



ECONOMIC  
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# National Compensation Forecast

October 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.

Of note for this quarter's report is the publication of the 2018 Salary Increase Survey. Overall, participants in the Salary Increase Survey are expecting slightly higher structure increases for 2018 than 2017. Specifically, salary structures are expected to increase by 2.24% in 2018 compared to the 2.20% expected in 2017. However, while organizations are expecting a structure increase for 2018, they are expecting the same budget increase as in 2017 (3.06%). Flat budget increases coupled with increasing structure increases would generally indicate a reduction in turnover. Fewer incumbents leaving an organization will narrow the gap between budget and structure increases. For this reason, it will be important to keep an eye on turnover in 2018. Increasing turnover could mean lower structure increases for organizations.

Regarding current growth, as of October 1, 2017, salaries have increased at a slightly lower rate than expected given the 2018 Salary Increase Survey. Specifically, salaries grew at a rate of 0.44% between July and October 2017, 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 2.21% over the past 12 months. There are still 3 months left in 2017 and the actual 2017 growth rate could change, but at present it appears that compensation rates are moving consistently with expectations.

## Budget Increase vs. Structure Increase

Budget increase and structure increase represent two different perspectives of salary growth. Budget increase looks at salary growth from an individual employee perspective, while structure increase looks at salary growth from an overall organization perspective.

*Here's an example to help clarify these two concepts. Let's say a company has 10 accountants. They budget salary increases of 3% for 2017 and each accountant receives a 3% raise (This is the budget increase). However, during this year, one employee retires and another leaves the company to work somewhere else. These two employees are then replaced with new employees who have lower salaries than the two individuals who left. At the end of 2017, when the company calculates the salary increase, they find that the average accountant salary has increased by 2%. (This is the structure increase.)*

## Overall Trends

October salaries have increased by 0.44% (see *Table 1*) over the July 1 data release. This rate of growth is below the expected quarterly rate of 0.55%. To put this into context, the average quarterly growth over the past 20 years has been 0.75% (see *Table 2*). Over the same 20-year period, the average October increase has been 0.81%.

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 1.65% over the first 9 months in 2017. Over the past 9 months, salaries have increased by a rate of 1.78%, which is higher than expected. This is due to a higher July growth rate of 0.89%. To stay on track to meet the expected 2017 growth rate of 2.2%, salaries will have to grow at a rate of 0.42% in the fourth quarter of 2017. Of note, the fourth quarter of 2017 showed a growth rate of 0.44%, which places the one-year growth rate at 2.2%. Because of these factors, it appears that salaries are tracking predictions closely. Naturally, if growth rates for the fourth quarter are substantially higher or lower than expected, the year's trend could change, but growth rates appear consistent for now.

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.

	Percent Increase
2018 Projected Increase (Budget)	3.06%
2018 Projected Increase (Structure)	2.24%
1-Year Increase	2.21%
October 2017 Increase	0.44%

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

	20-year	10-year	5-year	1-year
Average Quarterly Increase	0.75%	0.64%	0.62%	0.55%
Average January Increase	0.81%	0.69%	0.58%	0.44%
Average Yearly Increase	2.91%	2.48%	2.46%	2.21%

**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, 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 2.75 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.

Projected Movement vs. Actual Salary Movement

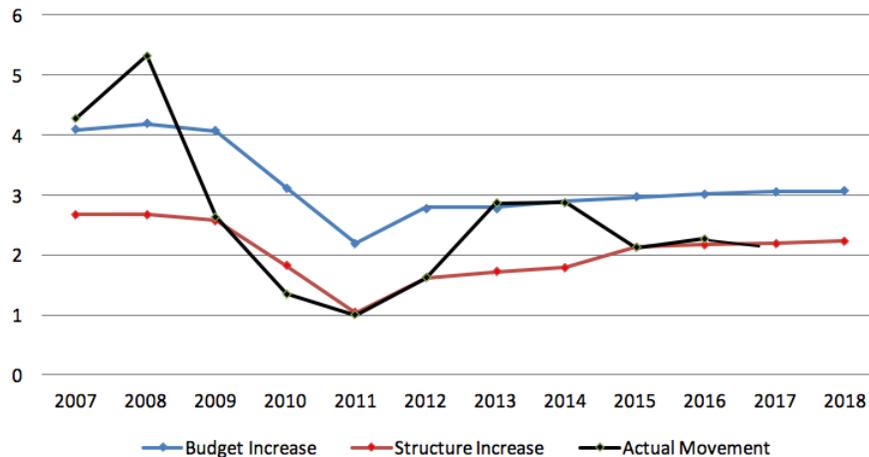


Figure 1. Overall Trends.

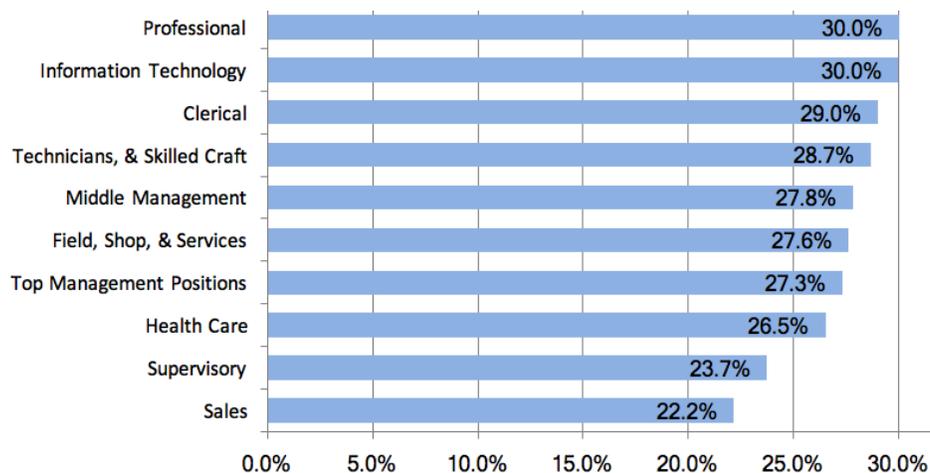
2018 Budget Increase (3.1%) (Blue Line),  
 2018 Structure Increase (2.2%) (Red Line),  
 2017 Actual Increase (2.2%) (Black Line).

Source: ERI Salary Increase Survey 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, 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 2007-2017. Source ERI Salary Assessor.



## Mean Salary by Category

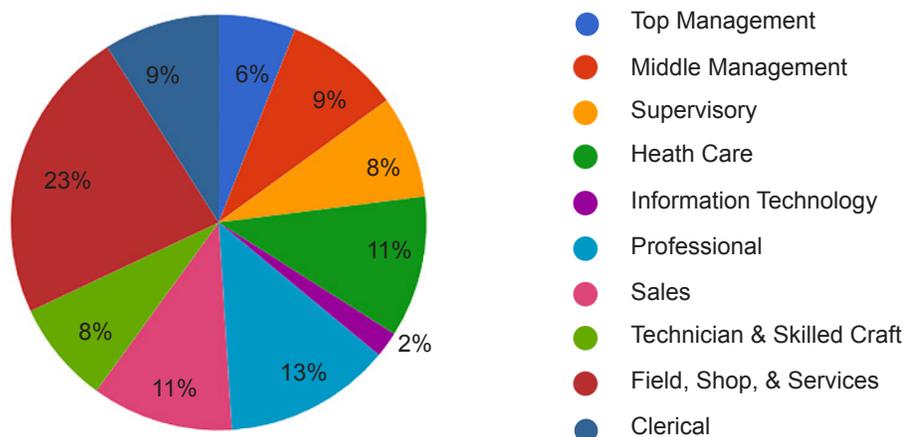
Table 3 reveals the actual growth rates for different occupational categories in the past three years and also provides information on whether the occupational category is seeing increased or decreased growth over the past three years. It is important to note that just because an occupational category 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	\$175,781	2.3%	2.5%	1.8%	2.1%	→
Middle Management	\$102,900	2.6%	3.4%	2.4%	2.7%	→
Supervisory	\$78,001	2.5%	3.2%	2.2%	2.5%	→
Health Care	\$113,596	2.6%	3.1%	3.0%	2.8%	↘
Information Technology	\$88,545	1.4%	4.9%	1.3%	2.4%	→
Professional	\$88,213	2.2%	2.5%	2.7%	2.4%	↘
Sales	\$59,468	1.0%	1.2%	3.8%	1.9%	↘
Technicians & Skilled Craft	\$59,668	2.0%	2.7%	2.4%	2.3%	↘
Field, Shop, & Services	\$43,473	2.4%	2.8%	2.5%	2.5%	→
Clerical	\$40,580	2.5%	2.4%	2.2%	2.3%	↗

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

## 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: October 2017. 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 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](#).

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](mailto:jonas.johnson@erieri.com) with questions or comments.

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ERI Economic Research Institute  
111 Academy Drive  
Suite 270  
Irvine, CA 92617

800.627.3697

[www.erieri.com](http://www.erieri.com)