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One in three U.S. companies are lowering their projected salary increases for 2021 amid concern over weaker financial results and budgetary restraints in the wake of the pandemic, according to a new survey by leading global advisory, broking and solutions company, Willis Towers Watson. Despite these concerns, two-thirds of employers say they expect to fund their annual short-term bonuses.

The survey of 705 U.S. employers, conducted in late September, found that 35% of

conducted by Willis Towers Watson Data Services from May to July showed that companies projected salary increases of 2.8% for all employees next year. While most employers (84%) will deliver pay raises on schedule, about one in six employees will not receive a pay raise in 2021.

"The pandemic's economic implications have led employers in virtually every industry to rethink their compensation plans and budgets for the coming year," said Catherine Hartmann, North America Rewards practice leader, Willis Towers Watson. "For many companies, reducing salary budgets, and in some cases, suspending pay raises, was the most viable option, as they balance remaining competitive with maintaining financial stability."

The survey also found two in three employers (66%) are planning to award annual performance bonuses next year while less than one in 10 (8%) don't expect to do so. The remaining 26% are undecided. Among respondents who plan to pay bonuses, nearly six in 10 (58%) expect the bonus pool funding level to be at or above target level. Executives (91%) and management (87%) employees are the most likely to receive bonus awards; non-exempt hourly employees (63%) are the least likely to receive bonuses.

"Employers remain laser-focused on their ability to attract and retain talent during these challenging times. Annual performance bonuses, which are typically tied to individual and company performance, can play a significant role in helping employers achieve those goals, when faced with less-than-robust salary increases. As companies navigate through these challenging times and settle into a new normal, we expect they will test and monitor the external market and their own internal workforce data more frequently, to better adapt their compensation programs and strategies," concluded Hartmann.