

NEWS BRIEF

Provided by: National Insurance Services

Employers Plan to Increase Salaries 4.1% in 2023, According to Report

Employers plan to raise salaries 4.1% in 2023, according to Willis Towers Watson's (WTW) Salary Budget Planning Report. WTW reported that these budgeted increases will be the largest since 2008 and that nearly 2 in 3 (64%) U.S. employers have budgeted for higher employee pay raises than last year.

This change comes in response to the continued tight labor market and record-high inflation. According to the Bureau of Labor Statistics, the U.S. consumer price index (CPI) rose 9.1% year over year in June 2022, the highest year-over-year increase in four decades. Seventy-three percent of WTW respondents reported the tight labor market is the top factor for increasing wages, while 46% cited employee expectations for higher increases due to inflation.

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"Compounding economic conditions and new ways of working are leading organizations to continually reassess their salary budgets to remain competitive."

- Hatti Johansson, research director of Rewards Data Intelligence, WTW

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Inflation and the Workplace

Inflation is having a direct impact on workers' lives. Another WTW survey found that 4 in 10 workers live

paycheck to paycheck, and this often applies to even high-salaried workers. For example, full-time faculty members' wages decreased by 5% in 2022 after adjusting for inflation, according to the American Association of University Professors' annual report on the economic state of the profession. Such instances illustrate the challenging environment brought by current inflation for both employers and employees, leading many organizations to, in turn, increase wages.

Employers are also going beyond salary increases. Some employers are introducing inflation-offset bonuses while others are modifying their current compensation programs to require more frequent salary reviews.

Takeaway

In response to both the tight labor market and continued inflation, employers are raising wages. Employers should continue to monitor labor, inflation and compensation trends. The employment landscape is ever-changing as workers deal with the realities of the current economic climate.

Contact National Insurance Services for more resources on employee compensation and benefits.

