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Salary Increase Trend Report 2024-25





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Introduction

This report summarizes the findings from KMA's 2024-25 Salary Increase Survey, which collected data from organizations across New England on recent and projected compensation trends. As inflation cools and the job market rebalances, salary increases for both Cost of Living Adjustments (COLA) and Merit are trending downward from their 2023 highs. After navigating through high inflation and a tight labor market, organizations are adopting a more moderated approach to compensation.

2024 Data Highlights

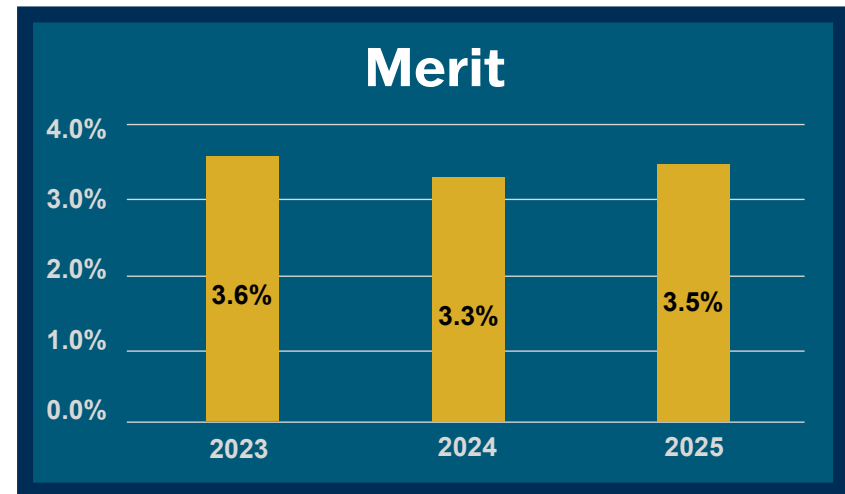
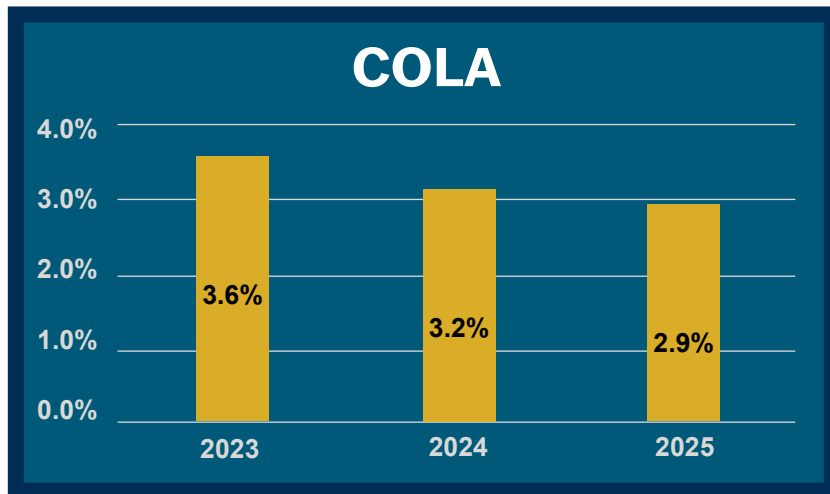
Market Adjustments

- o 40% of organizations implemented market adjustments in 2024.
- o Key drivers included:
 - Increasing pay for new hires, necessitating adjustments for existing staff.
 - Market data reviews, indicating higher pay levels.
 - Targeted increases for in-demand and difficult-to-fill positions.
 - Adjusted salary bands.



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COLA and Merit Trends



Planned vs. Actual Increases in 2024

- o Planned: **3%** for both COLA and Merit
- o Actual: COLA at **3.2%**, Merit at **3.3%**



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2025 Projections

Increase Types:

- o **57%** of organizations plan to provide either COLA or Merit (not both).
- o **38%** plan to offer multiple types of increases (COLA, Merit, market adjustments).

Projected Increases:

- o COLA: Projected increase of **2.9%**.
- o Merit: Projected increase of **3.5%**.
- o Market adjustments/promotions: Average increase of **2.8%**.

Key Trends:

- ~ Merit increases are prioritized as inflation cools.
- ~ Projected increases align to pre-pandemic average of 3% .

Broader Economic Context (BLS Data)

Consumer Price Index (CPI):
Increased by 2.7% for the
12 months ending 11/24

Employment Cost Index:
Compensation costs rose 3.9%
for the 12 months ending 9/24

Social Security COLA:
Increase 2.5% for 2025



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Overall Observations

- The employment market is stabilizing after some years of volatility.
- Inflation has decreased, influencing the downward trend in COLA increases.
- Organizations are shifting focus to Merit-based increases, moving away from COLA adjustments seen during higher inflationary periods.
- Salary increases are aligning with pre-pandemic norms of approximately 3%, reflecting a rebalancing of market conditions.

Consult with KMA

Our consultants can evaluate your overall position and develop strategies for optimizing your compensation investment. Our areas of expertise include:

- Competitive market analysis/benchmarking • Salary structure design
- Variable pay ~ incentive and bonus • Compensation philosophy and strategy
- Compensation communication and education • Employee benefit market analysis

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