NEWS BRIEF

Provided by: ToughComp

Reports Show 2022 Wages Increasing Near the Pace of Inflation

According to HR services provider ADP, salaries have been rising rapidly, nearly on par with inflation. Year-over-year pay raises increased by 7.6% leading up to August 2022, compared to an average of around 2% in early 2021. While pay has increased overall, its growth has flattened since April.

Not surprisingly, employees working for larger organizations saw more significant increases. Large companies (with more than 500 employees) raised salaries by 8.3%, while small organizations (with one to 19 employees) increased pay by 5.4% on average.

Aside from company size, the most significant raises went to job hoppers. Those who found different jobs experienced salary gains of 16.1%, while employees who stayed loyal to a company only received an average increase of 7.6%.

The Bureau of Labor Statistics also released its latest earnings data. Average hourly earnings increased 5.2% year over year in August 2022, while average weekly earnings rose 4.6%. These percentages don't account for inflation, so pay bumps likely haven't helped workers much.

Salary Planning for 2023

Salary increases in the United States are projected to grow at an average of 4.1% by 2023, according to WorldatWork. This projection is less than half the current annual inflation rate of 8.3%. In 2022, salary increase budgets rose to an average of 4.1%, a 20-year high much larger than the average 3.3% increase projected in 2021. Many organizations increased their budget projections as inflation began to rise.

Consulting firm Empsight found that companies are planning merit increases as well. Thirty-five percent of surveyed companies reported a 3% budget increase, and 40% are planning for 4% or higher. Merit pay raises are based solely on employee performance and not related to promotions or cost-of-living adjustments.

What's Next?

These reports indicate that while employers are exploring more competitive compensation strategies, these wage raises still lag behind the current rate of inflation increases. Inflation and competition for labor will likely continue to influence employers' hiring- and compensation-related decisions. Today, compensation planners may rely on 2023 estimates of creeping inflation. If inflation doesn't stay moderate, employers could be pressured to raise their salary budget projections next year. However, if the economy continues to slow, employers then may not have sufficient revenues to do so.

Uncertainty around the U.S. economy will continue. Meanwhile, employers should continue to monitor employment trends in the evolving market to stay competitive.

Contact ToughComp for more resources.

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