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inflation.

Aug. 04, 2022



A June 2022 survey of 130 CFOs and CEOs showed that 51% of organizations favor salary adjustments for only top performing employees as an employee compensation strategy, according to Gartner, Inc. Survey respondents indicated that employee performance will be a key determinant in awarding pay rises to both salaried and hourly employees as a response to cost of living increases from ongoing high levels of inflation.

“Rising labor costs are among the most negatively impactful to operating cash flow,

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employees or those located in select markets. Nearly one in four respondents favored the most restrictive approach, offering pay increases to only top performers within selected geographic markets where inflation was the most severe.

**Figure 1: Most CFOs and CEOs Plan to Adjust Salaries for Employees Based on Performance**

**CFOs' and CEOs' Plans to Adjust Salaries to Match Inflation for Salaried Employees**

Percentage of CFOs and CEOs



n = 130 (total)

Q08A: Which best describes how your organization plans to adjust compensation for salaried employees to match inflation (accounting for cost-of-living adjustment, not merit increment)?  
Source: 2022 Gartner Inflation Response Survey  
Multiple responses allowed

**Gartner.**

Source: Gartner (August 2022)

“The data shows that for now, executive leaders intend to hold the line against large-scale pay increases, and many employees expecting pay adjustments that fully compensate for cost-of-living increase may be disappointed,” said Rathindran. “It’s clear that organizations are attempting to buy more time to read the tea leaves between persistently high inflation, the threat of recession and the state of the labor market before making significant strategic shifts.”

Rathindran said that while CEOs and CFOs are resisting across the board salary increases in the near term, additional survey data indicates that they are planning for heavier compensation investments in the future. A majority of respondents see permanent pay adjustments as a primary tactic for retaining talent, with 43% of

respondents indicating they plan to deploy one-time bonuses to employees in

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