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next year; will continue to focus on pay and employee experience.

Isaac M. O'Bannon • Jul. 18, 2022



Salary budgets for U.S. employees are projected to increase in 2023, mainly influenced by a labor market with more open jobs than people to fill them. Leading global advisory, broking and solutions company WTW's Salary Budget Planning Report found that companies are budgeting an overall average increase of 4.1% for 2023, compared with the average actual 4.0% increase in 2022. These are the largest increases since 2008.

According to the report, nearly two in three (64%) U.S. employers have budgeted for

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budgets, with nearly three in four respondents (73%) citing this as their top factor. Additionally, 46% of respondents cited employee expectations for higher increases that are driven by inflation, and 28% adjusted their budgets in anticipation of stronger financial results.

“Compounding economic conditions and new ways of working are leading organizations to continually reassess their salary budgets to remain competitive,” said Hatti Johansson, research director, Rewards Data Intelligence, WTW. “With such a dynamic environment, it’s imperative for organizations not only to have a clear compensation strategy but also a keen understanding and appreciation of the factors that influence compensation growth. And, if an organization is planning to increase budgets, it’s best to be prepared as to how to award and communicate pay changes as quickly and effectively as possible.”

According to the survey, attraction and retention challenges continue to plague organizations, although fewer respondents expect those difficulties to be at the same level next year. Over nine in 10 respondents (94%) are experiencing difficulties attracting talent this year, but only 40% expect difficulty in 2023. Similarly, 89% of companies reported difficulty retaining workers this year, but that number is expected to drop to just under 60% next year.

In fact, many companies have taken or plan to take non-monetary actions to attract talent. For example, 69% of respondents have increased workplace flexibility, and 19% are planning or considering doing so in the next couple of years. Six in 10 respondents (59%) have placed a broader emphasis on diversity, equity and inclusion (DEI), and 24% are planning or considering doing so in the next few years. Additionally, 49% of companies continue to enhance recruitment offers with sign-on bonuses and equity/long-term incentive awards, while over 21% are planning or considering doing so in the next few years.

Efforts to retain talent are also under way. Almost three-fifths (58%) of companies

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grappling with talent supply challenges, organizations need to get more creative to address attraction and retention challenges,” said Catherine Hartmann, global practice leader, Work, Rewards & Careers, WTW. “The workforce is composed of a diverse employee population, each with their own unique dynamics. Employers are challenged to meet their preferences and needs while delivering on a superior employee experience for all.”

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