

Pay Raises Are the Worst in 33 Years

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By Barbara Kiviat

Feel like your company has been particularly stingy on the raises this year? You're not imagining it. For 2009, the typical non-hourly worker will see a 1.8% bump in salary, according to a survey by the human-resources consultancy Hewitt Associates. That increase, the smallest in at least 33 years, doesn't even keep up with inflation.

Yes, it's true, we're in a recession, and nearly 1 in 10 workers is unemployed. There are plenty of people willing to work for less money. But in other recent recessions salary growth hasn't slowed this much. Going back to the early 1990s, base salaries never increased by less than 3.4% a year, according to Hewitt, which polled 1,156 large companies to get its latest data. Companies desperate to slash costs are turning to worker salaries more deliberately than they have in the past. Some 48% of companies have frozen salaries this year, compared to just 2% last year. ([See 10 things to buy during the recession.](#))

Numbers from the Society for Human Resource Management (SHRM) speak to the same effect for new employees. Each month the human-resources trade group surveys more than 1,000 manufacturing and service-sector companies. The number of firms reducing new-hire salaries and benefits now outstrips the number of companies increasing packages. Falling compensation for new hires is unusual too, even during a downturn, according to analysts at SHRM — smaller increases are the more typical response.

One silver lining, according to the Hewitt survey, is that performance-based compensation is on the rise. If you've got the numbers to prove you're a top worker, your earnings are somewhat insulated from the broader trend. For 2009, a full 12% of corporate payrolls have been devoted to bonuses, according to Hewitt. That's up substantially in recent years, from just 9.5% in 2004.

The other hope on the horizon is 2010. Right now, companies are anticipating raising salaries an average of 2.7% next year. Of course, if the fledgling economic recovery doesn't stick, that could change quickly. When Hewitt ran its survey in the summer of 2008, companies thought 2009 raises would come in at 3.8% — a far cry from the 1.8% we were left with.

The Hewitt numbers also highlight differences across cities and industries. For 2010, raises are expected to be the largest in Houston (3.4%), Minneapolis/St. Paul (3%), Washington, D.C., (3%) and Des Moines (2.9%), with the smallest increases to be seen in San Francisco (2.4%), Los Angeles (2.2%) and Detroit (2.1%). In terms of industries, workers are projected to fare the best in energy (3.7%) and not as well in education (2%). Minnesota-based windmill repairmen have nothing to worry about. Just don't get a job teaching in Detroit.

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