



Highlights of [GAO-06-285](#), a report to congressional requesters

Why GAO Did This Study

Because most workers rely primarily on their employers to provide both wages and benefits as part of a total compensation package, the trends in the costs and availability of employer-sponsored compensation have a significant bearing on workers' well-being.

Through tax preferences and payroll taxes, federal government policy also has a bearing on employees' access to benefits and on the costs carried by employers. The federal government provides significant tax subsidies for both health insurance plans and qualified retirement plans. In addition, workers and employers are required to pay taxes that fund Social Security and Medicare, programs intended to help provide for workers' economic security and peace of mind in retirement.

In this report, GAO examined federal data on private employers' costs for active workers and sought perspectives from 17 experts to identify (1) recent trends in employers' total compensation costs; (2) composition of the trends; (3) whether employees' costs, participation, or access to benefits changed; and (4) possible implications of the changes for private systems.

GAO received technical comments from the Departments of Labor and Health and Human Services and from some of the experts GAO consulted. These comments were incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-06-285.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd R. Nilsen at (202) 512-7003 or nilsens@gao.gov.

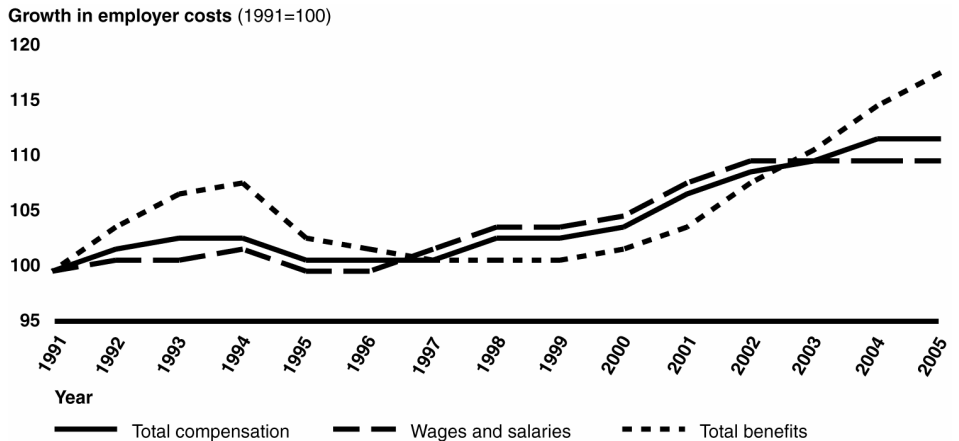
EMPLOYEE COMPENSATION

Employer Spending on Benefits Has Grown Faster Than Wages, Due Largely to Rising Costs for Health Insurance and Retirement Benefits

What GAO Found

Private employers' average real cost of total compensation (comprising wages and benefits) for current workers grew by 12 percent between 1991 and 2005. The real costs of benefits grew by close to 18 percent, while real wages grew by 10 percent. Wages and benefits increased by about the same percentage for most of the period until 2002, after which time real wages began to stagnate and real benefit costs continued to grow.

Growth in Real Employer Costs for Employee Total Compensation, Wages, and Total Benefits for All Workers, 1991 to 2005



Source: GAO presentation of Bureau of Labor Statistics (BLS) data from the National Compensation Survey (NCS).

The increase in the cost of a total benefits package from 1991 to 2005 was largely composed of increases in health insurance and retirement income costs. Paid leave had been the most costly benefit to employers, but by 2005, the cost of health insurance equaled that of paid leave. In comparison to paid leave and health insurance, retirement income was the least costly, but it grew by an estimated 47 percent.

During the time under review, employees' access to most benefits remained stable, but participation rates declined for health benefits as the real dollar amount of the premiums increased. Between 1991 and 2003, roughly half of all workers participated in employer-provided retirement plans. Holidays and vacations were generally available to most workers, but a smaller percentage of workers had access to personal and sick leave.

A panel of experts from a variety of backgrounds agreed that rising benefit costs are forcing private employers and their employees to make increasingly difficult trade-offs between wages and benefits. They noted that the employer-sponsored system of benefits in its current form may be unsustainable, largely because productivity growth is unlikely to support the rising costs of some benefits, especially escalating health insurance costs.