

# National Compensation Forecast



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ECONOMIC  
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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 ERI's Salary Increase Survey & Forecast.

The fourth quarter of 2018 saw a large increase in compensation rates over the third quarter, which pushed the 2018 yearly growth rate above expectations. Specifically, between October 1, 2018, and January 1, 2019, salaries increased at a rate of 0.76%. This rate is higher than the 0.56% expected quarterly growth rate. From a yearly perspective, salaries grew at a rate of 2.46% in 2018. This is 0.22% higher than the predicted growth rate noted in ERI's Salary Increase Survey (2.24%). As a reminder from previous versions of this report, quarterly growth rates for 2018 were 0.47% (first quarter), 0.72% (second quarter), 0.57% (third quarter), and 0.76% (fourth quarter). All but the first quarter were higher than the expected growth rate, which resulted in an overall rate of growth that exceeded expectations. These figures show weaker growth early in 2018, which strengthened in the second quarter.

Looking forward, ERI's 2019 Salary Increase Survey is showing an expected rate of growth of 2.4%, which is 0.16% higher than the 2018 expected growth rate. Taking this survey at face value indicates 2.4% growth in 2019. However, the 0.16% increase between 2018 and 2019 could point towards a different figure. Applying the 0.16% increase in expectations to 2018's actual growth rate of 2.46% could indicate an actual growth rate of 2.62% in 2019.

The idea that salaries will continue to increase is supported by other sources. Specifically, the BLS' Employment Cost Index (ECI) and the unemployment rate both point to higher wage growth. The BLS' Employment Cost Index reports a September 2018 growth rate of 0.9% and a 1-year growth rate of 2.8%. The 1-year running increase from the ECI has increased by 0.2% with the most recent update, which points towards higher growth. Furthermore, an unemployment rate of 3.7% points towards a tighter labor market with greater competition for labor. This environment leads to higher compensation rates as organizations increase compensation to attract and retain talent.

Overall, ERI is expecting compensation rates to continue growing into 2019. This expectation is based on the recent increase noted in ERI's 2019 Salary Increase Survey & Forecast and supported by the increased trend rates in Salary Assessor data and the Employment Cost Index. Naturally, headwinds to wage growth are present, with market forces representing the largest risk. Specifically, a 2019 recession could inhibit salary growth as organizations reduce costs to offset loss of revenue. ERI will continue reporting these trends in the upcoming quarters.



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## OVERALL TRENDS

January salaries have increased by 0.76% over the October 1 data release (see *Table 1*). 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 0.70% (see *Table 2*). Over the same 20-year period, the average January increase has been 0.63%. Historically, January increases have been higher than increases throughout the rest of the year, which is consistent with the current rate of growth.

Table 1. Current projected and actual increases.

	% Increase
2019 Projected Increase (Budget)	3.20%
2019 Projected Increase (Structure)	2.40%
1-Year Increase	2.46%
January 2019 Increase	0.76%

Table 2. Historic actual increase.

	20-Year	10-Year	5-Year	1-Year
Average Quarterly Increase	0.70%	0.54%	0.60%	0.62%
Average January Increase	0.63%	0.61%	0.64%	0.76%
Average Yearly Increase	2.77%	2.12%	2.42%	2.46%

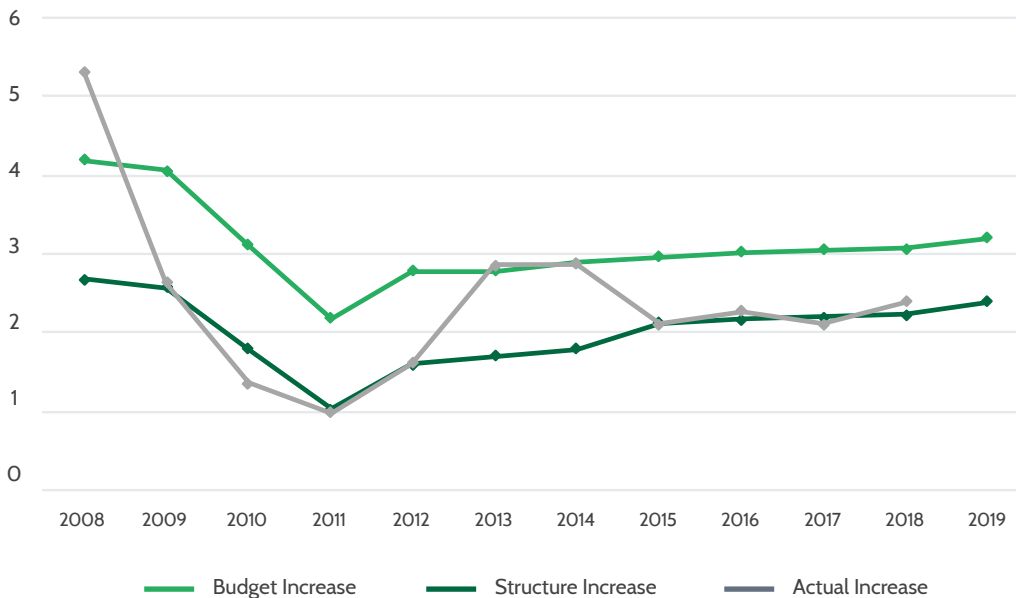
The past 3 quarters have been above the expected rate of growth, which led to even higher than expected growth for 2018. This was largely due to the January 2019 (0.76%), October 2018 (0.57%), and July 2018 (0.72%) releases, which were above expectations. The April 2018 release was the only release below expectations at 0.42%. It should be noted that this uneven growth is not unexpected. 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 structure increases instead of budget increases. 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 2019 structure figures instead of the 2019 budget figures.

## OVERALL TRENDS BY YEAR

Please refer to *Figure 1* below, which has three lines. Two lines (dark green and light green) represent projected salary increases from ERI's Salary Increase Survey & Forecast and the grey line represents actual changes in salary reported in ERI's Salary Assessor. The dark green and light green lines represent what survey respondents expected to happen in a given year (collected in the previous year) and the grey 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 (grey) line is expected to follow the structure increase (dark green) 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 (grey line) has departed from the expected trend line (dark green 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. The years 2015, 2016, and 2017 were more in line with expected growth (dark green), but 2018 has started moving above the expected line. Time will tell if the 2019 figures continue to trend above expectations or if they will move back into line.



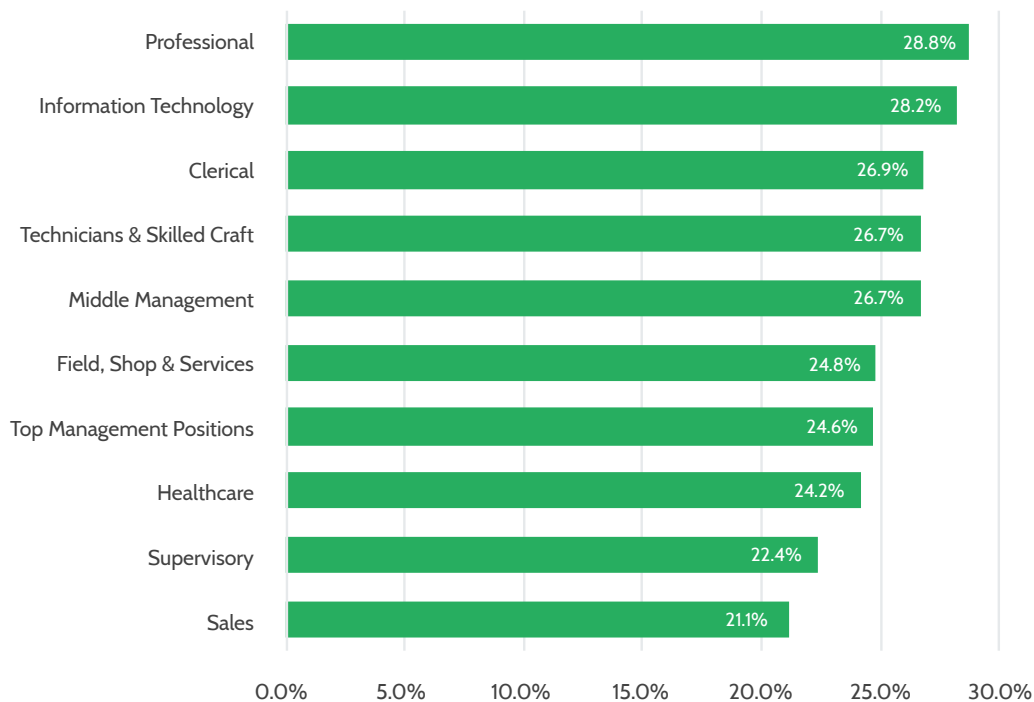
### Projected Movement vs. Actual Salary Movement

*Figure 1. Overall Trends. 2019 Budget Increase of 3.2% (Light Green Line), 2019 Structure Increase of 2.4% (Dark Green Line), 2018 actual growth of 2.28% (Grey 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.



*Figure 2. Total salary growth by occupational category 2009-2019.*

*Source: ERI's Salary Assessor*

## MEAN SALARY BY CATEGORY

*Table 3* reveals the actual growth rates for different occupational categories in the past 3 years and provides information on whether the occupational category is seeing increased or decreased growth. 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	2018-2019	2017-2018	2016-2017	3-Yr Growth	Trend
Top Management	\$104,646	1.9%	2.8%	2.5%	2.3%	↘
Middle Management	\$104,972	3.0%	3.0%	3.2%	2.9%	↘
Supervisory	\$80,090	2.9%	2.7%	2.9%	2.7%	↘
Health Care	\$116,746	3.6%	2.3%	2.1%	2.6%	↗
Information Technology	\$92,475	3.1%	1.5%	4.0%	2.7%	↘
Professional	\$86,239	2.7%	2.6%	2.5%	2.5%	→
Sales	\$61,392	2.1%	1.0%	0.8%	1.3%	↗
Technician and Skilled Craft	\$61,797	2.2%	2.1%	2.4%	2.2%	↘
Field, Shop & Services	\$44,778	2.3%	2.2%	2.9%	2.4%	↘
Clerical	\$42,563	2.5%	2.7%	2.3%	2.4%	→

Table 3. Mean salaries by occupational category (January 2019).

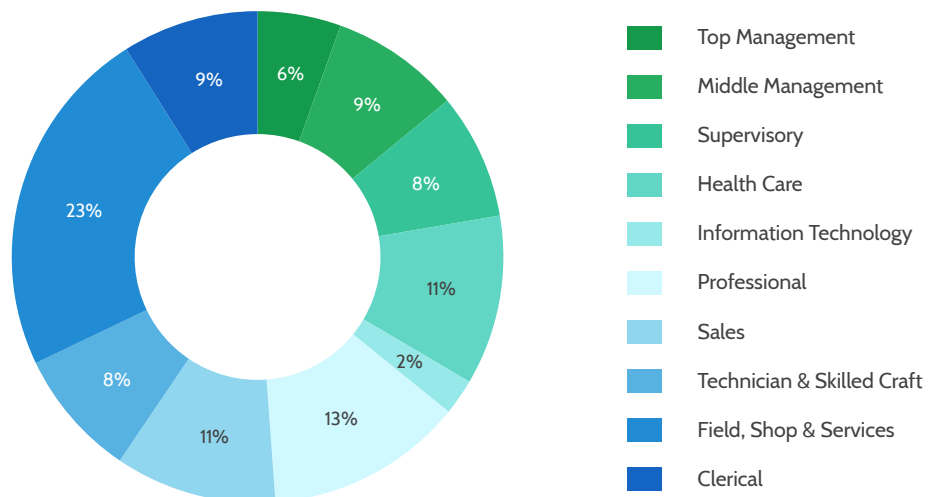
Note: Year ranges represent 1 year starting in January of each year (e.g., 2018-2019 represents January 1, 2018, to January 1, 2019).

## 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.

### Percentage of Occupations by Category

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 2019. 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 2019 index comes from data submitted to ERI's [Salary Increase Survey & Forecast](#).



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

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