ECONOMIC RESEARCH INSTITUTE

National Compensation Forecast

January 2018

2018 National Compensation Forecast

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

As of January 1, 2018, salaries have increased at a slightly lower rate than expected given the 2018 Salary Increase Survey & Forecast. Specifically, salaries grew at a rate of 0.47% between October 2017 and January 2018, which is lower than the 0.55% expected quarterly growth rate. However, though salaries grew more slowly than expected, the 1-year actual growth rate matches the expected growth rate very closely. Indeed, 2017 salaries were expected to grow at a rate of 2.20% (0.55% quarterly), and salaries have grown 2.25% over the past 12 months. Overall, at the end of 2017, it appears that compensation growth rates are moving consistently with expectations.

Looking forward, growth rates in 2018 are more uncertain. ERI subscribers have indicated that they are expecting a growth rate of 2.24% in 2018. However, these data were collected prior to the passage of the December 2017 tax bill. A number of organizations have since indicated plans to increase compensation either through wage increases or bonuses. The extent to which these changes will affect actual growth over the next year remains to be seen. Wide adoption of base salary will likely increase compensation rates at a higher-than-expected rate. However, if the extra compensation is mainly relegated to bonuses, then compensation increases may follow expectations.

Overall Trends

January salaries have increased by 0.47% (see *Table 1*) over the October 1 data release. This rate of growth is below 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 January increase has been 0.66%.

Despite being below the projected rate of growth, compensation grew as expected in 2017. This was largely due to a bump in the July 2017 data release that was higher than expected (0.89%). The three other quarters in 2017 compensation growth were all below the projected growth rate: April 2017 (0.45%), October 2017 (0.44%), and January 2018 (0.47%). It should be noted that this uneven growth is not unexpected. Compensation tends to grow at uneven rates throughout the year.

It should be noted that the data in the Salary Assessor may be expected to follow the 2018 structure increase instead of 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	2.25%
January 2018 Increase	0.47%

Table 1. **Current projected and actual increases.**

	20-year	10-year	5-year	1-year
Average Quarterly Increase	0.74%	0.62%	0.62%	0.56%
Average January Increase	0.66%	0.62%	0.72%	0.47%
Average Yearly Increase	2.93%	2.42%	2.47%	2.25%

Table 2. **Historical actual increases.**

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 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.

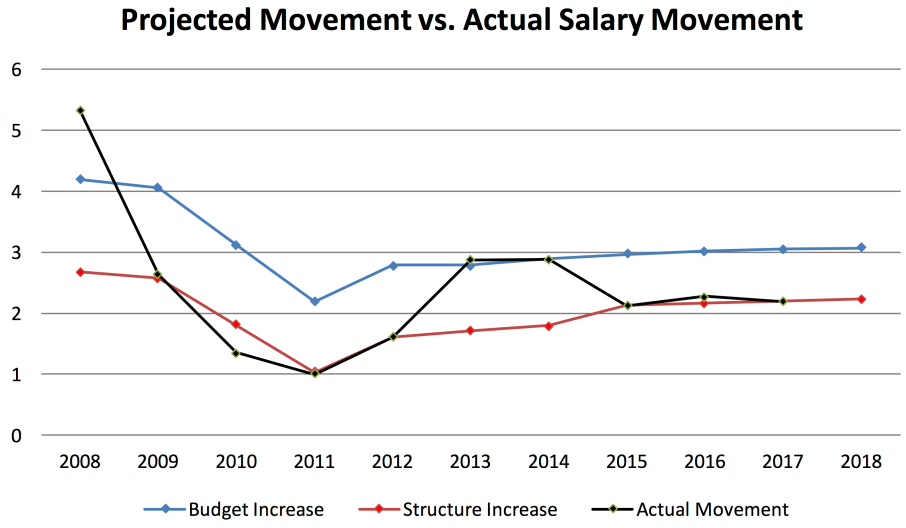

Figure 1 **- Overall Trends. 2018 Budget Increase of 3.06% (Blue Line), 2018 Structure Increase of 2.24% (Red Line), 2017 Actual Increase of 2.25% (Black Line). Source: ERI's Salary Increase Survey & Forecast and ERI's Salary Assessor.**

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, Professional employees appear to have seen the highest level of growth, whereas Sales occupations have seen the slowest growth. It should be noted that Professional employee growth surpassed Information Technology in the past quarter due to an increase in Professional employee growth.

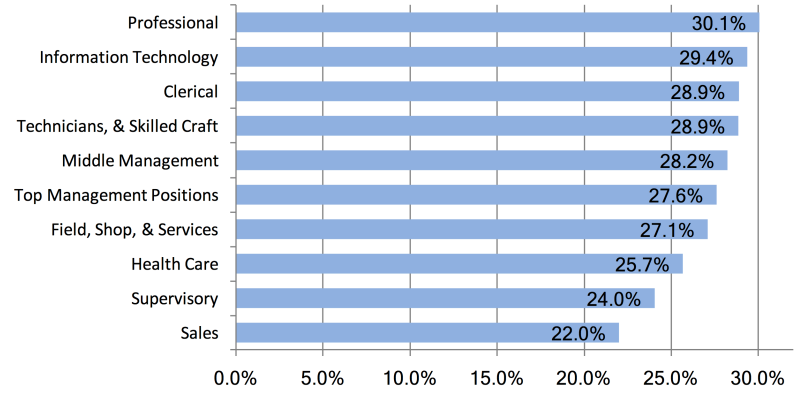

Figure 2. **Total salary growth by occupational category 2007-2018. Source ERI Salary Assessor.**

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 showing slow growth may be more likely to see higher growth in the future.

Occupational Category	Mean Salary	2016-2017	2015-2016	2014-2015	3-YR Growth	3-YR Trend
Top Management	$174,508	2.9%	2.1%	1.3%	2.0%	↗
Middle Management	$102,224	3.0%	3.0%	1.9%	2.5%	↗
Supervisory	$78,433	2.7%	2.9%	1.8%	2.4%	↗
Health Care	$113,754	2.3%	2.1%	3.2%	2.4%	↘
Information Technology	$88,658	1.4%	3.9%	1.7%	2.2%	→
Professional	$88,402	2.6%	2.2%	2.0%	2.2%	→
Sales	$59,599	1.0%	0.8%	4.1%	1.9%	↘
Technicians & Skilled Craft	$60,067	2.1%	2.5%	2.3%	2.2%	→
Field, Shop, & Services	$43,680	2.2%	2.9%	2.1%	2.3%	→
Clerical	$40,782	2.7%	2.3%	1.8%	2.2%	↗

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

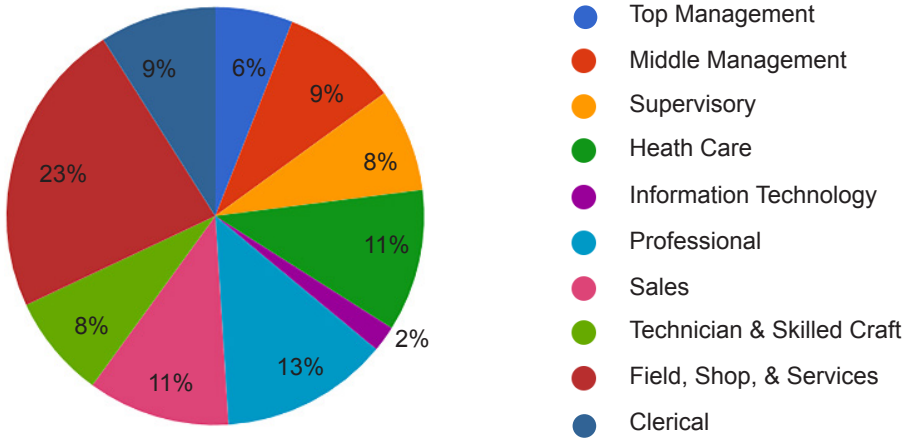

***Figure 3* illustrates each category's percentage as it relates to the total number of occupations.**

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: January 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 email Jonas Johnson at jonas.johnson@erieri.com with questions or comments.

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