

HEALTH WEALTH CAREER

2019/2020 UNITED STATES COMPENSATION PLANNING

EXECUTIVE SUMMARY



MAKE TOMORROW, TODAY





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INTRODUCTION

2.9%

2019 actual merit
increase budget
(including 0s)

3.0%

2020 projected merit
increase budget
(including 0s)

90%

determine increases
based on individual
performance

Mercer is pleased to present the results of the 2019/2020 US Compensation Planning Survey. Data was collected for more than 1,300 organizations in April and May, 2019. The following report depicts information for non-union employees.

In 2019, approximately 99% of surveyed organizations awarded increases to non-union employees. 2019 actual and 2020 expected merit increases are largely consistent with the past 5 years, at 2.9% and 3.0% respectively.

Two-thirds of organizations (67%) plan to keep budgets the same from 2019 to 2020. Twenty-one percent of organizations project that their 2020 budgets to be higher than in 2019, consistent with last year. The primary motivator for the increase was to account for greater competition for workforce or anticipated labor shortages. Only 12% of organizations currently expect to lower their increases in 2020 from 2019 increase levels.

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TOTAL INCREASE BUDGETS

For the third year, the US Compensation Planning Survey reports total increase budget data. Total increase budget data combines merit increases, cost of living adjustments, across the board increases, promotional increase budgets and additional or other increase budgets in order to determine the total percentage of payroll given to employees for base salary increases.

Actual (non-union) total increase budgets for 2019 average 3.6% (excluding zeros) and 3.5% (including zeros).

This is an increase of 0.2% from the 3.3% (including zeros) projected for 2019 in last year’s report.

Projected (non-union) total increase budgets for 2020 average 3.6% (excluding zeros) and 3.6% (including zeros).

3.5%

Average total increase budget in 2019
 (non-union including zeros)

3.6%

Average projected total increase budget
 in 2020 (non-union including zeros)

TOTAL INCREASE BUDGETS BY EMPLOYEE GROUP

	ACTUAL				PROJECTED	
	2018		2019		2020	
	excl. 0s	incl. 0s	excl. 0s	incl. 0s	excl. 0s	incl. 0s
All Employees (Non-Union)	3.3%	3.3%	3.6%	3.5%	3.6%	3.6%

Percentages are averages.
 Actual 2018 numbers from the 2018/2019 US Compensation Planning Survey.

Aligning with how we traditionally review our research, actual merit increase budgets for non-union employees averaged 3.0% (excluding zeros) and 2.9% (including zeros) in 2019.

MERIT INCREASE BUDGETS BY EMPLOYEE GROUP

	ACTUAL				PROJECTED	
	2018		2019		2020	
	excl. 0s	incl. 0s	excl. 0s	incl. 0s	excl. 0s	incl. 0s
All Employees (Non-Union)	2.9%	2.8%	3.0%	2.9%	3.0%	3.0%

Percentages are averages.
 Actual 2018 numbers from the 2018/2019 US Compensation Planning Survey.



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MERIT INCREASES BY INDUSTRY

Results are largely consistent by industry, with most industries holding steady or seeing a minor uptick in projected 2020 increases relative to 2019 increases.

MERIT INCREASE BUDGETS BY INDUSTRY (INCL. OS)

	ACTUAL		PROJECTED
	2018	2019	2020
National	2.8%	2.9%	3.0%
Banking/Financial Services	2.8%	3.0%	3.0%
Chemicals	2.8%	3.0%	3.0%
Consumer Goods	2.7%	2.8%	2.9%
Energy	2.8%	3.0%	3.1%
Health Care Services	2.6%	2.8%	2.8%
High Tech	2.9%	3.0%	3.1%
Insurance/Reinsurance	2.9%	3.0%	3.0%
Life Sciences	2.9%	2.9%	3.0%
Logistics	2.5%	3.0%	3.0%
Mining & Metals	2.5%	2.9%	3.0%
Other Manufacturing	3.0%	3.0%	3.0%
Other Non-Manufacturing	2.9%	2.9%	3.0%
Retail & Wholesale	2.8%	2.8%	2.9%
Services (Non-Financial)	2.7%	3.0%	3.0%
Transportation Equipment	2.8%	2.9%	3.1%

Percentages are averages.

Actual 2018 numbers from the 2018/2019 US Compensation Planning Survey.

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PROMOTIONAL INCREASE BUDGETS

Overall, 54% of organizations budget separately for promotional increases, up slightly compared to last year when we saw 51% of organizations budget separately for promotions. The average promotional budget represented 1.0% of payroll in 2019, down by 0.2% compared to 2018 figures.

All employee groups saw a year-over-year increase to promotional increases. Average promotional increases (as a percent of base) were 9.3%, ranging from 8.3% (Support) to 11.1% (Executive). While the promotional budget amount has slightly decreased, the average promotional increase received by an individual has increased by 1.5%.

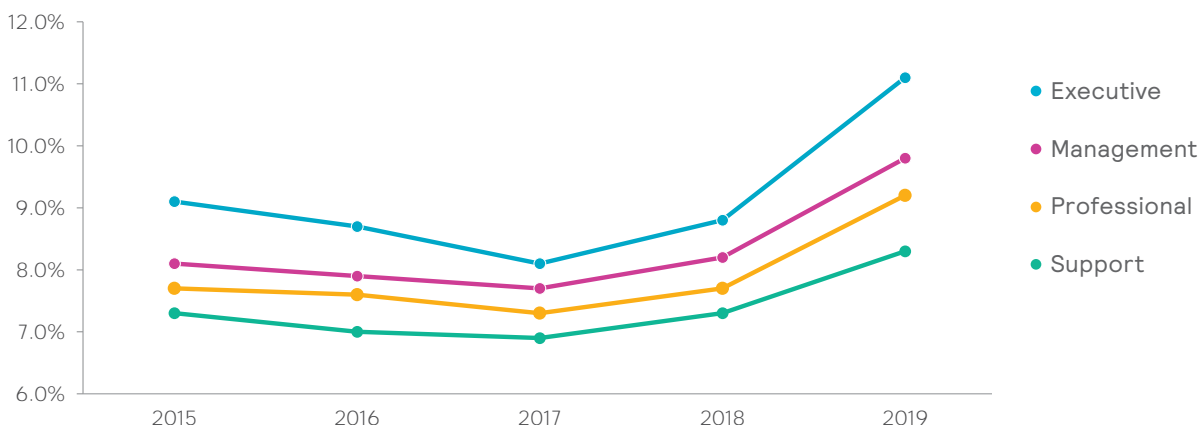
The following graph provides the average actual promotional increase (as a percent of base salary) by employee group from 2015 through 2019.

54% of organizations budgeted promotions separately in 2019

1.0% of payroll budgeted for promotions in 2019

9.3% average promotional increases across all employee groups

FIVE YEAR TREND – PROMOTIONAL INCREASES AS A PERCENT OF BASE SALARY (EXCL. OS)



All averages exclude Os.

Data was collected in a more granular manner in 2018 and prior. Where necessary, information was aggregated to present the details above.

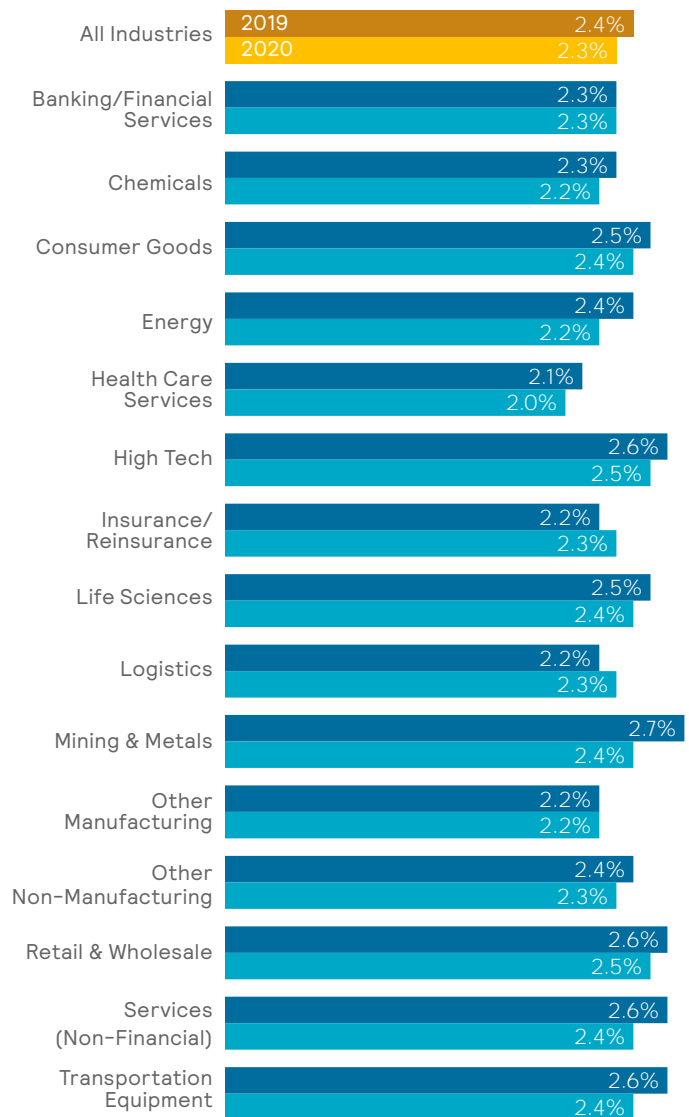
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STRUCTURE ADJUSTMENTS

The majority of participating organizations (84%) reported having a formal salary structure. The practice of annual structure adjustment is the norm for most organizations, with 72% of organizations planning to adjust their structure in 2019 and 77% of organizations projecting to adjust their structure for 2020.

The average actual salary structure adjustment in 2019 was 2.4%, remaining largely unchanged from 2018, and is projected to be similar in 2020 at 2.3%, with minor differences by industry. The following graph presents average structure adjustments for 2019 as well as projections for 2020, by industry.

STRUCTURE ADJUSTMENTS BY INDUSTRY (EXCL. OS)



2.4% The average salary structure adjustment in 2019

2.7% Mining & Metals has the largest structure adjustments in 2019

77% of organizations plan to adjust their salary structure in 2020

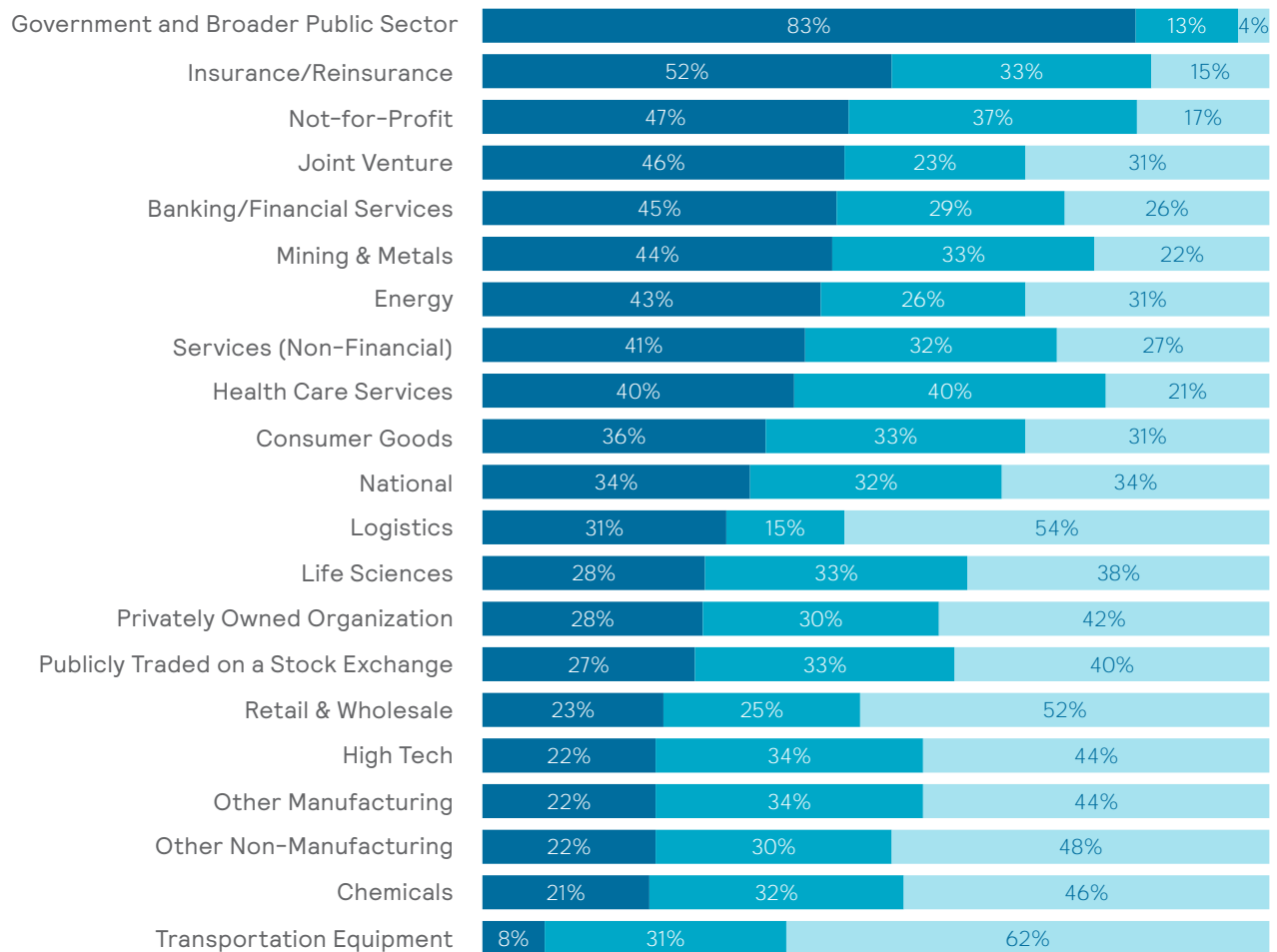
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COMMUNICATION OF PAY RANGES

There is significant variation by industry and corporate ownership type of whether an organization communicates the current grade or salary band to an employee.



Government and Broader Public Sector are the most likely to openly communicate the current grade or salary band to employees



■ Open Communication
 ■ Communication on Request
 ■ No Communication

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DIFFERENTIATING BASE PAY BY PERFORMANCE

Organizations continue to differentiate base pay by performance. Ninety percent of organizations still use individual performance to drive base salary adjustments, up slightly from 2018 (88%).

Over the past few years, the number of organizations not using performance ratings has doubled from 6% in 2016 to 13% in 2018, and has held steady at 14% in 2019.

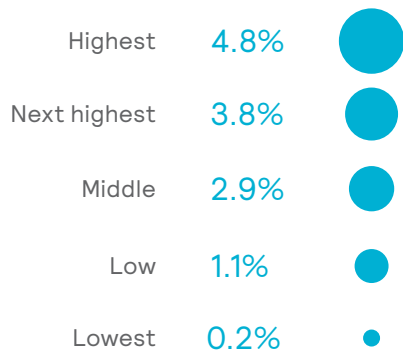
Nearly half of participating organizations (47%) use a 5 level rating system for base salary increases. For organizations with a 5 level rating system, employees with the highest rated performance represented 7% of the workforce and received an average salary increase of 4.8%. The average increase for the highest performers is expected to increase slightly to 4.9% in 2020 and the lowest performers decreasing to 0.1%.



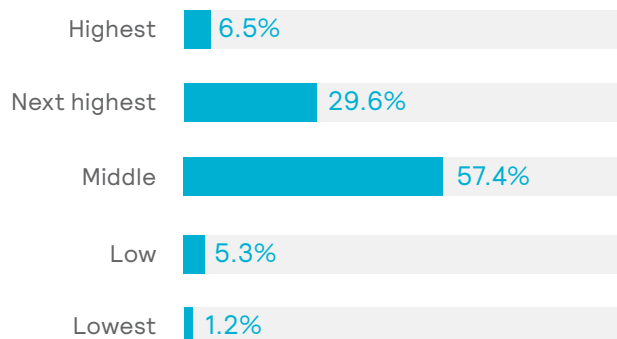
For organizations without performance ratings, 80% distribute merit pay based on Manager discretion with oversight / review by business leader or HR/ Compensation group

High performers get 1.66 times the salary increase of an average performer in 2019

AVERAGE BASE SALARY INCREASE BY PERFORMANCE RATING



% OF WORKFORCE IN EACH PERFORMANCE RATING



Purchase the full report, which includes additional data and analysis based on employee performance levels and industry at www.imercer.com/cps

For more information about how Mercer can help you design your compensation program and total rewards strategy, contact your local Mercer office or visit our website at www.mercer.com

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