changing salary increase budgets have said they will fund increased spending by...

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Overall salary increases in the U.S. are forecast to rise to 4.6% in 2023, up from an actual spend of 4.2% this year, as the majority of companies react to inflationary pressures (77%) and concerns over the tighter labor market (68%). That's according to the latest Salary Budget Planning Report by WTW, a leading global advisory, broking and solutions company.

While current pay budgets have risen to 4.2%, in 2022 more than two-thirds of companies (70%) spent more than they originally planned on pay adjustments for the past 12 months.

2020. In fact, the tight labor market has been an influencing factor in the decision of nearly seven in 10 companies (68%) to increase salary budgets.

"As inflation continues to rise and the threat of an economic downturn looms, companies are using a range of measures to support their staff during this time," said Hatti Johansson, research director, Reward Data Intelligence, WTW. "Organizations should prioritize their actions based on the needs of both employers and employees and pay close attention to market data to inform any changes."

To tackle the competitive labor market, more than half of respondents (57%) have hired candidates higher in the relevant salary range, while a further 76% have adjusted or are considering adjusting salary ranges more aggressively, increasing ranges by 2% to 5%. More than two-fifths of organizations either have adjusted or are considering adjusting salaries more aggressively; 90% of organizations making or considering salary increase adjustments are doing two adjustments per year.

In addition, two-thirds of respondents (67%) have provided more workplace flexibility, while 61% have already put broader emphasis on diversity, equity and inclusion (DEI). Nearly half of companies (46%) are planning or considering improving the employee experience to address inflationary pressures and drive retention. Of these actions, 65% of companies say they are in place with no end date until 2023 or later, while 23% haven't put any actions in place but are planning to do so.

"With attraction and retention issues persisting, employers should consider the overall employee experience and not just salary increases," said Lesli Jennings, North America leader, Work Rewards and Careers, WTW. "By focusing on health and wellness benefits, workplace flexibility, careers and DEI, organizations can position themselves as the employer of choice for their current and prospective employees."