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Isaac M. O'Bannon • Jul. 21, 2021



Pay raises are making a comeback. U.S. companies plan to give employees larger raises next year as they recover from the economic fallout from the pandemic and face mounting challenges attracting and retaining employees, according to a new survey by [Willis Towers Watson](#), a global advisory, broking and solutions company. The survey also found employers are continuing to recognize their high performers with significantly larger raises.

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large in demand for labor and shortage of supply of hourly workers and specific professional roles with premium skills.

Among the major industry groups, high-tech and pharmaceutical companies project the largest increases (3.1%) followed by health care, media and financial services companies (3.0%). Oil and gas industry companies, as well as leisure and hospitality industry companies, are budgeting significantly lower salary increases for employees (2.4%). Retail industry companies are projecting average raises of 2.9% next year.

“Companies are between a rock and a hard place when it comes to compensation planning,” said Catherine Hartmann, North America Rewards practice leader at Willis Towers Watson. “On the one hand, employers need to continue effectively managing fixed costs as they rebound from the pandemic. On the other hand, companies recognize they need to boost compensation with sign-on, referral and retention bonuses; skill premiums; midyear adjustments; or pay raises. Or they can utilize all of these options, especially with millions of Americans quitting their jobs, changing careers or postponing looking for employment.”

### **Top performers continue to receive larger raises**

The survey found companies continue to reward top performers with significantly larger pay raises than average-performing employees. Management and professional employees receiving the highest possible performance rating were granted an average increase of 4.5% this year, 73% higher than the 2.6% increases granted to those receiving average ratings. This trend continued for support staff and hourly workers who received the highest ratings.

The survey also revealed over nine in 10 companies (91%) awarded annual performance bonuses this year based on 2020 performance, significantly higher than 76% of companies that awarded them last year. Bonuses, which are generally tied to company and employee performance goals, averaged 16.0% of salary for

management and professional employees. Bonuses for support staff and production

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