and livable wages that lead to better talent, culture, and results for the business. Payscale can help.

Cost of labor versus cost of living

The Employment Cost Index (ECI) from the Bureau of Labor Statistics (BLS) measures the change in the cost of labor, and the Consumer Price Index (CPI) measures the change in consumer prices, otherwise known as inflation. Historical trends show that as prices rise, so does the cost of labor. In recent years, it may have even been tempting to use them interchangeably, especially considering both the annual inflation rate and the annual increase in cost of labor have been two percent on average since 2008, according to the BLS.



It's important to understand that both cost of labor and consumer prices have their own unique drivers. Cost of living is an expression of the supply and demand for goods. Cost of labor is similarly an expression of supply and demand for labor. And as Compensation professionals know, cost of labor might not have applied previously where competition for talent was high. Whether it is a skill or labor shortage, businesses must attract and retain talent with competitive compensation when talent is scarce.