

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

## PAYROLL

# Half of Employees Who Got a Raise Say Their Pay Didn't Keep Up with Inflation

Raises were most likely given to workers for performance-based reasons and cost-of-living adjustments.

Sep. 20, 2022



Americans are seeing the fastest wage growth in decades, and the majority of workers in a Bankrate survey say they've gotten at least some kind of income boost over the past 12 months—but the hottest inflation in almost four decades could be keeping them from fully reaping those benefits.

Nearly half of workers (48%) got a raise this past year and 21% found a higher-paying job, including 8% who received both, according to Bankrate's September Pay Raise survey. Just 39% didn't receive either one, the lowest in any prior iteration of the poll and significantly down from 56% in 2021, 50% in 2019, and 62% in 2018.

While it's been a boon for Americans' wallets, those gains are doing little to offset rising consumer prices. Just 2 in 5 workers (or 39%) who received a pay raise or found a better-paying job say their income has either kept pace or risen faster than consumer prices. Half of these same workers say their income fell behind.

“Inflation that has run at the highest levels in more than four decades has stripped buying power away from households of all walks of life,” says Greg McBride, CFA, Bankrate chief financial analyst. “Even half of those receiving a pay raise, getting a promotion, or taking on new responsibilities said that higher pay falls short of the increase in household expenses.”

Key takeaways:

- More than 3 in 5 workers (61%) have received a pay raise, better-paying job, or both over the past year.
- Workers who received raises were most likely to earn them for performance-based reasons (36%) and cost-of-living adjustments (31%).
- Half of workers who either received a raise or found a better-paying job over the past year say their incomes have not kept pace with inflation.
- Most workers (at 61%) aren't worried about their job security, though 39% are worried.

## **More than 3 in 5 workers have received a pay raise, better-paying job or both over the past year**

Taken together, the majority of workers (61%) have received some sort of pay boost over the past year, whether that's from a higher-paying job, a raise, or both, Bankrate's survey found.

Experts have attributed those widespread gains to one of the strongest labor markets in history, which is offering workers a significant amount of bargaining power. Employers recovered pandemic-related job losses at a rapid pace, with joblessness taking just two and a half years to return to its pre-pandemic low. That compares with a decade-long recovery in the aftermath of the Great Recession of 2007-2009.

Not only has the labor market recovered, but employers' demand for workers has rebounded at a much quicker pace than the number of those available to take a position. Employers have a near record number of job openings, with almost two vacant positions for every jobless American.

For every demographic, raises proved to be the most common way of receiving an income boost over the past 12 months, but key differences were noticeable by age, income, and race.

Younger workers, for example, were much more likely to find a better-paying position than their older counterparts, at 35% for Generation Z and 28% for millennials versus 17% of Generation Xers and 7% of baby boomers. At the same time, the likelihood of receiving a raise showed no age-related trends, with almost half of both Gen Z and boomers getting a pay bump (at 47% and 49%, respectively), along with 45% of millennials and 51% of Generation X.

Black and Hispanic workers were more likely to find a better-paying position than White workers, at 29% and 24% versus 16%, respectively. White workers, however, more commonly reported receiving a pay raise, at 52%, versus 48% and 39% for Black and Hispanic workers.

Workers with lower earnings and less education were more likely to find a better-paying position, while pay raises skewed more toward higher earners and the most highly educated. More than half (55%) of those with a postgraduate education got a raise along with 51% of those earning \$80,000 or more a year, the most of any other group for both categories.

## **Performance-based increases and cost-of-living adjustments remain most common reasons for pay raises**

For the workers who received a raise, performance-based increases (at 36%) were the most common reason for a pay bump, followed by 31% who saw a cost-of-living adjustment and another 16% who earned a promotion or new job responsibilities. Meanwhile, 10% cited another reason for getting a raise and 7% didn't know.

Younger workers were more likely to see higher pay associated with a promotion or new job responsibilities than older generations, while older workers tended to see more performance-based raises than younger ones.

Still, performance-based raises were the most common reason for a raise for every group except lower-wage workers and women. Nearly two-fifths (37%) of workers making less than \$50,000 a year saw a cost-of-living adjustment, as opposed to 31% who saw a performance-based raise and 14% who received it as part of a promotion or new job responsibilities. Women, meanwhile, at 34% each, were equally as likely to get a performance-based raise as a cost-of-living-adjustment.

“The cost-of-living increase continues to be the exception rather than the rule,” McBride says.

## **Half of working Americans say their pay isn't keeping up with inflation**

Higher pay or better-paying jobs have done little to remedy inflation, Bankrate's survey suggests.

Overall, just a third (33%) say their income has either exceeded or kept up with inflation over the past year, and the figure only slightly improved for the individuals who reported either receiving a pay raise or a more prosperous position, at 39%.

Some individuals, however, were better off. Nearly half (45%) of Gen Z and millennial workers who saw higher pay in the past year say their incomes kept pace or exceeded inflation, compared with 33% for both Gen X and boomers. Higher-earning workers who got a raise or higher-paying position were also more likely to say their incomes have kept pace or beat inflation, at 53% for those earning \$100,000 or more a year versus 34% for those earning less than \$50,000 a year.

## **Nearly 2 in 5 workers are worried about their job security**

If inflation starts to cool, wage growth could finally have a chance to catch up, helping Americans take full advantage of the best labor market in nearly half a century. But it also depends on whether income keeps growing at its current, historically hot pace—and the outlook doesn't look good.

The Federal Reserve could make or break it. The central bank is raising interest rates by the fastest pace since the 1980s to bring inflation down. But higher interest rates

only help by slowing the economy down as a whole—and along with it, the job market.

Fed officials have said the labor market is “extremely tight.” But it’s also that tightness that has helped give workers the most bargaining power they’ve had in nearly half a century, as businesses compete for more talent.

The majority of American workers (at 61%) say they’re not worried about their job security. Yet, 39% say they are worried, which includes 28% who are somewhat worried and 11% who are very worried.

## Methodology

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,458 adults. Fieldwork was undertaken between August 17-19, 2022. The survey was carried out online and meets rigorous quality standards. It employed a nonprobability-based sample using quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

---

©2022 Bankrate.com. Visit Bankrate online at [bankrate.com](https://www.bankrate.com). Distributed by Tribune Content Agency, LLC.

Firm Management • Payroll • News

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2022 Firmworks, LLC. All rights reserved