



ECONOMIC
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National Compensation Forecast

July 2018



Each quarter, ERI examines the rates at which salaries have increased and provides guidance on expected increase for the upcoming year. These rates are calculated using ERI's Salary Assessor and Salary Increase Survey & Forecast.

As of July 1, 2018, salaries have increased at a higher rate than expected given ERI's 2018 Salary Increase Survey & Forecast. Specifically, salaries grew at a rate of 0.72% between April 2018 and July 2018, which is higher than the 0.56% expected quarterly growth rate. However, though salaries grew faster than expected, the 1-year actual growth rate is slightly lower than the expected growth rate. Indeed, salaries have grown 2.04% over the past 12 months, which is lower than 2017's expected rate of 2.2% and 2018's expected rate of 2.24% (0.56% quarterly). This is due to a lower rate of growth in the previous three quarters, which have an average growth rate of 0.44%.

These results are lower than the results of other wage growth surveys. Specifically, the BLS' Employment Cost Index reports a revised Q1 2018 growth rate of 0.7% and a 1-year growth rate of 2.6%. While ERI's current quarter is consistent with the BLS' most recent findings, ERI's 1-year growth rate is 0.55% below the rate noted by the BLS. There are several possible reasons for the differences between the BLS and ERI findings, but the most likely culprit is a phenomenon called sampling error. Sampling error refers to differences between sample results due to variations in the samples, which in this case would be different organizations participating in each survey. It may be that the BLS happened to sample a group of organizations that are growing at a higher rate than the organizations sampled by ERI.

If this reason for the inconsistent results is correct, it leads to an interesting possibility. These differences may point to uneven growth throughout the US economy. Compensation appears to be growing more rapidly in some organizations than others, which may be expected if some industries and locations are seeing higher competition for labor than others. Time will tell if the increases noted by the BLS are more localized or if they are the precursor to a broader level of growth.

Overall Trends

July salaries have increased by 0.72% (see *Table 1*) over the April 1 data release. This rate of growth is above the expected quarterly rate of 0.56%. To put this into context, the average quarterly growth over the past 20 years has been 0.74% (see *Table 2*). Over the same 20-year period, the average July increase has been 0.62%. Historically, July increases have been lower than increases throughout the rest of the year, so the current higher-than-expected growth rate in July may point to an increased rate of growth in the economy.

Despite the past quarter being above the expected rate of growth, compensation grew more slowly than expected over the past year. This was largely due to the October 2017 (0.44%), January 2018 (0.47%), and April 2018 (0.42%) releases, which were all below expectations. It should be noted that this uneven growth is not atypical. Compensation tends to grow at uneven rates throughout the year.

It should also be noted that the data in the Salary Assessor may be expected to follow the 2018 structure increase instead of the budget increase. This is because the Salary Assessor tracks how much structures move within organizations, as opposed to budget increases. Because of this, comparisons are made to the 2018 structure figures instead of the 2018 budget figures.

	Percent Increase
2018 Projected Increase (Budget)	3.06%
2018 Projected Increase (Structure)	2.24%
1-Year Increase	2.04%
July 2018 Increase	0.72%

Table 1. Current projected and actual increases.

	20 year	10 Year	5 Year	1 Year
Average Quarterly Increase	0.74%	0.57%	0.62%	0.51%
Average July Increase	0.62%	0.58%	0.72%	0.72%
Average Yearly Increase	2.86%	2.34%	2.49%	2.04%

Table 2. Historical actual increases.

Overall Trends by Year

Figure 1 below displays overall trends using three lines. Two lines (red and blue) represent projected salary increases from ERI's Salary Increase Survey & Forecast, and the black line represents actual changes in salary reported in ERI's Salary Assessor. The red and blue lines represent what survey respondents expected to happen in a given year (collected in the previous year), and the black line represents what happened in a given year. By comparing these three lines, we can see the extent to which expectations met up with reality. As noted earlier, the actual movement (black line) is expected to follow the structure increase (red line). This is because salary surveys generally capture the movement of salary structures within organizations instead of measuring the salary increase of individual employees.

An examination of where the reality of salary movement (black line) has departed from the expected trend line (red line) gives us information regarding how salaries might move in the future. Specifically, 2013 and 2014 saw actual salaries grow at a rate that is higher than expectations from the previous year. However, over the past three years, actual salary growth (black) has been more in line with expected growth (red). Because of this, it may be more likely that actual salary growth will follow the expected growth estimates for 2018.

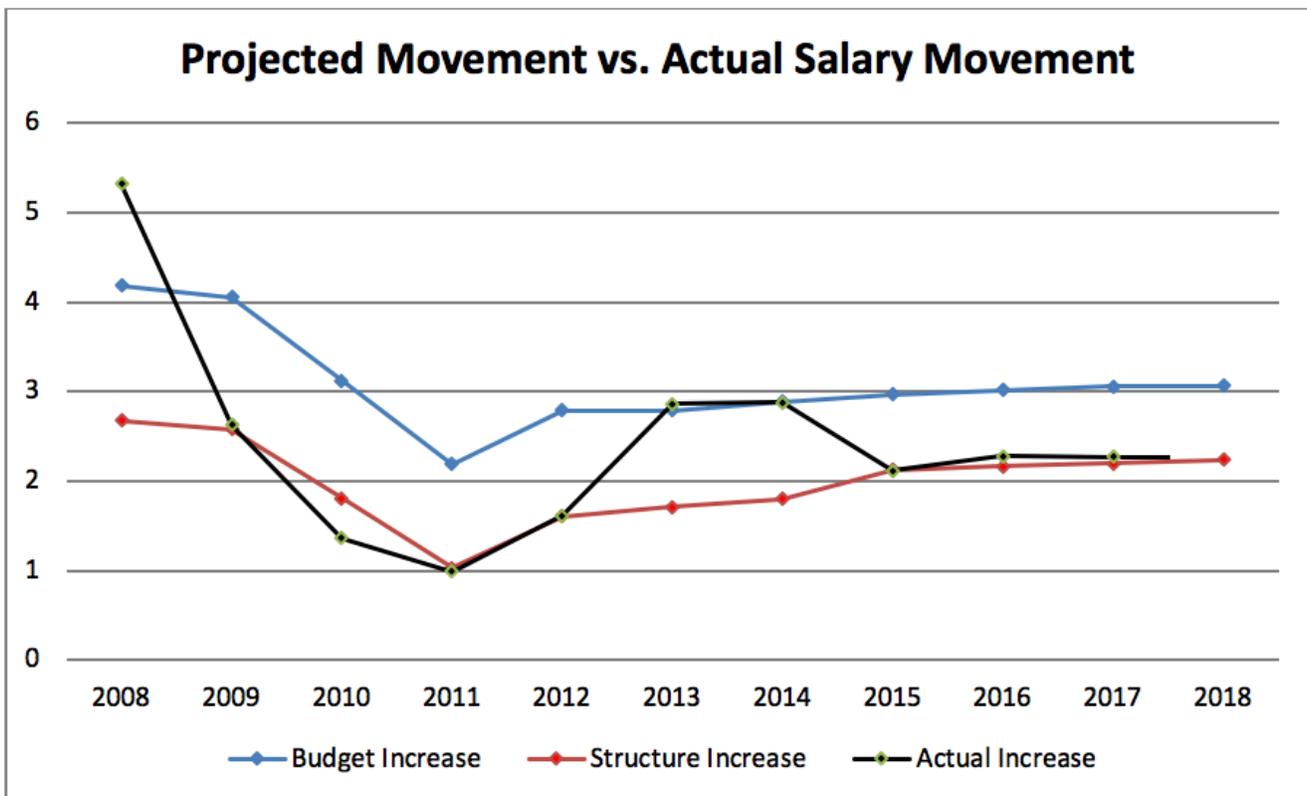


Figure 1- Overall Trends. 2018 Budget Increase of 3.06% (Blue Line), 2018 Structure Increase of 2.24% (Red Line), 2018 6-month rate extended to 12 months 2.26% (Black Line). Source: ERI's Salary Increase Survey & Forecast and ERI's Salary Assessor.

Trends by Category

10-Year Trend by Category

While it is valuable to know how all occupations are moving in this economy, it is also useful to know how different types of occupations move relative to each other, and across time. Not all occupations grow at the same rate, and not all occupations grow at the same rate across time. *Figure 2* reveals the total growth experienced across a 10-year period. If we break all occupations down into 10 categories, it becomes clear that some occupations are growing at a faster rate than others. Specifically, Professional employees appear to have seen the highest level of growth, whereas Sales occupations have seen the slowest growth.

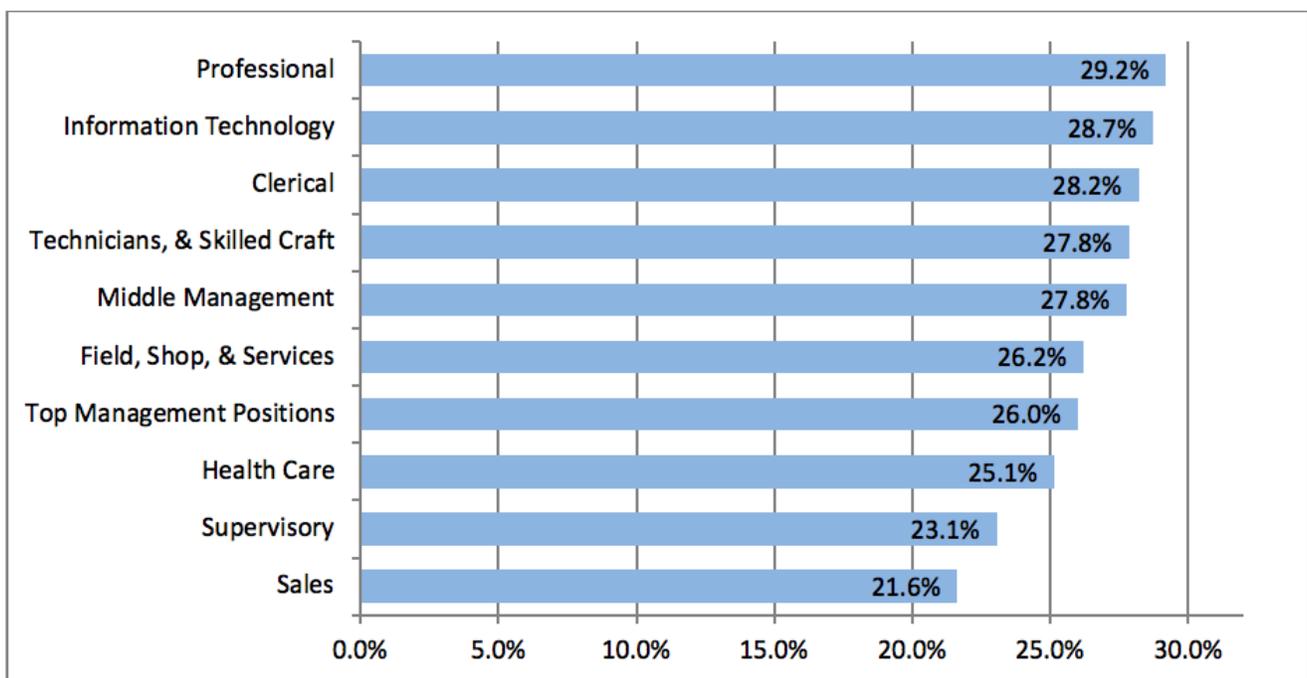


Figure 2. Total salary growth by occupational category 2007-2018. Source: ERI's Salary Assessor

Mean Salary by Category

Table 3 reveals the actual growth rates for different occupational categories in the past three years and provides information on whether the occupational category is seeing increased or decreased growth this period. It is important to note that, just because an occupational category has decelerating growth, it does not mean that the trend will continue. All occupations may be expected to see salary growth over time, so an occupational category that has been showing slow growth may be more likely to see higher growth in the future.

Occupational Category	Mean Salary	2017-2018	2016-2017	2015-2016	3 yr Growth	Trend
Top Management	\$ 165,715	1.6%	2.6%	3.0%	2.3%	↘
Middle Management	\$ 102,837	2.3%	2.9%	3.4%	2.7%	↘
Supervisory	\$ 79,271	2.2%	2.7%	3.1%	2.5%	→
Health Care	\$ 116,431	3.6%	2.2%	2.7%	2.7%	↗
Information Technology	\$ 89,560	0.8%	2.5%	4.2%	2.4%	↘
Professional	\$ 85,092	2.4%	2.1%	2.9%	2.4%	→
Sales	\$ 60,159	0.8%	1.1%	1.6%	1.2%	↘
Technicians and Skilled Craft	\$ 60,994	1.8%	2.0%	2.9%	2.2%	↘
Field, Shop, & Services	\$ 44,129	1.9%	2.5%	2.9%	2.4%	↘
Clerical	\$ 42,132	2.4%	2.3%	2.6%	2.3%	↗

Table 3. Mean salaries by occupational category (July 2018). Note: Year ranges represent 1 year starting in July of the higher year (e.g., 2017-2018 represents July 1, 2017, to July 1, 2018).

Occupational Categories

In the process of examining the growth of compensation data on a national basis, the data were broken into 10 specific occupational categories to study changes in compensation at a more granular level. The populations of these categories are illustrated in *Figure 3* below.

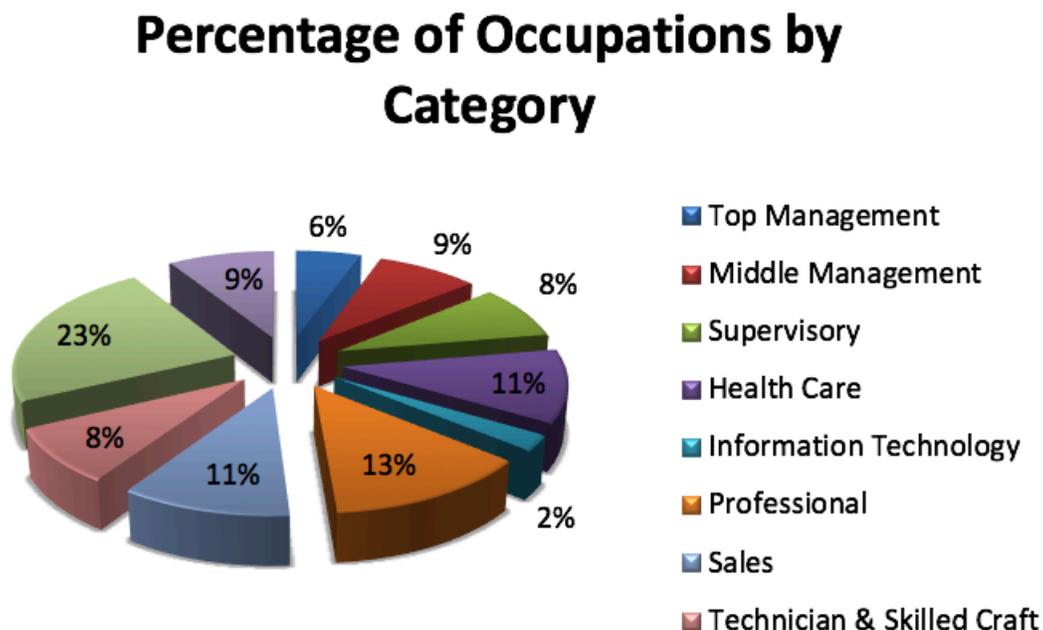


Figure 3 illustrates each category's percentage as it relates to the total number of occupations.

About the National Compensation Forecast

The **National Compensation Forecast** is designed to capture salary changes across a broad range of jobs found in the United States economy.

This index shows how national compensation has changed over the ten years prior to the time of publication: July 2018. Of note, these figures represent actual and projected salary growth for base compensation only. Other sources include data on the cost of benefits, incentives, as well as base compensation.

By simplifying the analysis and focusing only on the fundamental component of compensation (base compensation), ERI hopes to provide a cleaner picture of how compensation is growing in the United States. The data contained in this report are derived from quarterly results published in [ERI's Salary Assessor](#), a professional compensation tool used widely across the public and private sector, including most Fortune 500 organizations.

For a full discussion of the product's methodology, please see the [Salary Assessor methodology](#). The specific data used in this report represent 1,482 distinct occupations, which were consistently surveyed across the 20 years covered by this report. These occupations range from the lowest paid occupation that ERI surveys (Dishwasher) to the highest paid (CEO) and represent mean base salary. Data are first examined on an aggregate basis before being broken down into 10 occupational categories. The data for the 2018 index comes from data submitted to ERI's [Salary Increase Survey & Forecast](#).

In coming quarters, ERI will continue to track and report on the trends that exist in the compensation landscape. Please direct any questions or comments to Jonas Johnson, Ph.D.: Jonas.Johnson@erieri.com.

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