

The Season for Wage and Salary Increases

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Commentary

This is the season in which raises are usually announced. Employees fret about this more than any other aspect of their job, all protestations aside. Bosses don't usually like to think about this at all since their job is to keep costs down.

That creates a peculiar situation in which the two parties that matter the most in wage and salary determination develop something of a taboo about the thing they both think about the most, namely money.



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As a result, employees are often afraid to ask. Instead they sit around and seethe, wondering how much others are paid and worrying that they won't get an inflation adjustment. Most often the result is that the employee says nothing but slowly grows more resentful over time.

My suggestion: The employee should simply ask for a raise. Don't be shy about it. Make your request even if it is high. State your number and explain that you think you provide enough value to the company to justify it. Period.

Whatever you do, don't plead personal hardship. Your boss might personally care but professionally it makes no difference. The workplace is not there to provide welfare but rather pay you for services. Handbooks and office sloganeering says otherwise but it is all nonsense.

If you make a plea based on personal need, you are indicating exactly the opposite of what any company wants, namely that you think your paycheck is an entitlement and not an exchange. We all have needs, really infinite needs. That is a given. The value you offer is your work and its quality. That's what you are selling and nothing more.

The worst that can happen is that the answer is no. You are no worse off. You have to consider whether you should continue to work there and that's fine. But remember this: If you stay, you must be committed and continue to be worth every dime, even if you think you should be getting more. If your ask is curbed back, be thankful anyway.

There is never a point to holding a job about which you have become personally bitter. If there are other options, take them. If there are no other options, find a way to be happy and grateful. There is no third choice.

There is nothing worse for any company than a disgruntled employee who goes around dripping poison in people's ears. Such a person should be shown the door immediately. Don't be that person.

The following has never made any sense to me. Companies are more inclined to hire new employees at \$50K rather than give their \$150K key players a raise to \$190K. It's bizarre. I suspect that this has something to do with a poor theory of salary determination born of HR compliance, which universally uses mathematical formulas to hammer out non-discriminatory results. Maybe it works to reduce complications in the labor market but it doesn't treat people as the individuals they are.

It's unfortunate because everyone knows some employees are dedicated and talented and super valuable whereas the vast majority in many of today's companies are often useless and drain the company.

This is especially true of new hires, the large majority of whom are, at least for some period of time, a drag on company resources. The HR conventions should be completely thrown out and key players should be given large raises, far beyond usual conventions, even if that means firing others.

Great companies reward high performers and only hire when it hurts. Ask Elon Musk: he will tell you exactly this.

In principle, salaries should be adjusted for inflation but what is the number? The CPI is very obviously bogus and should probably be doubled to be more accurate. That means that employees over four years should be getting 40 percent more than they once did, just to stay ahead. That is not the case for many people at all. This is why real income is generally lower today than it was five years ago.

That said, remember that incoming revenue streams are not adjusted for inflation and neither are ticket sales, subscriptions, donations, or grants or anything else. Costs are higher across the board and leave less in the way of resources for generous raises. Firms are not machines with inputs and outputs determined by formulas.

Quite simply, inflation-adjusted raises are not always viable. Indeed inflationary times are the least accommodating to raises simply because the costs of all inputs are going higher and higher.

Over the course of about a quarter century, many firms have become widely bloated, overstaffed, and heavily bureaucratized. This is the inevitable result of artificially cheap credit made possible by a misbegotten Federal Reserve policy of zero and negative interest rates. This habituated companies toward leverage over rational accounting. The Fed made it profitable to be profligate, especially in hiring.

The result has been the creation of a do-nothing overclass in the United States that lives off credentials, connections, and entitlement rather than skill and productivity. The U.S. economy has only recently begun to clean out this fluff. There is still a very long way to go.

Elon Musk in his takeover of Twitter showed the world what can be done with dramatic and shocking housecleanings. This is the best path to deal with the profitability squeeze, insofar as you can get away with it.

He is now trying to bring that same logic to government. It will be much more difficult because public-sector unions have built in strict rules. Essentially, the ethos of government has been to grant lifetime jobs and perfect job security. This reality has instilled a do-nothing attitude across the whole of the public sector.

You know from experience, most likely, what happens to office culture when someone is suddenly fired. The entire office suddenly realizes: this is not a family, not a welfare state, not a real community despite all the prattle about collaboration, not anything but a productivity machine and it only keeps those who perform. The shock that sends—

just one termination of thousands—can change company culture in a good way for years after.

And don't feel sorry for the people let go: they almost always land in a better spot, even if termination can cause temporary trauma. Usually, terminations are good for the employee and good for the firm in the long run. It is precisely because they are so rare in government that government employment has earned a reputation for being a free ride.

That's my year-end message on labor management. Reward the good with implausible levels of generosity, even when it stretches outside conventions. Show the bad employees the door. And keep focused on the mission, which is ultimately affirmed or denied by the results of the balance sheet. It's all common sense, one might suppose, but it is still oddly rare even in the most successful economies on earth.

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