

Salary budget planning sets the stage for a successful 2024

Salary expenses are often **the largest component of an organization's operating costs**. Despite ongoing changes in the labor market, compensation professionals expect to see pay increases across industry, geography, and organizational sizes. Is your organization effectively contextualizing the insights from salary budget planning to inform your 2024 strategy?

As organizations enter the heart of compensation planning season, HR and compensation professionals are working with their business partners to determine their **pay increase strategy for the coming year**. Compensation strategy and planned pay increases will support organizational effectiveness in talent attraction and retention, capacity for innovation, business growth objectives, and much more.

Compensation and HR professionals must think of this as a critical opportunity to not only provide an informed analytical recommendation, but also contextualize these recommendations in the realities of their business and the market. **Salary budget planning is a critical lever** in an organization's ability to achieve their business and talent objectives in the year ahead.

An evolving landscape

The economic landscape in 2023 has been marked by uncertainty, with initial forecasts of an imminent recession giving way to a more moderate outlook as the year progressed.

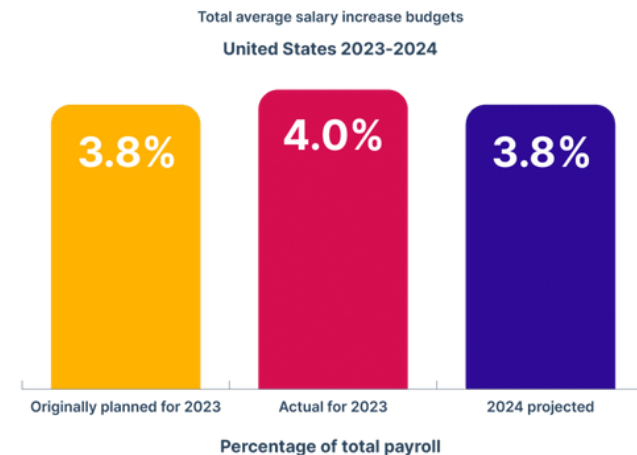
The implementation of interest rate hikes is proving to temper inflation, bringing it down to a 3 percent level in June. Simultaneously, workforce reductions have contributed to a rise in unemployment from 3.4 percent in January to a peak of 3.7 percent in May. As of July, we may be at the start of a releveling with unemployment numbers more in line with the beginning of year (3.5 percent). (Source: BLS unemployment rates).

These combined factors might suggest a slowdown in wage growth. However, wage stagnation is waning in recent months as BLS reported the third consecutive month of real wage gains. This is also seen in the Payscale Index, which reports a 6.1 percent wage growth for the second quarter of 2023.

This should be good news for many employees who are still hopeful for augmented pay raises in 2024 to counterbalance the loss in value resulting from elevated inflation. But employers may be less prepared to meet these perceptual expectations if they do not plan to communicate how or why pay increases are in line (or not) with market changes.

Salary budget planning for 2024

By contrast, expectations among compensation professionals for 2024 increases are that they will be more inline with 2023 than prior years. While the pandemic years experienced greater volatility in compensation increases and market adjustments, Payscale's annual Salary Budget Survey found that only 21 percent of compensation professionals anticipate their 2024 salary increase budget to be higher than their 2023 salary increase budget. As in past years, increased competition for labor or labor supply shortages are the leading reason among those that anticipate an increase.

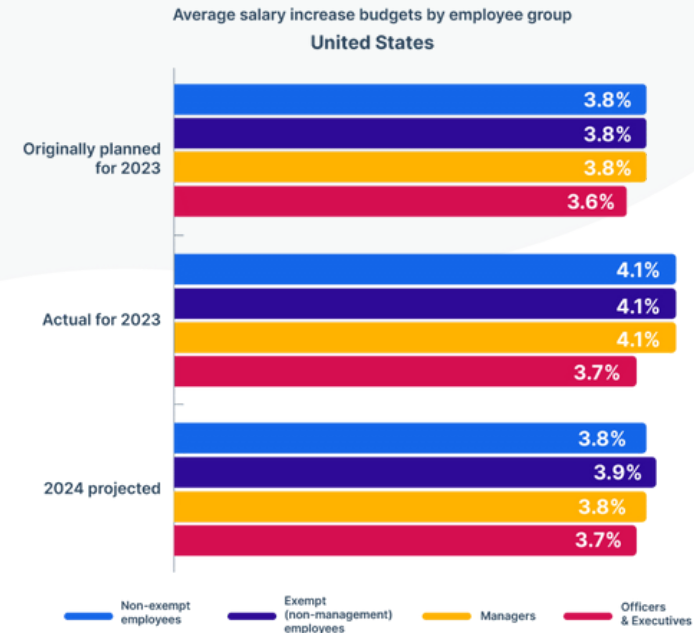


Overall, employers are planning on salary budget increases of 3.8 percent on average in 2024, which is higher than the old standard of 3 percent pre-pandemic. Total salary increase budgets are over 4 percent in some areas. The full Salary Budget Survey shows the breakdown of total salary budget increases by industry groups, sectors, company sizes (by FTE count), revenues, regions, and individual states.

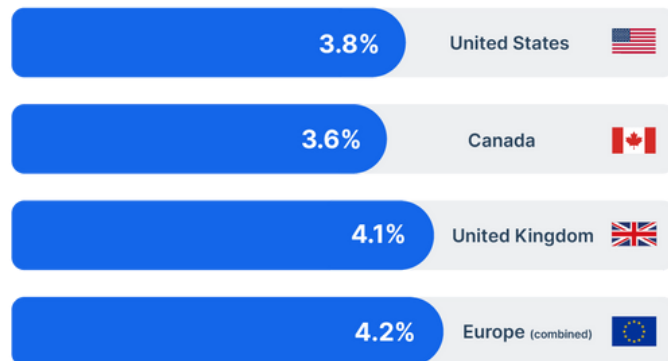
U.S. pay increase budgets by employee group in 2023-2024

In the United States, planned pay increases for 2024 are 3.85 percent for exempt employees (salaried, non-management), 3.9 percent for non-exempt employees (hourly), 3.8 percent for managers (salaried), and 3.7 percent for executives.

The full report shows the breakdown of salary budget increases by industry groups, sectors, FTE counts, revenues, regions, and individual states for each employee group studied. This level of detail provides employers with niche data specific to their size, industry, and location that can empower them to make informed decisions for their employees.



Total planned increases in 2024



2024 salary increases planned in the U.S., Canada, UK, and Europe

Payscale's Salary Budget Survey collects data on actual pay increases in 2023 and planned pay increases in 2024 for the United States and Canada with breakout by industry group, sector, FTE counts, revenue, region, and state/province. As discussed, planned salary increase budgets in 2024 for the United States average out at 3.8 percent. For Canada, salary increase budgets are a little lower at 3.6 percent.

This year, Payscale also segmented the data to produce an [Enterprise Edition](#) and a [Europe Edition](#).

Practitioner perspectives

A holistic approach to strategic compensation: Optimize spend, reduce turnover and protect your bottom line

There's a lot for compensation teams to consider this planning season and year round. Payscale led an [informative Q&A session](#) with compensation leaders from Ipsen and Waste Management (WM) to discuss how organizations are doing this work, streamlining their compensation practices and ultimately meeting organizational goals.

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Considerations for purchasing compensation tools

Simplicity is a driver and needs to be configurable for WM. We need ongoing exchanges and support from our vendor through business and staff changes. We also care about collateral resources, such as an **annual salary budget survey** or report, and the vendor's ability to provide educational events.

Mark Briggs

Senior Manager of Compensation, Waste Management (WM)

Tying merit and promotion to a budget calendar

My current employer has them tied together. They want promotions and merits to occur at the same time in that calendar year because it's all around budgeting and being able to see what that impact is to the organization. We also have other promotion cycles outside of that merit budget calendar. My prior employer did have merit occur at one time, and then promotions could happen as needed.

Michaela Leo

Head of Compensation and Benefits at Ipsen

Optimizing compensation as a strategic advantage

My advice for getting after the topic of compensation corporately, get the foundations established really soundly and break up corporate compensation in five datasets that relate to each other: employee information, job information, job evaluation, pay structures, and market competitive pay.

Mark Briggs

Senior Manager of Compensation, Waste Management (WM)

Contextualizing is key

Every organization will approach salary budget planning uniquely. Whether that's driven by industry, talent availability, or rewards and RTO strategies, the unique mix of organizational context will influence the anticipated need.

Organizations rely on contextualized trends to instruct their planning recommendations and inform executive decision-making later in the year.

Your best resource for the compensation budgeting season has arrived! Get yours today to access insightful analysis sourced directly from compensation professionals.

Learn more



How to use salary budget planning as a strategic lever

Looking ahead, compensation professionals should not only be focused on salary budget planning but also be preparing to elevate the strategic importance of this annual budgeting practice. Compensation professionals play a crucial role in managing an organization's compensation strategy and ensuring that it aligns with business goals, industry standards, and employee expectations.

How are business leaders capitalizing on the insights these teams possess? How are compensation and HR practitioners elevating the strategic business impact of compensation? By creating a well-structured salary budget plan with a clear line to business objectives, compensation and HR professionals can help the organization allocate funds appropriately, ensuring that compensation expenses are in line with business goals and constraints.

Before walking into the next salary budget review, compensation and HR professionals should ask themselves:

1

Do I have a clear understanding of our business objectives in 2024?

2

Do I understand how we will connect these strategies to our talent objectives?

3

Does our 2024 salary budget recommendation support our business and talent objectives?

4

Can I succinctly articulate how our salary budget recommendation connects to our business and talent objectives?



About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees, and businesses get pay right and make sustainable fair pay a reality. Empowering more than 50% of the Fortune 500 in 198 countries, Payscale provides a combination of diverse and dynamic data sources, compensation services, and scalable software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista, and The Washington Post to make fair and appropriate pay decisions.

Pay is powerful™

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