



Where's My Raise?

By Chris Taylor



**The economy is booming.
Wages aren't.**

Why leaders need to know the answer
to this mystery—fast.

R

Ray Murphy has been a busy fellow. The ad whiz estimates that over the last five years at his advertising agency, he's worked on around 400 campaigns, or 80 every single year.

In fact, there's only one thing that he hasn't done recently at the Los Angeles agency: gotten a raise. A company-wide wage freeze has kept his paycheck right where it has been. Over the last five years, the economy has gotten significantly healthier. The profit margins at Murphy's agency have grown larger. His paycheck, however, has not.

The problem

For years, employees around the world haven't seen their salaries grow after inflation.

Why it matters

Stagnant salaries can dampen employee motivation.

The solution

Smart employees are finding ways to get hefty raises, while corporate leaders can highlight benefits that have been increasing.

"Inflation keeps rising, expenses keep mounting, and we're all working harder because of attrition," he says. "We all want to be recognized, and how companies recognize people is in their pay. It's very frustrating." It's so frustrating that Murphy—whose name has been changed—is planning on leaving his agency and starting his own digital marketing firm.

It's a mystery that Murphy and literally hundreds of millions of other people around the world have been trying to solve: Where's my raise? Unemployment has been falling worldwide, and many employers constantly lament that they can't attract or retain the right talent. That would seem like a recipe for significantly higher salaries. And yet, outside of a few markets and a few job roles, salaries have barely budged.

"It's a surprising thing," says Ryan Nunn, a policy director for the Hamilton Project within the Washington, D.C.-based Brookings Institution, which aims to transform the nation's economic data into actionable policy proposals. "At some point employers should be competing for workers and outbidding each other, but we haven't seen that yet."

Whatever the specific factors at play, the end result is this: According to new research by Korn Ferry, professionals in the early stages of their careers in 14 of the 18 largest world economies—including the United States—earn less now, on an inflation-adjusted basis, than they did 10 years ago. Sure, companies around the world tightened belts during the financial crisis a decade ago, but many they haven't loosened them in the years since. People in the middle of their careers are barely treading water, too. And while some CEOs have seen their salaries increase, those only a few levels below the C-suite have not. Even senior managers worldwide haven't seen the real wage increases that one might expect in a world where GDP has grown by more than \$20 trillion in the last decade. "It continues to be a big question. Is it sustainable?" asks Tom McMullen, leader of Korn Ferry's North America Total Rewards practice.

Employers and employees have a vested interest in solving this mystery fast. Workers, of course, want to be rewarded for their hard work. If we are in a world where real wage growth just isn't going to increase that much, then they'll have to adjust their expectations and find satisfaction in other benefits. But if the low-raise era is ending, leaders better start getting ready to write far heftier paychecks or risk seeing morale fall and job turnover rise. They'll have to figure out how to explain all of that to their various other stakeholders, too.

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On paper,

wage sluggishness doesn't make a whole lot of sense. Nearly every economics textbook says simple supply and

demand should be boosting paychecks. And a generation ago, that's what happened nearly everywhere. In the United States, for instance, unemployment fell pretty steadily throughout the 1990s, and when dot-com mania was in full swing by decade's end, all groups of workers were seeing their paychecks go farther. For low-income workers, real wages grew nearly 12 percent over the decade—for middle-income earners it grew 2 percent, and for high-income workers, 6 percent.

The Great Recession, of course, came along, and organizations across many of the world's largest economies retrenched or went out of business. Millions of people were laid off, and when they eventually found new work it was often in a job that had a lower salary. But the recession officially ended in March 2009 and, short of some isolated trouble spots, the global economy has been on an upswing for the better part of a decade. At 3.9 percent, the US unemployment rate isn't just low, it's at levels not seen since the late 1960s, and there are nearly 7 million open jobs, a record.

And yet, workers haven't seen the benefits of this turnaround, at least not in their paychecks. Those who made \$100 in an entry-level professional position in the US in 2008 would today be making the equivalent of \$98. For mid-level professionals, the picture is slightly rosier, but not by much. Those who made \$100 in 2008 would today be making the equivalent of \$102. Only senior managers are seeing notably better prospects, with their \$100 pay in 2008 rising to \$106, although that rate is lower than the gains from the 1990s. It isn't only private organizations that are confused by this. "I certainly would have expected wages to react more to the very significant reduction in unemployment that we've had," said Federal Reserve Chairman Jerome Powell earlier this year.

Similar statistics show up in countries around the world. In the United Kingdom, only senior managers saw their real wages grow—and a paltry 2 percent at that. Japan follows a similar pattern. Only China has seen across-the-board real wage growth for all three worker classes over the last decade. Meanwhile, nothing on the corporate ledger side suggests a reason for firms to hold back; since 2009, corporate pre-tax profits have grown nearly 30 percent. And even with the recent US tax cuts, 83 percent of organizations surveyed by Korn Ferry say they won't be providing additional base salary increases because of the drop in those rates or other related changes.

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How to Get Salary Bumps in Today's Tough Market



Do some digging.

Find out what others in your field are getting paid and how your company is doing financially, studying financial statements and listening to earnings calls if the firm is publicly traded. "You need to do your homework," says Joan Adams, founder of New York-based operations advisory Pierian Consulting. "If you are doing well, the company is doing well, and the boss is doing well, then you stand a better chance."

Time your request with the company's budget cycle.

Most companies have a small window of opportunity to give raises, and they often come right after the new budget has started. Pay bumps are more likely if you pitch your cause when money is flush, instead of when the fiscal year is winding down and everyone is pinching pennies.

Think long-term.

Ask your boss what's needed to get to the next pay grade and then develop a long-term plan together. Then, by the next review time, or when you do ask for the raise, expectations are on the same page, says Kathi Callan, an independent human resources professional who for decades oversaw General Motors' executive training program.

Find a sponsor.

Along with mentors, there are "sponsors"—a high-level individual who may be critical to getting significant pay bumps (or promotions to the C-suite, for that matter). Seek one out or ask a mentor to find one, and make sure this person knows what you have done and can illustrate your importance to the firm.

Look outside.

"Always be prepared to move," says Benjamin Frost, who leads Korn Ferry's global Reward Products business. This comes with risks, of course, but the advice is followed frequently today in an age when job hopping has become much more common. It's an obvious way to test your value in the market and can force your own company's hand.



Getting **a definitive answer to this paycheck**

holdup is a little tricky. Not all jobs or industries or cities or countries are alike.

So, a software engineer in Seattle, for instance, will have a very different wage report than a manufacturer in Milwaukee. The nature of the jobs themselves can lead to wild wage variations. While average real wages are stagnant, some specific, in-demand jobs are doing great.

But by and large, the explanations fall around a few basic theories. Some economists point to the continuing push to automate processes and tasks that had been handled by highly compensated workers. McMullen says that theory has some validity, especially when combined with looking at many of the jobs that have been created: casual, temporary, low-productivity jobs (a driver for a ride-sharing service or a home health aide, to name just two). That substitution brings down average wage-growth figures.

At the same time, offshoring, the trend that started in earnest in the 1990s, continues. Many high-paying manufacturing jobs that haven't been automated have been moved to places such as China (not by coincidence, those jobs have helped raise real wages there). So, organizations may have a limited supply for talent in any one country, but a virtually unlimited supply of talent on a global scale.

Some demographic patterns may have kept a lid on salaries, too. Many baby boomers are delaying retirement and staying in the workforce longer than prior generations, Nunn says. At the same time, a healthy economy has coaxed people who haven't held jobs in years back to work. Immigration patterns may play a role, too, with a steady stream of potential workers keeping the labor pool from ever getting too shallow.

But perhaps the most intriguing explanation doesn't have much to do with automation, offshoring, unemployment rates, or any major business disruption. Many organizations are taking a more holistic view of compensation, looking well beyond the actual paycheck. For instance, some employers are offering more time off, more elaborate healthcare benefits, or other perks in lieu of salary raises.

This approach has been accelerating as the US economy keeps growing. This fall, the Federal Reserve called this a creative approach to compensation, and reported that firms throughout the country, in lieu of raising base salaries, are paying one-time signing bonuses, adding extra weeks off, allowing people to work remotely, or offering other temporary compensation.

That holistic explanation may not fly with many workers, of course. A variety of surveys show that nearly half of



Americans feel they're underpaid. Many companies also have a problem explaining the system. "How aware employees are of their organization's compensation philosophy is directly tied to their perception of reward and pay fairness," says Alison Avalos, director of membership at WorlдатWork, a nonprofit HR research group.

But, particularly among millennials, cash isn't the only thing that matters when it comes to work. "Some employees care an awful lot about work-life balance and working 45 hours a week instead of 70," says Cynthia Stuckey, a senior partner with Korn Ferry based in London. "Others care about purpose and whether the company is working towards sustainability." The key for employers, Stuckey says, is understanding what their particular employees want and perhaps giving them a whole suite of benefits they can choose from.

Ironically,

the era of no salary gains may end before the mystery is ever solved. A survey over the summer

by the National Federation of Independent Business found that 37 percent of respondents had unfilled job openings, a record high for the survey. Offshoring and automation may fill those roles eventually, but in the meantime work has to get done. Businesses may have no choice but to boost their wages to bring in needed workers.

Savvy workers are realizing this and seeing that they have a lot more leverage. When Rich, a 25-year-old church employee in Houston, wanted to switch from part-time to full-time work, church leaders offered less salary than what he was hoping for. So Rich, who asked to have his last name withheld, created his own performance review for his bosses. He researched what other employees in the same role, in the same region, were being paid. He then took on additional responsibilities—in particular, the stuff his boss hated to do—and kept superiors in the loop on all his activities, many of which they had not even been aware of.

Six months later, Rich went back to his bosses; they gave him a 25 percent salary increase, plus they helped him pay for some education expenses. "I came in with numbers and hard evidence, and they didn't, which helped my case," Rich says. ▀

