



ECONOMIC
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National Compensation Forecast

July 2017



2017 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. Please find the details of these analyses on the following pages.

As of July 1, 2017, salaries have increased substantially over the previous quarter, ending on April 1, 2017. The average growth rate was also higher than expected for the July data release. Specifically, salaries are expected to grow at a rate of 0.55% per quarter throughout 2017, but July showed an actual increase of 0.89%.

There are two possible conclusions that could be drawn from these results. First, it is possible that salary growth is accelerating. A second possibility is that this growth is part of normal quarterly variation, and salaries are increasing at an expected pace when viewed on an annual basis. The January and April releases both showed growth rates that were lower than expected, and the higher rate of growth in July may simply bring the yearly average in line with predictions. Given the size of the increase in the July data over the April data, it is impossible to say if this is the harbinger of growth. Compensation growth tends to follow large cyclical trends as seen in *Figure 1*. The next two quarters will reveal if this higher growth rate is part of a larger trend or simply quarterly variation.

One note on the methodology used in this report. ERI analyses on 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, incentives, and 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.

Overall Trends

Overall, participants in the Salary Increase Survey are expecting slightly higher increases for 2017 than 2016. July salaries have increased by 0.89% (see *Table 1*) over the April 1 data release. This is a strong growth rate for a single quarter and is almost double the rate of the April release (0.45%). To put this into context, the average quarterly growth over the past 20 years has been 0.78% (see *Table 2*). Over the same 20-year period, the average July increase has been 0.71%.

	Percent Increase
2017 Projected Increase (Budget)	3.06%
2017 Projected Increase (Structure)	2.20%
1-Year Increase	2.22%
July 2017 Increase	0.89%

Table 1. Current projected and actual increases.

	20-year	10-year	5-year	1-year
Average Quarterly Increase	0.77%	0.66%	0.62%	0.55%
Average July Increase	0.71%	0.51%	0.69%	0.89%
Average Yearly Increase	2.94%	2.58%	2.46%	2.22%

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 or 1.1% over 6 months. The July growth rate of 0.89% is higher than the expected growth rate, but it does not necessarily mean that salaries in 2017 will grow at an overall higher rate than expected. Indeed, salaries in January and April grew at a combined rate of 0.81%, which is lower than expected. Overall, the past three quarters have seen growth of 1.7%. To stay on track to match the expected growth rate of 2.2%, the next quarter will need to grow at a rate of 0.5%.

It should be noted that the data in the 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 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.

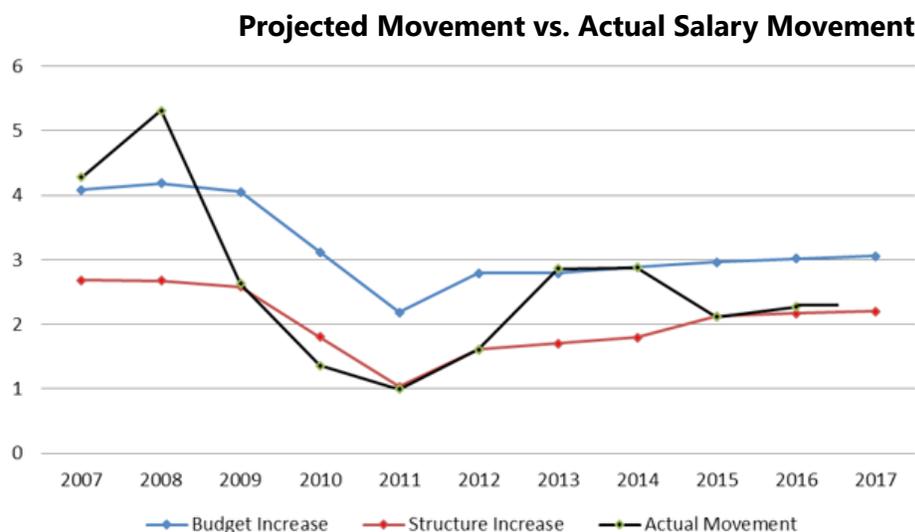
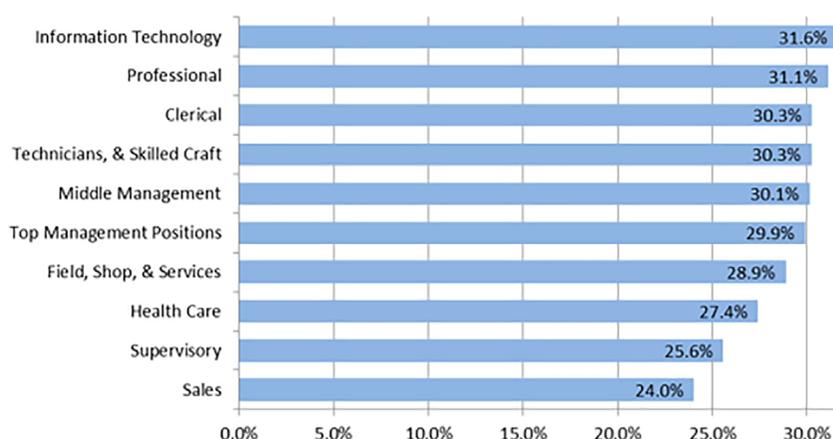


Figure 1. Overall Trends. 2017 Budget Increase (3.1%), 2017 Structure Increase (2.2%), 2016 Actual Increase (2.3%). Annualized trend (2.2%) Source: ERI Salary Increase Survey & Forecast and ERI Salary Assessor.

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 employees appear to have seen the highest level of growth, whereas Sales occupations have seen the slowest growth. It should be noted that Information Technology employee growth surpassed Professional in the past quarter due to an increase in salaries from Information Technology employees in July 2017.

Figure 2. Total salary growth by occupational category 2007-2017. 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 trends 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	2016-2017	2015-2016	2014-2015	3-YR Growth	3-YR Trend
Top Management	\$175,939	2.1%	2.6%	2.3%	2.3%	→
Middle Management	\$102,600	2.9%	3.4%	3.0%	2.9%	→
Supervisory	\$77,665	2.7%	3.1%	2.6%	2.7%	→
Health Care	\$112,497	2.2%	2.6%	4.0%	2.8%	↘
Information Technology	\$88,087	2.4%	4.1%	2.2%	2.7%	→
Professional	\$87,748	1.9%	2.7%	3.4%	2.5%	↘
Sales	\$59,460	1.1%	1.6%	3.5%	2.0%	↘
Technicians and Skilled Craft	\$59,460	2.1%	2.9%	2.8%	2.5%	↘
Field, Shop, & Services	\$43,323	2.6%	2.9%	3.0%	2.7%	→
Clerical	\$40,308	2.2%	2.6%	2.3%	2.3%	↗

Table 3. Mean salaries by occupational category (July 2017). Note: Year ranges represent 1 year starting in July of the higher year (e.g. 2016-2017 represents July 1, 2016, to July 1, 2017).

Occupational Categories

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

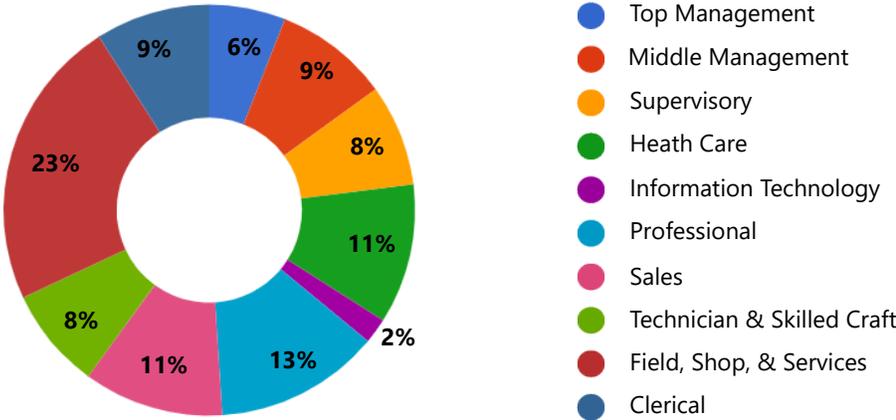


Figure 3 illustrates each category’s percentage as it relates to the total number of occupations.

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 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 ten occupational categories. The data for the 2017 National Compensation Forecast 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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