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ADVISORY

Employers Increase Projections for Pay Raises in 2022

Nearly one in three respondents (32%) increased their salary increase projections from earlier in the year. Companies are now budgeting an overall average increase of 3.4% in 2022, compared with the average 3.0% increase they had budgeted in June 2021.

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Fueled by tight labor markets, U.S. employers are boosting their original salary increase projections for 2022 as the Great Resignation shows no signs of abating. That's according to a new survey by [Willis Towers Watson](#), a global advisory, broking and solutions company.

The survey of 1,004 U.S. companies, conducted during October and November 2021, found nearly one in three respondents (32

Category	2021 increases granted	2022 projected increases (June 2021)	2022 projected increases (Oct./Nov. 2021)
Overall	2.8%	3.0%	3.4%
Executives	3.0%	3.0%	3.3%
Management and professionals	2.9%	3.0%	3.4%
Support staff	2.8%	3.0%	3.4%
Production and manual labor	2.7%	2.8%	3.2%

Employees in the following five industries are expected to see the largest salary increases in 2022 compared with their actual increases in 2021:

- Retail and wholesale trade: 2.8% to 3.6%
- Finance: 2.7% to 3.5%
- Life and health insurance: 2.7% to 3.5%
- Energy: 2.6% to 3.4%
- Industrial manufacturing: 2.6% to 3.4%

“There’s a great reprioritization of work, rewards and careers under way, and it’s putting significant pressure on compensation programs for many employers,” said Catherine Hartmann, North America Rewards practice leader, WTW. “As with their responses to the pandemic, employers are looking to be resilient and adaptable in their approach. For instance, as a result of recognizing that labor shortages, and not inflation, are the primary driver of growing salary budgets, many employers are targeting certain segments such as hourly workers, digital talent and workers with in-demand skills to receive higher pay.”

According to the survey, employer concerns over their ability to hire and retain talent far outweighed other factors for boosting salary increases. Nearly three in four respondents (74%) cited the tight labor market for increasing their budgets from prior projections, while only one-third cited anticipated stronger financial results (34%) and inflation or the rising cost of supplies (31%).

“While companies are boosting salary budgets, bigger pay raises alone won’t be enough to help address their attraction and retention challenges. Supplemental tactics including sign-on bonuses, equity and cash retention, and recognition enhancements plus employee experience drivers such as enhanced career enablement, emphasis on mental wellbeing, focus on DEI [diversity, equity and inclusion], and learning and reskilling opportunities can combine to improve the effectiveness of a compensation program. Winning the talent race will require employers to continue to be creative and comprehensive with their Total Rewards strategy,” said Lesli Jennings, senior director, Work & Rewards, WTW.

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