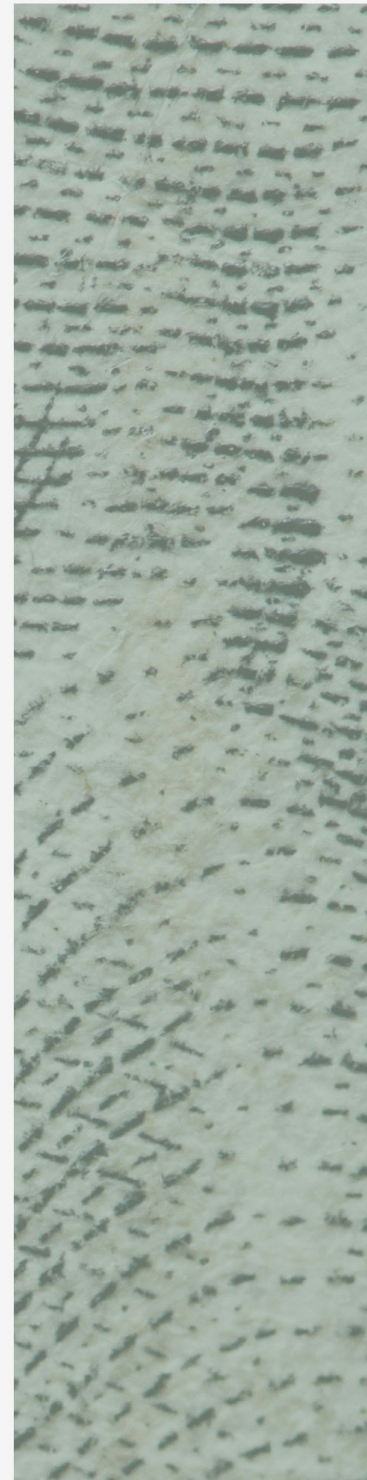
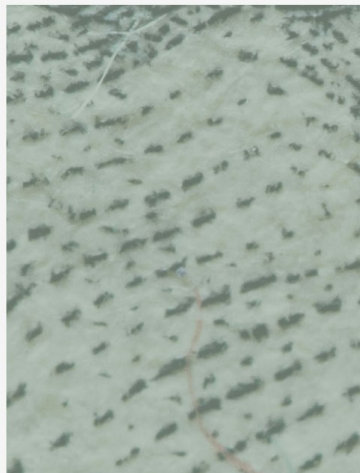
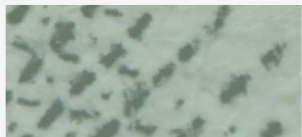




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Salary Increase Trend Report 2025-26





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Introduction

This report summarizes the findings from KMA's 2025-26 Salary Increase Survey, which collected data from organizations across New England on recent and projected compensation trends. For a second year in a row inflation is increasing modestly and the job market is showing signs of uncertainty. Salary increases for both Cost of Living Adjustments (COLA) and Merit are trending downwards from their 2023 highs.

2025 Data Highlights

Overall, 46% of organizations increased wages using multiple levers, including COLA, Merit, market adjustments, etc.

Key drivers included:

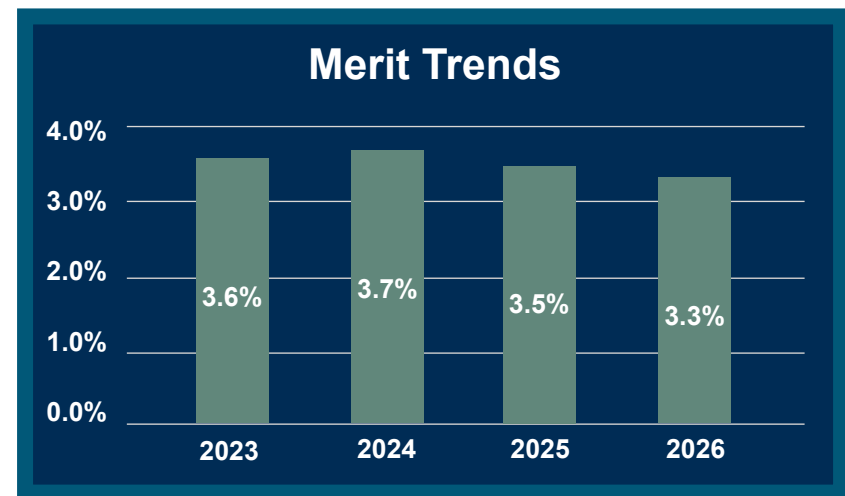
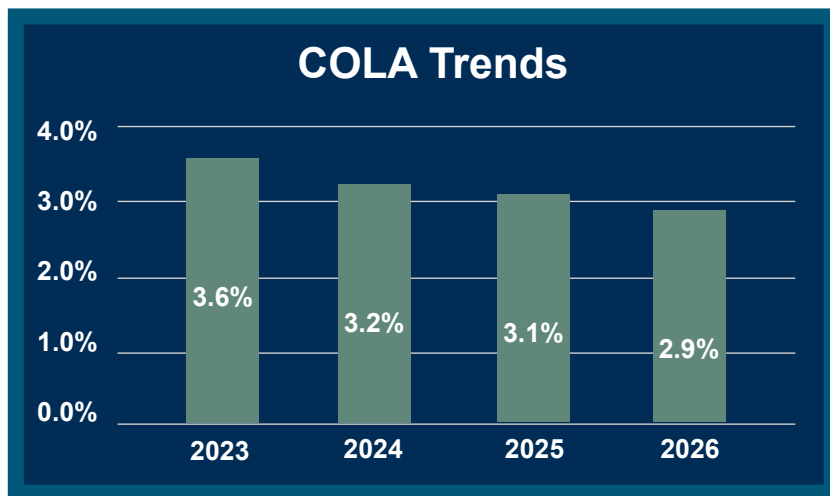
- o Market adjustments based on external market data
- o Salary band adjustments to reflect the market
- o Retention or discretionary bonuses



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COLA and Merit Trends



Planned vs. Actual Increases in 2025*

- o COLA: Planned **2.9%**, Actual **3.1%**
- o Merit: Planned **3.5%**, Actual **3.5%**

* Based on estimates from 2024 survey and results from 2025 survey



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2026 Projections

Increase Types:

- o **49%** of organizations plan to provide either COLA or Merit (not both).
- o **43%** plan to offer multiple types of increases (COLA, Merit, market adjustments).
- o **8%** indicated they were still determining increases for 2026.

Projected Increases:

- o COLA: **2.9%** (Range of 2% to 3.9%, reported by 80% of participants)
- o Merit: **3.4%** (Range of 2% to 5%, reported by 80% of participants)
- o Market adjustments/promotions: Average increase of **3.5%**

Broader Economic Context (BLS Data)

Consumer Price Index (CPI):
Increased by 2.9% for the
12 months ending 8/25.

Employment Cost Index:
Compensation costs rose 3.6% for
the 12 months ending June 2025.

Social Security COLA:
Increase to be released 10/25.
Estimates of 2.7%.



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Other Notable Numbers

Of Participants Offering COLA:

- o 41% will provide the same COLA as in 2024
- o 10% are planning to reduce the COLA increase by 1.4%.
- o 8% are planning to increase the COLA increase by .81%

Of Participants Offering Merit:

- o 32% will provide the same Merit as in 2024
- o 15% are planning to reduce the Merit increase by 1.21%
- o 8% are planning to increase the Merit increase by 1.25%

Rationale for Reductions:

- o Market adjustments provided in previous year
- o Uncertainty in the market

Rationale for Increases:

- o Retaining employees
- o Ongoing inflation concerns

Note: Health insurance costs for 2026 are projected to increase substantially for some employers.



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Overall Observations

- **Inflation** remains relevant but economic uncertainty is a driving factor in pay decisions this year.
- **Pay transparency** laws are continuing to expand, requiring employers to conduct pay equity audits and make adjustments to their salary structures and employee pay, potentially outside the annual merit or COLA windows.
- Potential increases to **healthcare** in 2026 are causing employers to make tough decisions on cost sharing and budget balancing.

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

info@kmahr.com

www.kmahr.com

(207) 781-6460