Payscale

5 ways to get ahead of the year-end compensation planning cycle

Today's presenters

Allison Skidmore
Senior Director, Solutions Consulting
Payscale

Ruth Thomas
Chief Compensation Strategist
Payscale

Payscale

Welcome to compensation season!

Payscale

Agenda

- Market context for Q3
- Key challenges for this season
- Tips for success in compensation planning preparation
- Q&A

Year-end compensation calendar

**Assumes a Jan-Dec fiscal year

July and August
Develop your budget proposal

September
Complete a market study, gain full picture of employees

October
Start mapping projected increases

Beginning of November
Train managers on the comp process and their role

End of November
Make final edits with managers and HR

Beginning of December
Finalize increases and obtain final approvals

End of December
Communicate increases and make payroll adjustments

January
Adjusted increases go live

Payscale

Market context

Macroeconomic challenges

Labor Market

Cost of living

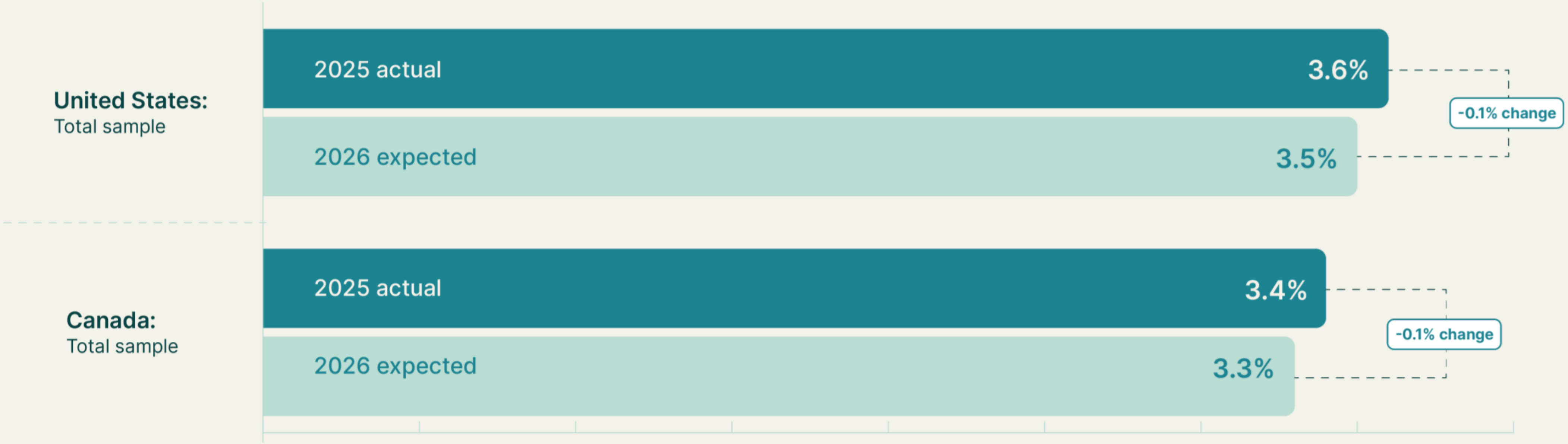
Prevailing wage rates

Capacity to pay

Wage laws

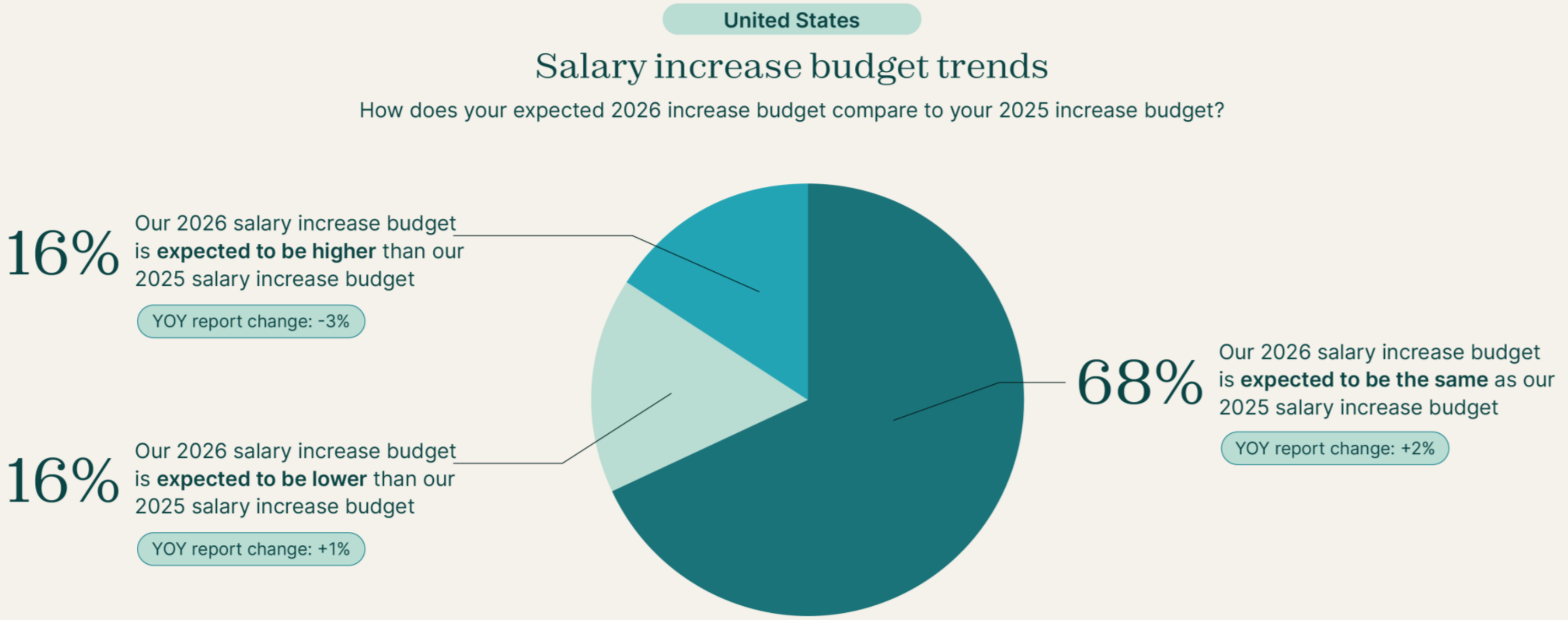
Productivity of workers

For 2026, planned average increases are 3.5% in the U.S. — slightly lower than 2025.



Source: 2025-26 Salary Budget Survey

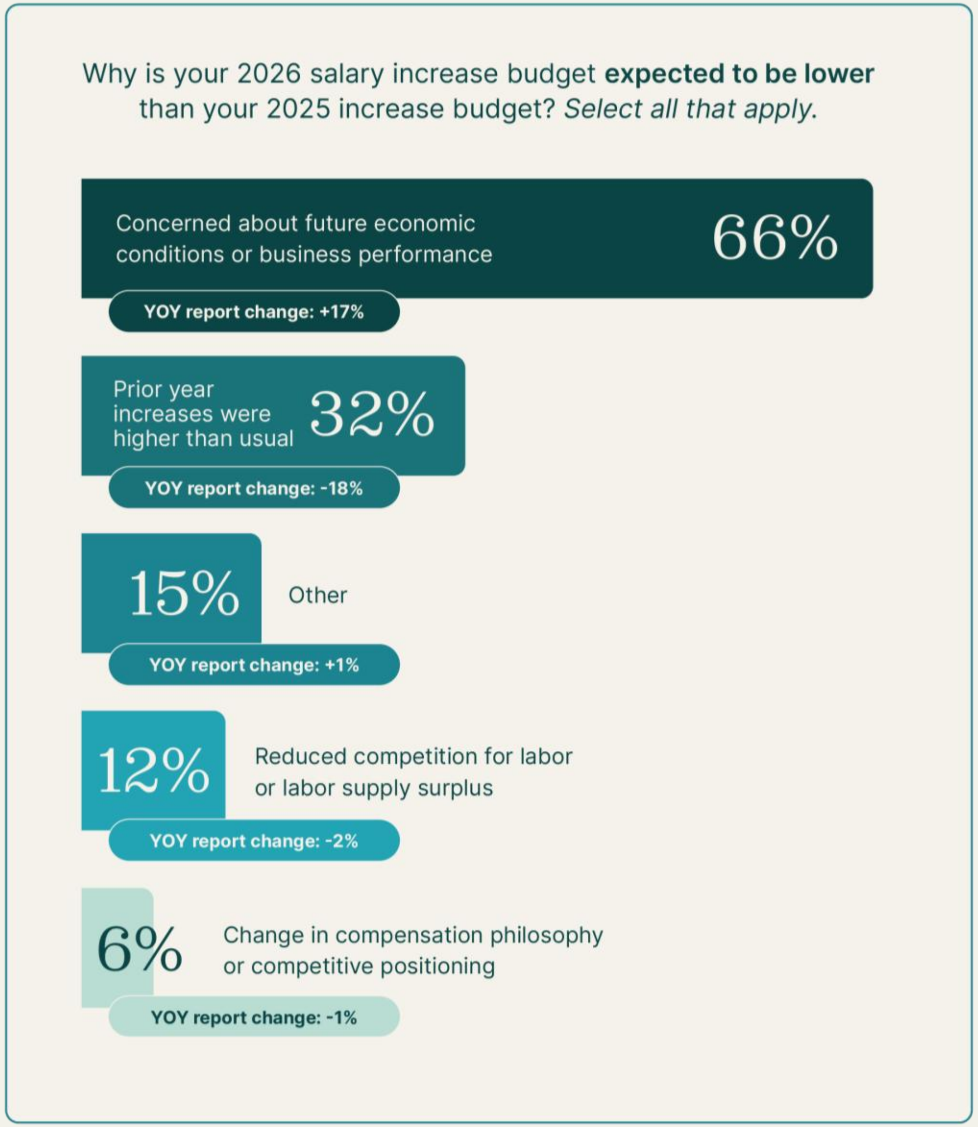
More employers expect flat budgets in 2026

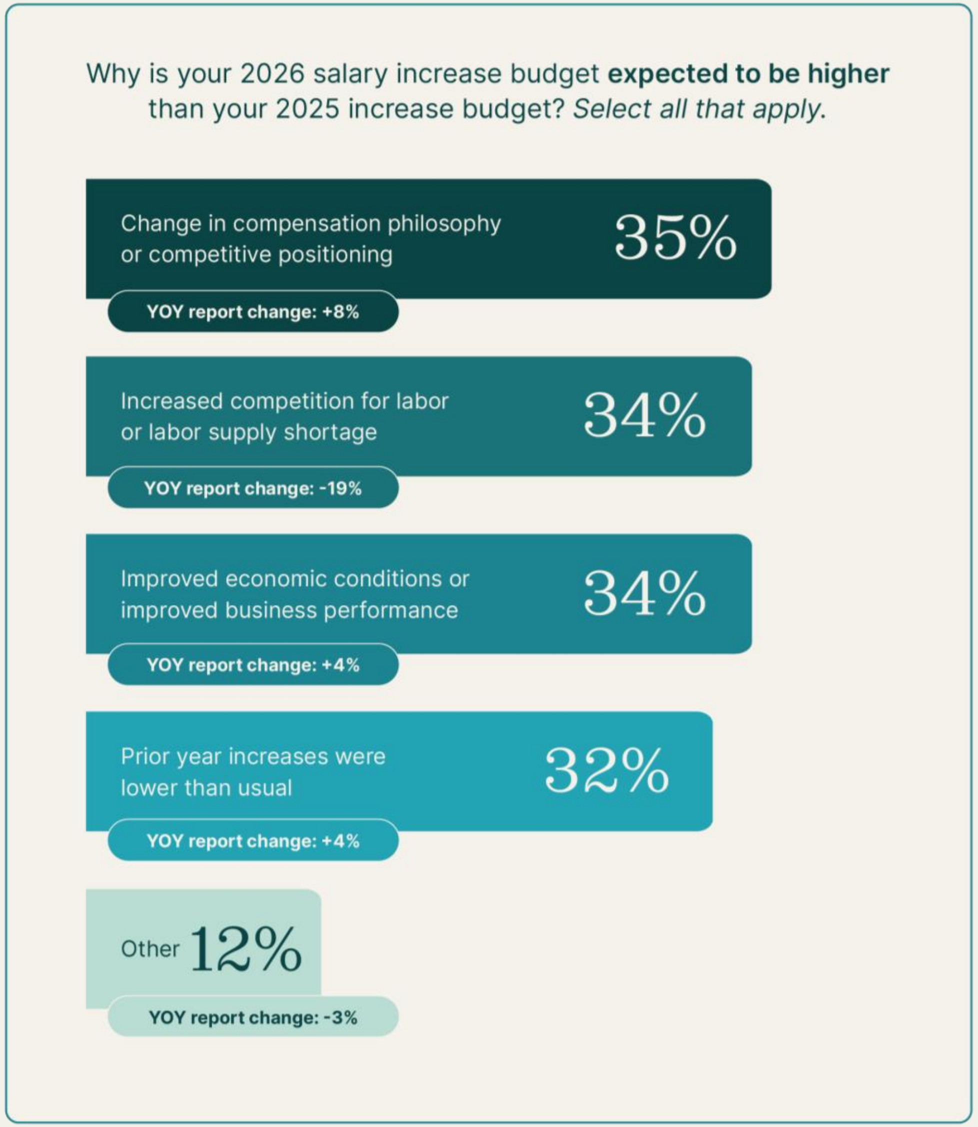


Source: 2025-26 Salary Budget Survey

Payscale

Top reasons for salary increase budget changes in the U.S





Source: 2025-26 Salary Budget Survey

Payscale

Industry differentiation persists

Source: 2025-26 Salary Budget Survey

United States

Total base-pay increase averages by industry

All employees	2025 actual base-pay increase average	2026 expected base-pay increase average	Change
Agencies & Consultancies	3.9%	3.7%	-0.2%
Arts, Entertainment, & Recreation	3.7%	3.2%	-0.5%
Business Services	4.0%	4.0%	-
Construction	4.1%	3.7%	-0.4%
Education	3.0%	3.1%	+0.1%
Energy & Utilities	3.7%	3.7%	-
Engineering & Science	4.4%	4.2%	-0.2%
Finance & Insurance	3.9%	3.8%	-0.1%
Food, Beverage, & Hospitality	3.0%	3.0%	-
Government (Industry)	4.2%	4.0%	-0.2%
Healthcare & Social Assistance	3.3%	3.5%	+0.2%
Manufacturing	3.4%	3.3%	-0.1%
Nonprofit	3.5%	3.7%	+0.2%
Pharmaceutical & Biotechnology	3.2%	3.4%	+0.2%
Real Estate, Rental, & Leasing	3.6%	3.6%	-
Retail & Customer Service	3.0%	3.5%	+0.5%
Technology (including software)	4.0%	3.5%	-0.5%
Telecommunications	2.9%	3.4%	+0.5%
Transportation & Warehousing	3.3%	3.4%	+0.1%
Other (Industry)	3.6%	3.6%	-

Payscale

Key challenges

2025 challenges

1. Balancing cost versus competitiveness
2. Ensuring ROI on compensation spend
3. Delivering on pay transparency
4. Ensuring pay equity and fairness

Poll Question 1: What's your biggest concern?

A. Macro-economic environment

B. Delivering on pay transparency

C. Ensuring pay equity and fairness

D. Balancing cost versus competitiveness

E. Ensuring ROI on compensation spend

F. Other – add comments to chat

Balancing cost versus competitiveness

Against a background of economic instability business leaders are conscious of capital expense and a cooling labor market as we enter Q4.

Despite gains in real wages employees are still concerned about cost-of-living and affordability.

We are now walking the tightrope between securing the talent franchise to deliver on business strategy whilst controlling overall spend. Investment needs to be focused on key talent.

Part of our role is to support leaders that compensation is an investment rather than a cost.

How you can help

Understand who your key employees are for budget allocation

Share data with decision makers on market/internal peer relativity

Set up guardrails to ensure budgets are allocated in line with business intentions and monitor

Ensuring ROI on compensation spend

Retaining key talent that drives value creation becomes a priority – make sure this what you are investing.

Focus on pay differentiation - avoid weak pay differentiation and make every $ count, consider if you are really paying for desired outcomes.

Do not forget to consider from an employee perspective what elements of compensation they value.

Payscale

How can you help

Provide transparency in linking employee achievement to financial or business outcomes

Do you consider the “how” as well as the “what”? Are you reinforcing mission and values?

Manager guidelines, training and communication are key …make sure they know what they are paying for and can reinforce messaging

Delivering on pay transparency

Emerging body of pay transparency legislation – now at least 1 in 4 employees in the US will be impacted. Requires a proactive rather than defensive approach to stay ahead.

Identify what frameworks you need to put in place to support a more transparent approach.

As you approach review season consider where you sit on the pay transparency continuum, is there an opportunity to make progress?

What will be your pay communications approach?

The pay transparency continuum

1. What

Your organization tells employees when and what to expect on their paycheck.

2. How

Your organization shares some market data with employees.

3. Where

Your organization has a comp plan and shares pay ranges with individual employees.

4. Why

Your organization's comp plan reflects org culture, drives talent strategy, and is open to EEs.

5. Whoa

Ranges and employee pay information is available to all employees.

*On average, an increase of one transparency level rating is associated with a decrease of **30 percent** in the odds of seeking a new job.

Poll question 2: Where do you sit on the pay transparency continuum?

A. No information shared with employees except their own pay

B. Share with individuals how their pay is determined

C. Share salary range data for current role with employee

D. All salary range data shared internally

E. Individual employee salaries shared internally

F. Salaries shared publicly

G. I don’t know

Ensuring pay equity and fairness

Heightened employee and stakeholder expectations, together with emerging legislation will make pay equity hard to deprioritize.

Failure to address pay equity remains a key business risk - you do not want any expensive legal challenges.

Before making any market or merit related changes, consider potential pay equity adjustments that need to be made on the group or individual level.

Also consider any pay equity biases in your compensation plans and processes.

How can you help

Ensure contributions are assessed and rewarded fairly

Provide real time actionable insights

Are you highlighting impacted employees throughout the process?

Preparing for year end

Payscale

Year-end readiness check list

- Align with organizational goals
- Assess market competitiveness
- Refine compensation structures
- Evaluate internal pay equity
- Develop budget proposals & guidelines
- Prepare for launch and communication

Payscale

Payscale Paycycle

For organizations looking to create a collaborative and robust compensation planning process.

Drive efficiency with powerful configuration and workflow control

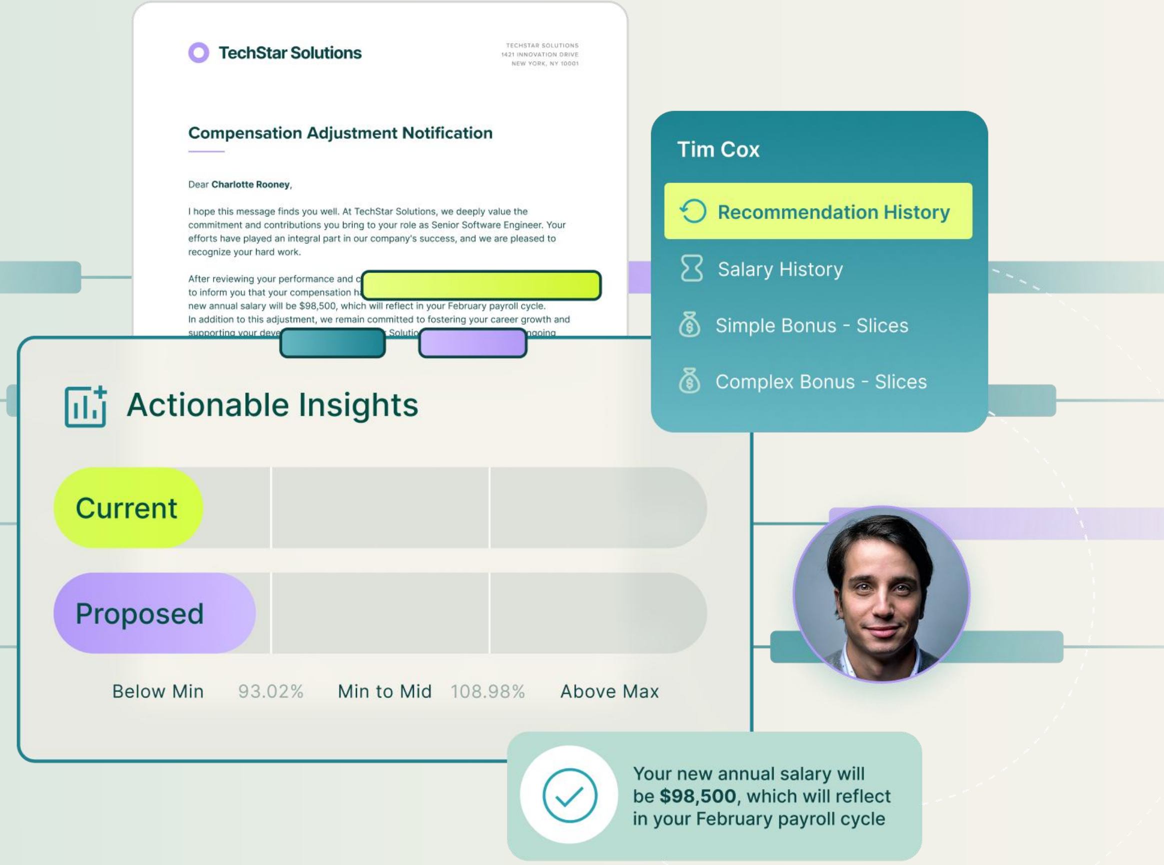
Automate everything from budget allocation to approval processes so you can save time, reduce errors, provide appropriate oversight.

Manage risks and governance throughout the budgeting and review process

Ensure consistent application of compensation principles with configurable real-time alerts for front line and oversight users

Increase confidence in pay decisions with transparency at all levels

Provide key decision insights to support informed pay decisions that are demonstrably transparent and fair to maximize employee understanding and engagement of pay.



Payscale

Payscale

Interested in a demo of Payscale's compensation planning solutions?

Let us know in the polls tab and a member of the team will be in touch.

Q&A

Feel free to ask any questions in the chat!

Align with organizational goals

Your year-end readiness check list

What considerations need to go into this year's cycle? Have things shifted internally to the company or externally in the market that you need to think about? What changes do you want to make from prior cycles?

What are your executives thinking about or what is top of mind when it comes to talent and compensation right now?

Assess market competitiveness

Your year-end readiness check list

Have there been significant changes in the market rates for similar positions in our industry?

Are we still competitive with our peers in terms of salary, benefits, and other compensation components?

Should we use additional or updated sources of market data for benchmarking?

Payscale

Refine compensation structures

Your year-end readiness check list

Do our current pay grades and salary ranges still align with the market and our organization’s needs?

Are the criteria for pay progression within each grade or range still relevant and fair?

Do we need to update our policies for bonuses, incentives, or other variable pay components?

Evaluate internal pay equity

Your year-end readiness check list

Are there any new pay disparities that have emerged since the last cycle?

Have we maintained fairness and equity in our compensation practices?

Are there new legal or regulatory requirements that need to be addressed?

Develop budget proposals and guidelines

Your year-end readiness check list

What is the updated total compensation budget for the upcoming period?

How will we allocate the updated budget across different departments and roles?

Are there any anticipated changes in staffing levels or other factors that could impact the budget?

Prepare for launch and communication

Your year-end readiness check list

What is the updated total compensation budget for the upcoming period?

How will we allocate the updated budget across different departments and roles?

Are there any anticipated changes in staffing levels or other factors that could impact the budget?