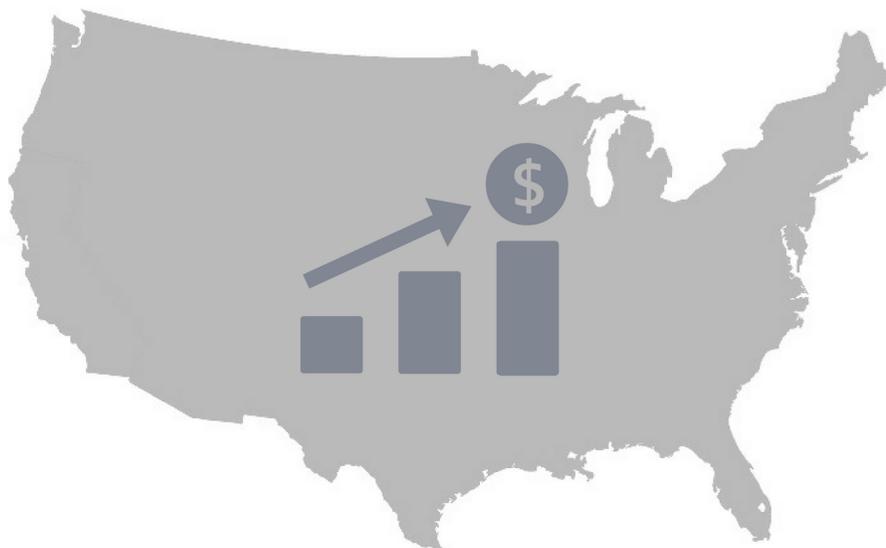




National Compensation Forecast

January 2017



2017 National Compensation Forecast

In the first quarter of 2017, compensation professionals are beginning to implement increases for the incoming year. A natural question during this process is whether salaries will increase at a different rate in 2017 than in 2016. In recent years, ERI has reported increasing levels of salary growth, which is supported by independent sources such as the Employment Cost Index (ECI). Furthermore, there have been reports of a number of large organizations that are significantly increasing compensation. Taken together, these findings support the idea that salaries have increased in recent years. Will this trend of increased growth continue through 2017? To answer this question, ERI examines compensation growth from a number of different perspectives to create a clearer picture of how compensation has grown in the past and how it will likely grow in the future. Please see the graphics on the following pages for details on these analyses.

ERI's analyses of compensation growth are different from other measures of growth. These figures represent actual and projected salary growth for base compensation only. Other sources include data on the cost of benefits and incentives, as well as base compensation. By simplifying the analysis and focusing only on the fundamental component of compensation (i.e., base compensation), ERI hopes to provide a cleaner picture of how compensation is growing in the United States.

Overall Trends

Overall, participants in ERI's Salary Increase Survey & Forecast are expecting slightly higher increases for 2017 than 2016. Also of note, actual growth increased in 2016 from 2015, though it is still lower than 2014. January salaries have increased by 0.36% over the October 1 data release (see *Table 1*). To put this into context, the average quarterly growth over the past 20 years has been 0.77% (see *Table 2*). Over the same 20-year period, the average January increase has been 0.68%.

	Percent Increase
2017 Projected Increase (Budget)	3.06%
2017 Projected Increase (Structure)	2.20%
2016-2017 Actual Increase	2.27%
January 2017 Actual Increase	0.36%

Table 1 - Current projected and actual increases

	20 year	10 year	5 year
Average Quarterly Increase	0.77%	0.66%	0.59%
Average January Increase	0.68%	0.71%	0.76%
Average Yearly Increase	2.99%	2.63%	2.35%

Table 2 - Historical actual increases

To stay on target to reach the expected 2017 structure growth rate of 2.2%, salaries will have to grow at an average rate of 0.55% per quarter. The fact that salaries from October to January grew at a slower rate does not necessarily mean that overall growth is slowing. Salary growth may fluctuate from one quarter to the next. Indeed, the October version of this report showed a yearly growth rate that was above the expected growth rate. However, the current 3.6% growth rate actually brought the structure rate into line with expectations for 2016.

It should be noted that the data in ERI's **Salary Assessor** may be expected to follow the 2017 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 2017 structure figures instead of the 2017 budget figures.

Overall Trends by Year

Please refer to *Figure 1* below, which has 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 actually 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, the past three years have seen actual salaries grow at a rate that is higher than expectations from the previous year. However, over the past two 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 2017.

Projected Movement vs. Actual Salary Movement

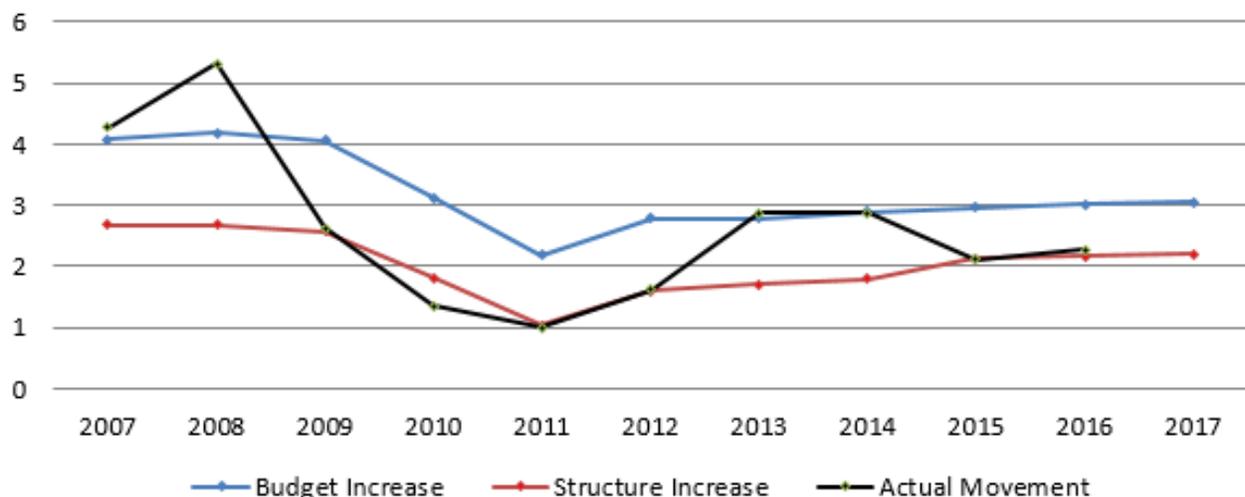


Figure 1 - Overall Trends. 2017 Budget Increase (3.1%), 2017 Structure Increase (2.2%), 2016 Actual Increase (2.6%). Source: ERI's Salary Increase Survey & Forecast and ERI's Salary Assessor.

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, Information Technology appears to have seen the highest level of growth, whereas Sales occupations have seen the slowest growth.

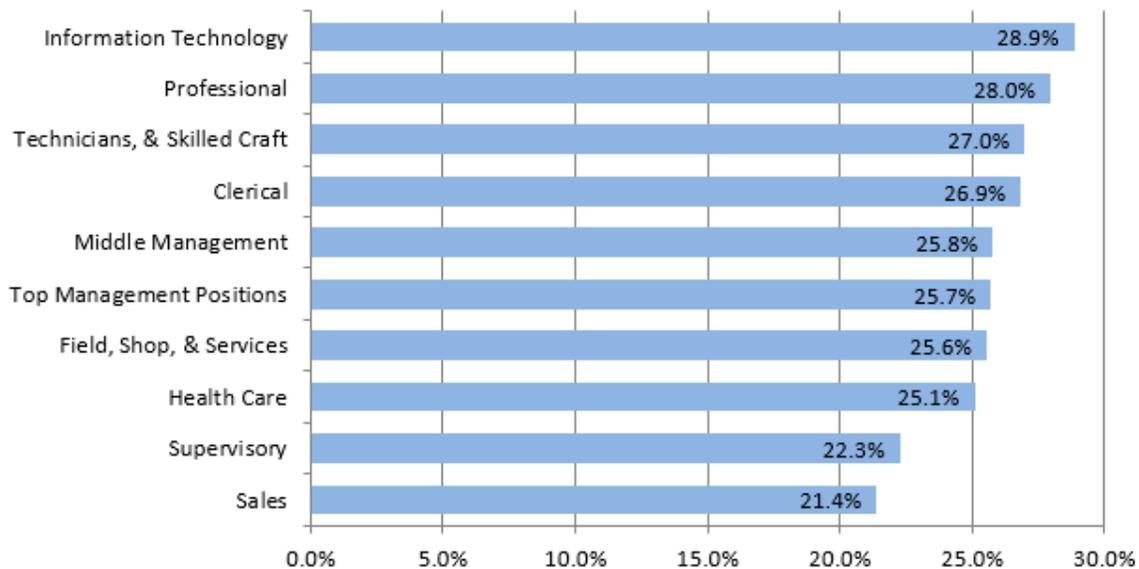


Figure 2 - Total salary growth by occupational category 2007-2017. Source: ERI's Salary Assessor

2016 Mean Salary by Category

Table 3 reveals the actual growth rates for different occupational categories in the past three years and also provides information on whether the occupational category is seeing increased or decreased growth over the past three years. 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 down for a while may be more likely to see growth in the near future.

Occupational Category	Mean Salary	2016 Growth	2015 Growth	2014 Growth	3-YR Growth	3-YR Trend
Top Management	\$161,745	2.5%	1.5%	3.2%	2.3%	↘
Middle Management	\$99,872	3.1%	2.0%	3.4%	2.7%	→
Supervisory	\$76,165	2.9%	1.8%	2.9%	2.4%	→
Health Care	\$111,148	2.1%	3.2%	2.8%	2.6%	→
Information Technology	\$86,905	4.0%	1.8%	3.5%	2.9%	→
Professional	\$82,415	2.4%	2.2%	3.7%	2.6%	↘
Sales	\$59,028	0.8%	4.1%	1.4%	2.0%	↘
Technicians and Skilled Craft	\$58,733	2.5%	2.3%	2.9%	2.5%	↘
Field, Shop, & Services	\$42,725	2.9%	2.1%	2.9%	2.6%	→
Clerical	\$39,697	2.3%	1.8%	2.4%	2.1%	→

Table 3 - Mean salaries by occupational category (January 2017).

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.

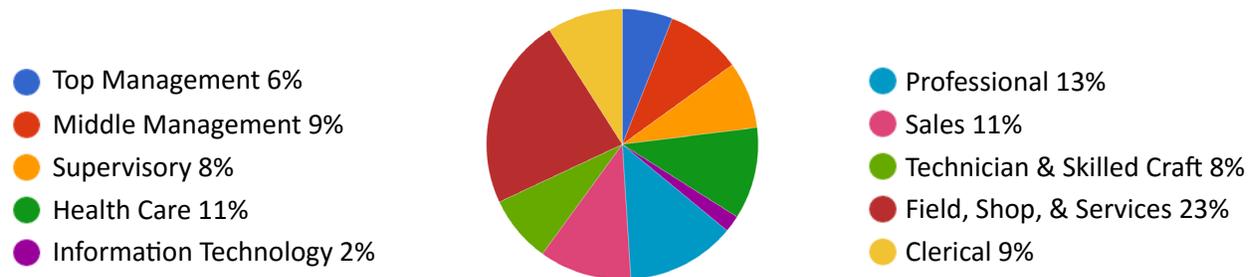


Figure 3 illustrates each category's percentage as it relates to the total number of occupations in this study.

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: January 2017. 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 twenty 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 2017 National Compensation Forecast comes from data submitted to [ERI's Salary Increase Survey & Forecast](#).

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