Salary Increase Budget

The 2025 trends

figures

298
Participating Companies

In today's competitive landscape, organizations are increasingly focused on refining their compensation strategies each year.
As revealed by our data, companies continue to seek ways to structure salary reviews effectively to ensure they remain aligned with market trends and internal objectives. While we know that the introduction of the EU Pay Transparency Directive will create new regulatory obligation for European companies to enhance their pay structures, making it essential to adopt transparent, fair, and compliant compensation practices.

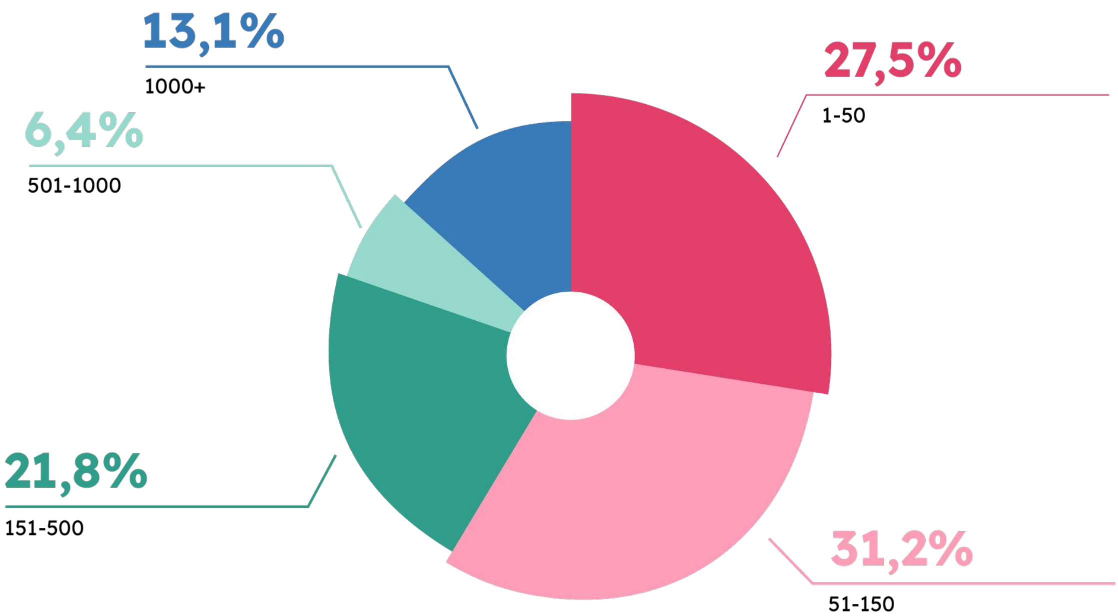
Furthermore, the talent market remains highly competitive, demanding that companies stay proactive and responsive to retain top talents.

That's why balancing competitive pay, compliance, and organizational goals has become a priority for HR teams across the board.
This survey aims to shed light on current trends, providing insights to help organizations navigate these complex dynamics and make informed decisions for sustainable and equitable growth based on data from past processes (2024) and prospective ones (2025), in three different countries (France, UK and Germany).

Global overview

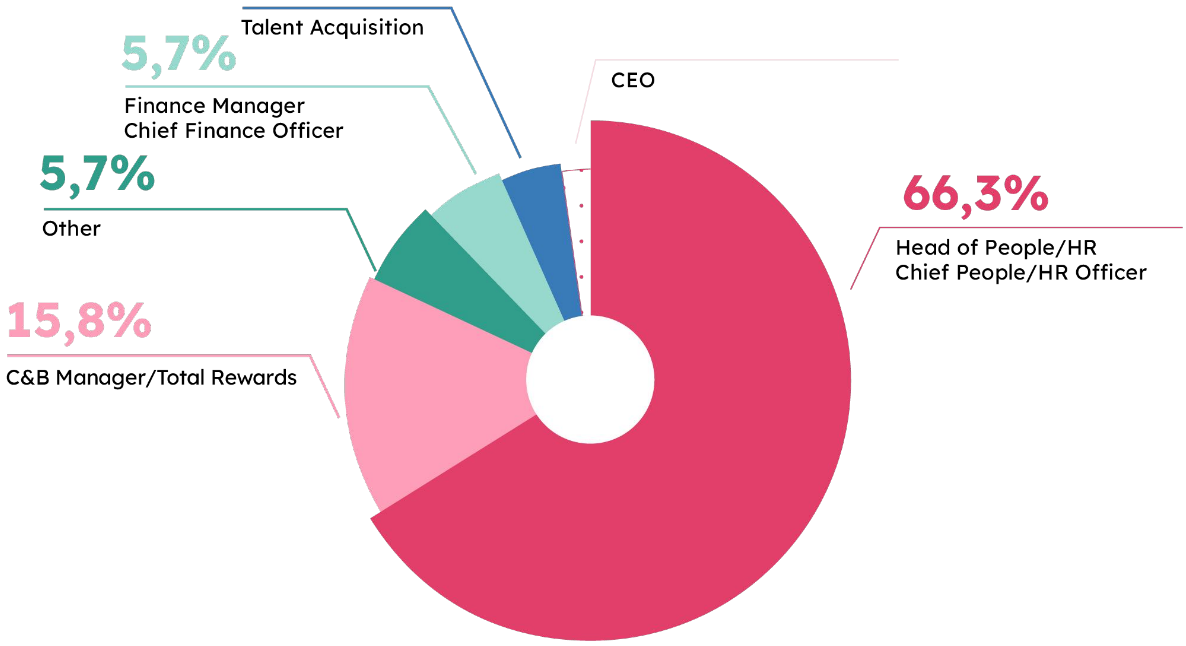
Participants per company size

Company segmentation by **global headcount**



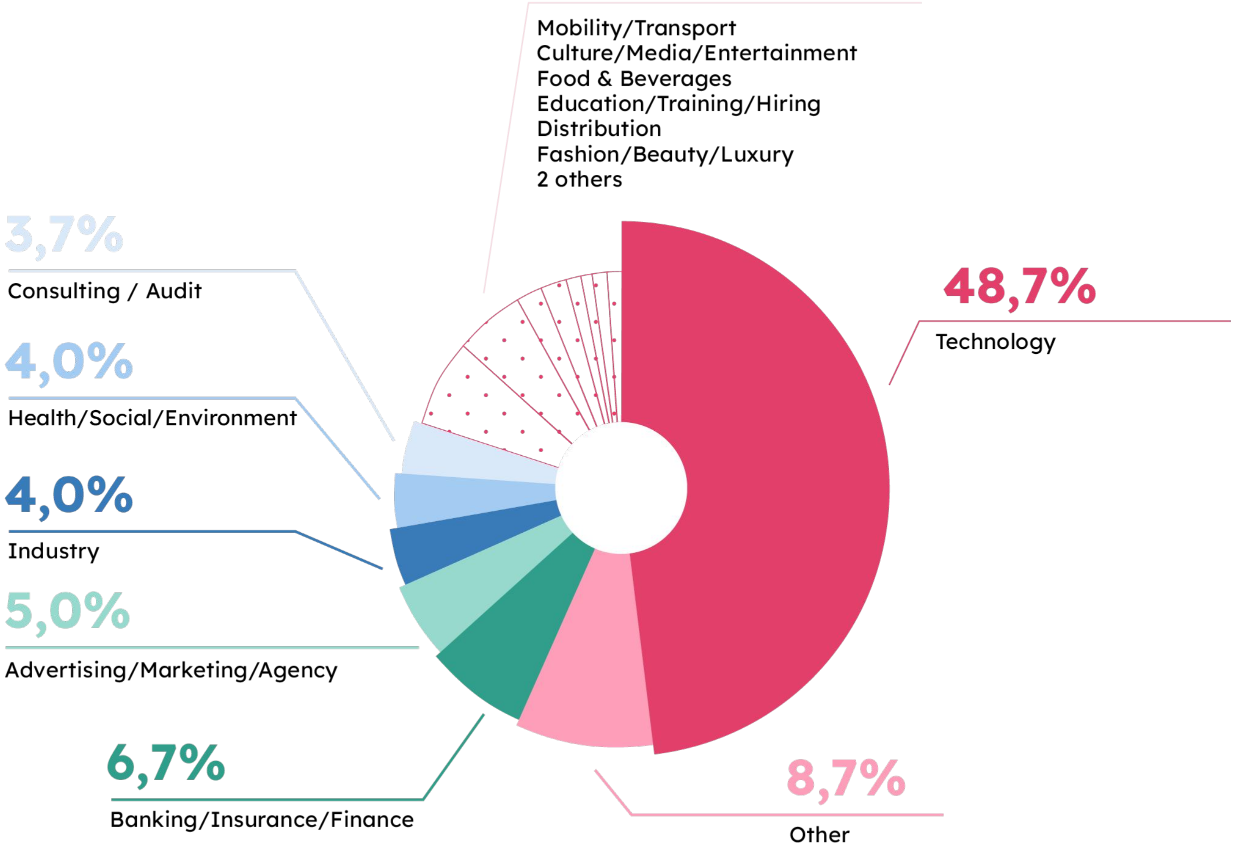
Participants per roles

Participants segmentation by **role**



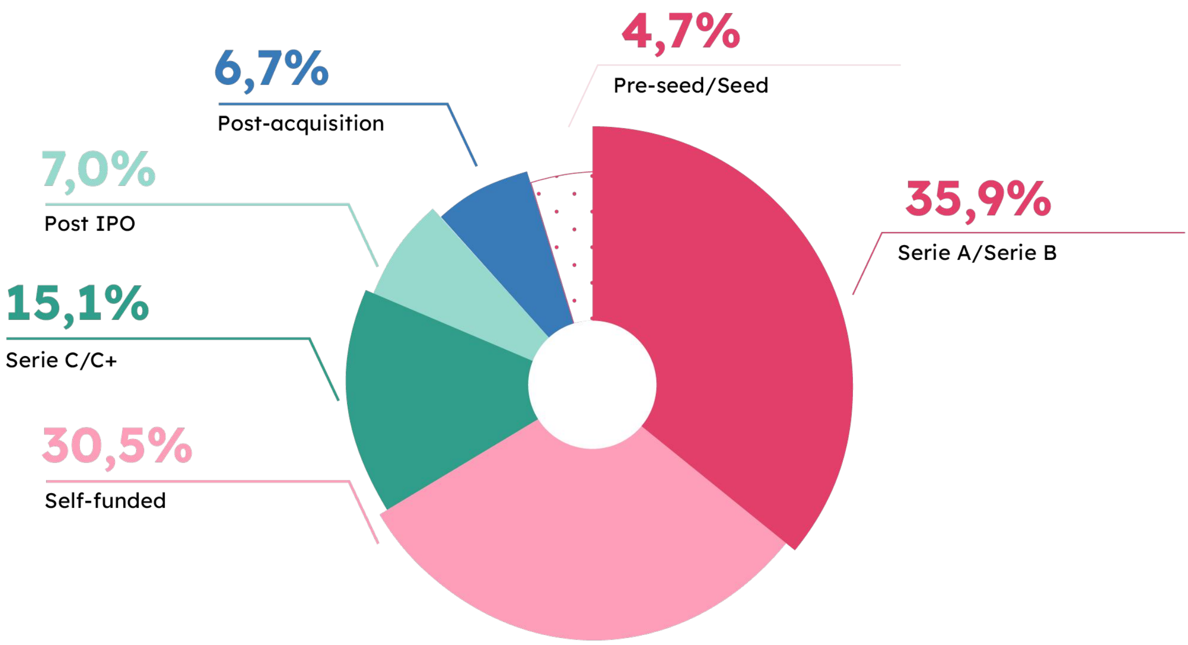
Participants per industry

Company segmentation by **industry**



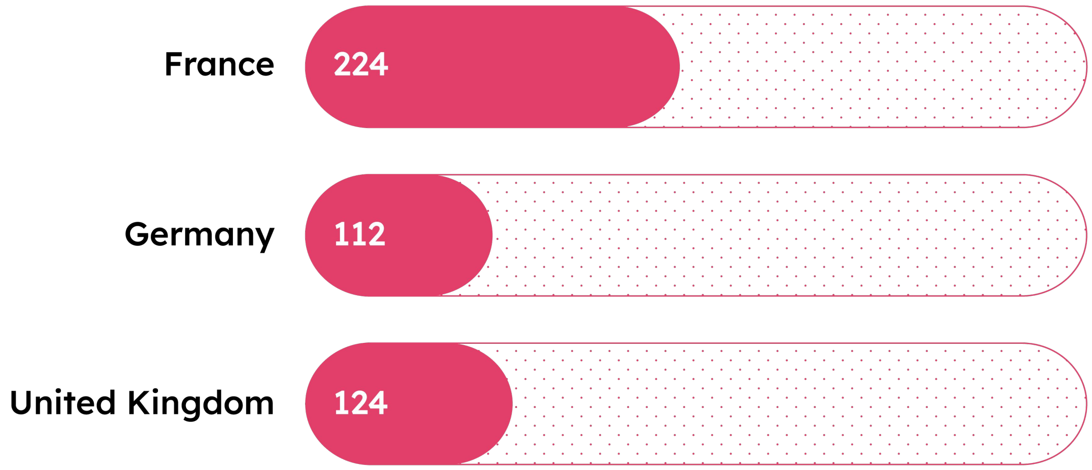
Participants per funding rounds

Company segmentation by **funding rounds**



Participants per location

Company segmentation by **geographical presence**



We've decided to focus only on those 3 countries: France, Germany and United Kingdom to have the best sample representation, and avoid drawing conclusions from dataset that would be too restricted (less than 100 participants) and would make them less representative.

Key takeaways

4-5%

33% of participants have planned for a budget between 4 and 5% of their salary mass for the **next round of salary increases**

5%

2025 budgets have **decreased on average** by 5% compared to 2024

73%

The vast majority of participants are giving specific recommendations to their managers about salary increases for their team - **needing accurate data to forecast those recommendations**

Let’s have a look at 2024 budgets

2024 budgets per company size

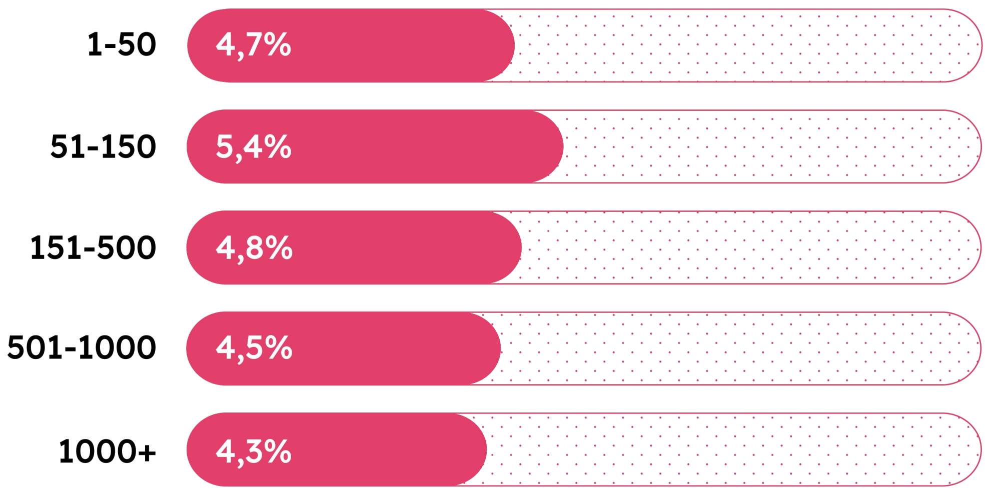
79%

of our participants ran compensation reviews, with a **global average budget of 4.8% of their salary mass.**

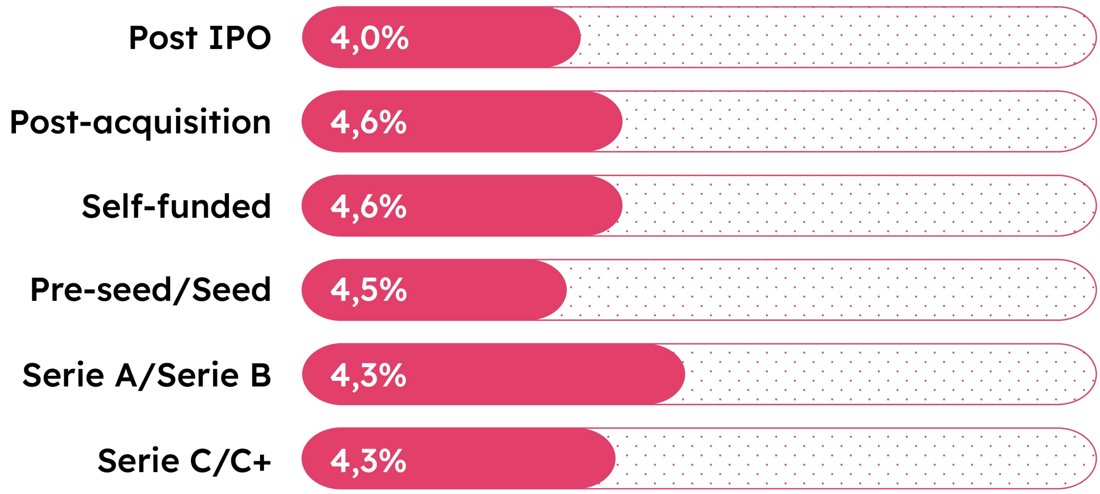
We notice that companies with smaller headcounts are the closest one to the global average and above, while large companies tend to be slightly lower.

This is not necessarily surprising, as smaller companies are often the one in growth/scale phase, competing to attract and retain many talents from the market, and salary is a way for them to win them over.

While larger companies are also able to leverage other benefits, and can better absorb turn over if it happens.



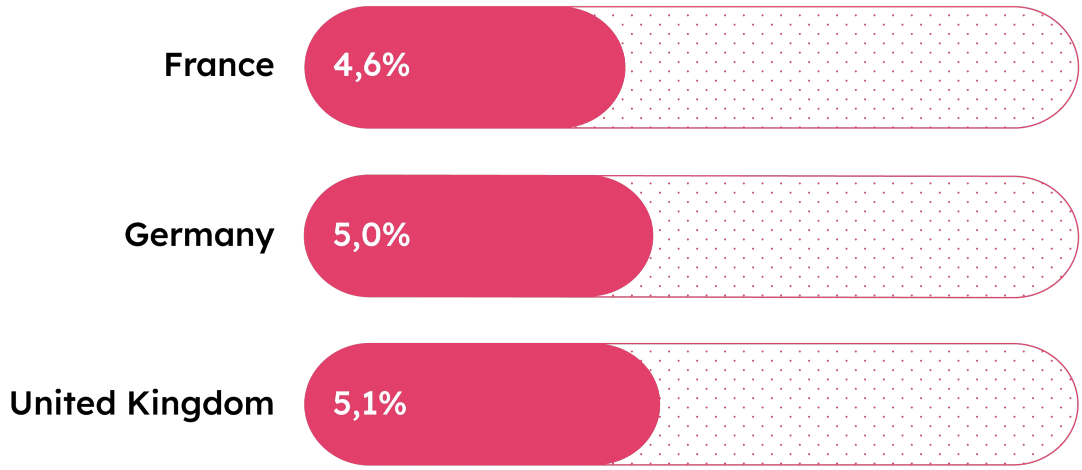
2024 budgets per funding rounds



62% of companies in Series A and B are the same ones who were between 50 and 500 employees, which means that them being above the global average, once again makes sense.

They are well funded, most likely in a growth phase, they invest a lot on their people resources to attract and retain the best talents.

2024 budgets per location



Overall, Germany and United Kingdom tend to have higher budget year over year when it comes to salary increases.

Beyond historical or cultural habits, inflation is also still higher in the UK than it is in France or Germany, which can be a driver for higher budgets.

Now what’s planned for 2025?

Annual salary increase overall budget

92% **14%**

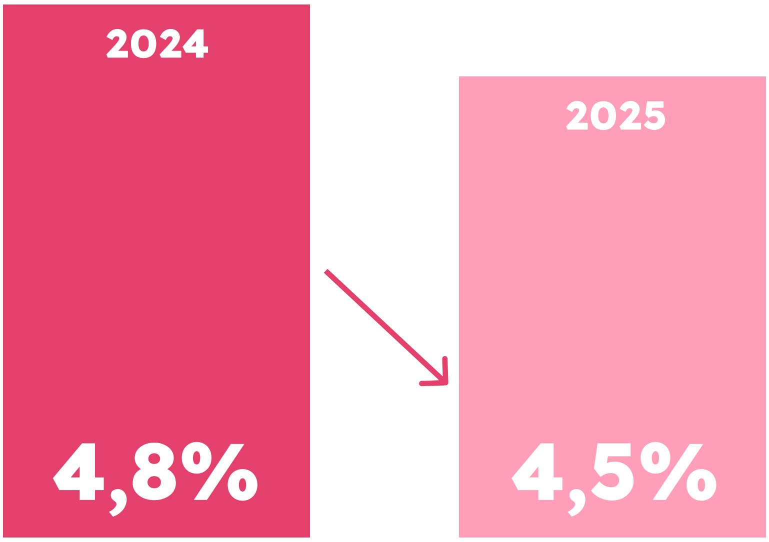
When, in October 2024, we surveyed the almost 300 participants about their coming compensation reviews, 92% were already sure they will actually run a review cycle in the upcoming 9 months.

Yet, only 14% already had validated their budget for this cycle.
If another 32% were almost there, still discussing with their finance team, it means that 54% of participants just had no budget in mind at all.

It's an answer we very often have when talking to HR professionals: *"I'm waiting to see what others are doing in terms of budget to align ourselves with the market".*

That's why we really hope the following information will be inspirational for you all.

Annual salary increase overall budget



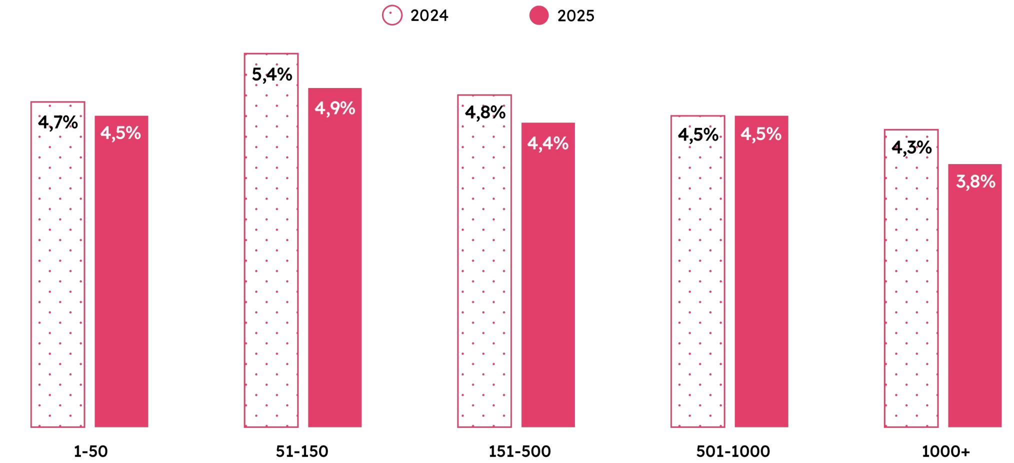
In 2023 we were already noticing a drop in budget, even if it was more substantial then (from above 6% to lower to 5%).

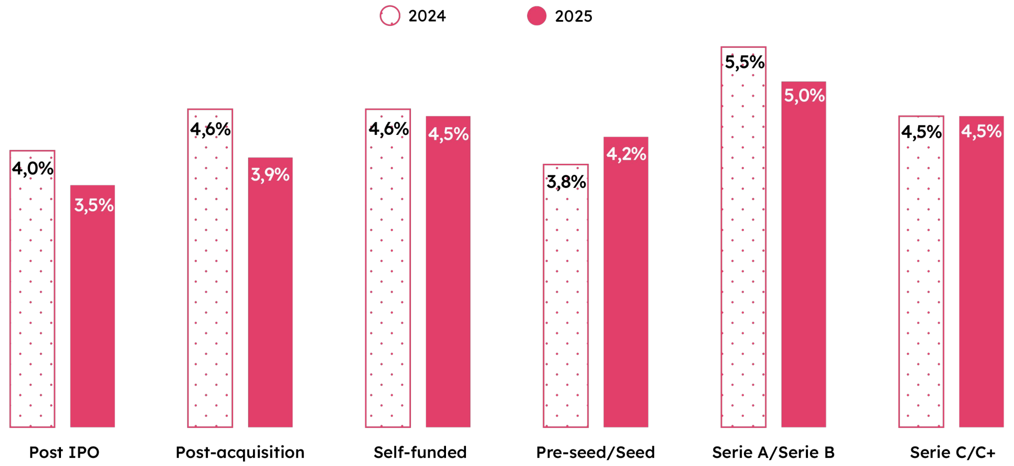
We know that following the Covid crisis, global economy went a bit overboard, inflation got to high points that hadn't been seen in decades, and some companies have been overcorrecting.

We are now coming back to ranges of figures that we were used to before 2020.

Will it stay as is, for the coming year? Only the future confirm that.

Annual salary increase overall budget





We know the overall budget has been dropping, we can also notice that company size and funding round is impact this drop in different ways.

While it's hard to see a clear pattern in these changes, we can make some assumptions:

- Fundraising has been more complicated over the past years, with smaller amounts, and we see that Series A and B who used to have the highest increase budgets, are also the one with the biggest decrease in budget
- While stock market are still increasing compared to last year, they are also pretty volatile from a month to the other, which probably pushes companies post IPO to be cautious with their finances, which can explain the second highest drop in budget

Annual salary increase budget management

72%

of participants have the same budget and rules regardless of the employee's location

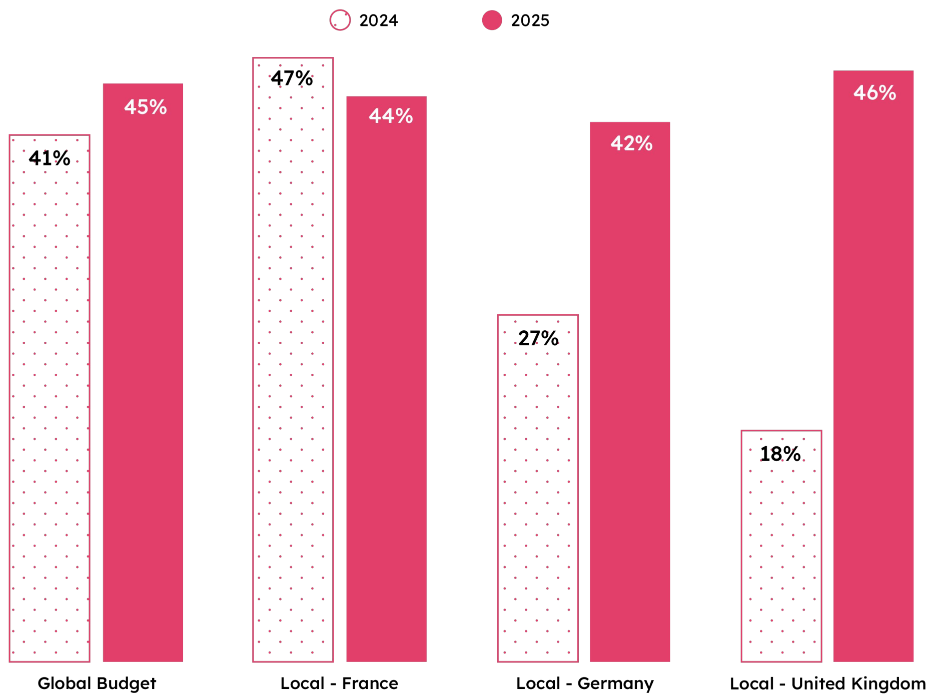
44%

of participants split their global budgets into different budget categories to ensure the best allocation among their teams

As we saw earlier, location (between France, UK and Germany) only has a small impact on budget overall, hence it makes sense to see only a minority of companies differentiating their increases' budget and processes per country.

Though, it's interesting to see that almost half of the participants are splitting their budget into different categories to better distribute it depending on their strategic objectives, and that this trend is growing compared to last year.

Annual salary increase budget management



We can see that in most location the use of different budget categories is becoming more and more widespread.

These budget categories can be many and varied, addressing specific cases such as: merit/performance, general increases, inflation, promotions, market adjustments, gender pay gap adjustment, etc.

Ultimately they allow for company to better distribute their overall budget depending on their priorities and core beliefs.
A company can value a lot meritocracy, while having to correct an historical gender pay gap: having one budget for merit and another one for the gender pay gap reduction will avoid having one cannibalizing the other.

Let's deep dive into those different budget categories

Which budget categories are we talking about ?

General increase

uniform or proportional salary increase given at the same time to **all workers in the organization**

Performance/merit

salary increase differentiated depending on the **level of performance of an individual**

Promotion

salary increase linked to a **change of job and or level of an employee**

Market adjustment

increase in an employee's salary to be more aligned with the **current rate of what similar roles are usually paid on the market**

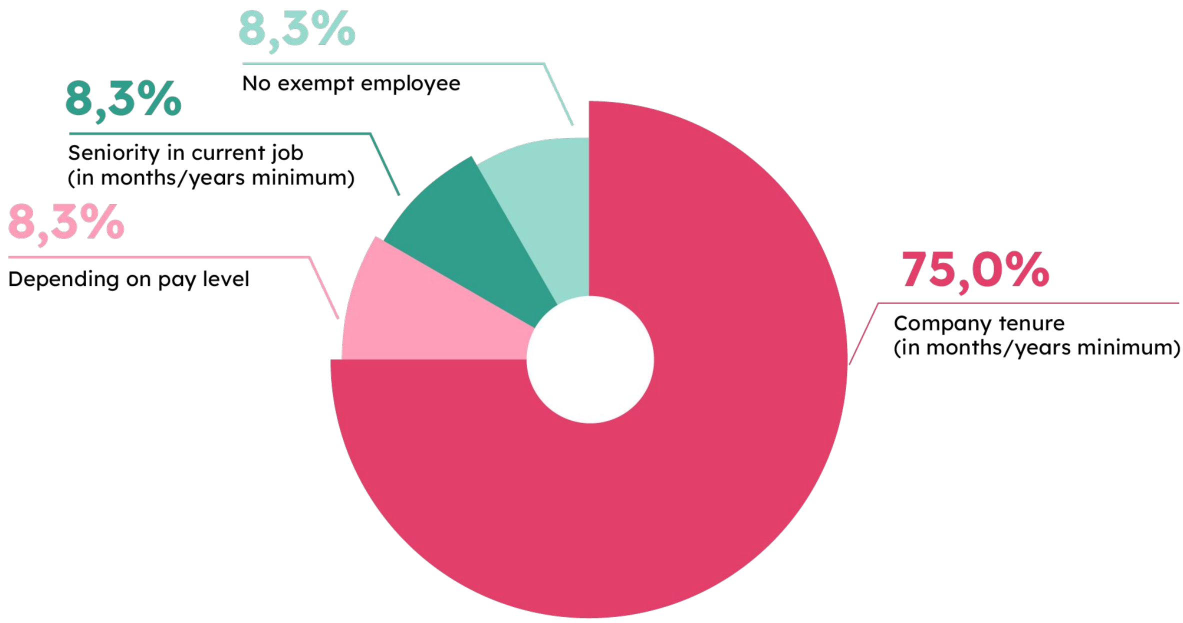
Gender pay gap adjustment

increase received by employee to correct an **unjustified gender pay gap with employees performing a job of equal value**

General increase

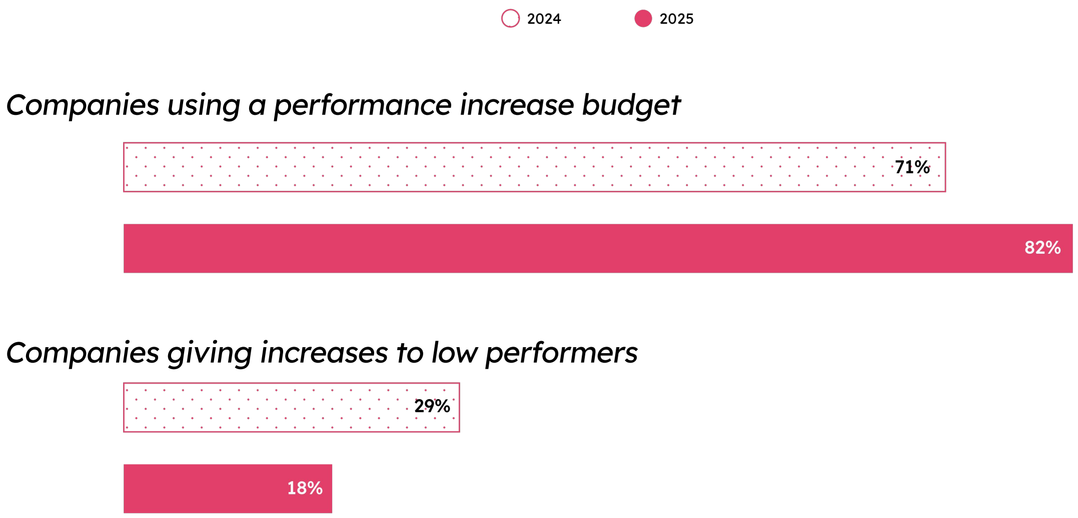
2,5%

average budget dedicated to **general increases**



Most companies are making their employees eligible for a general increase based on their company tenure. Generally speaking, the most common rule remains that employees must have been with the company for at least 9 to 12 months.

Merit/performance increase budget

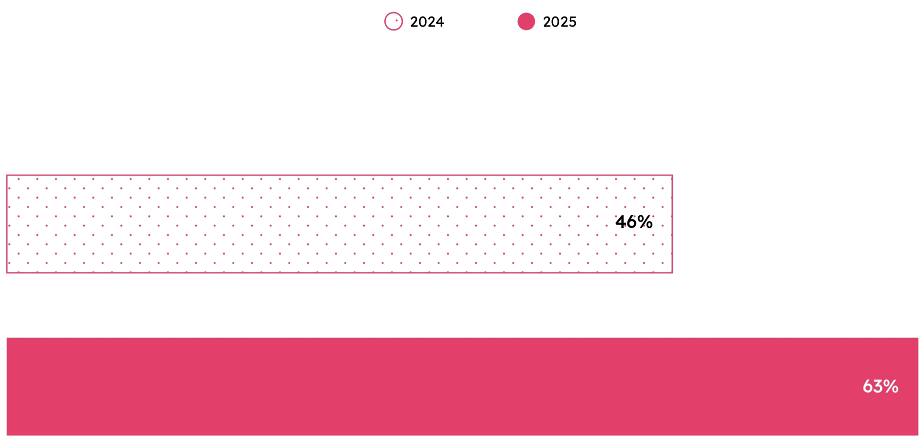


Performance is probably the first variable you will think about when asked about salary increases.

At least, to 82% of our participants it seems sound to differentiate between a low and a high performer when it comes to salary.

An other information that seemed interesting to look at, is that 18% of companies are still considering giving salary increases to people identified as low performers. In these situations, we often hear that unfortunately the performance assessment process is not strong enough or objective enough, to justify 100% of salary decisions.

Promotion increase budget

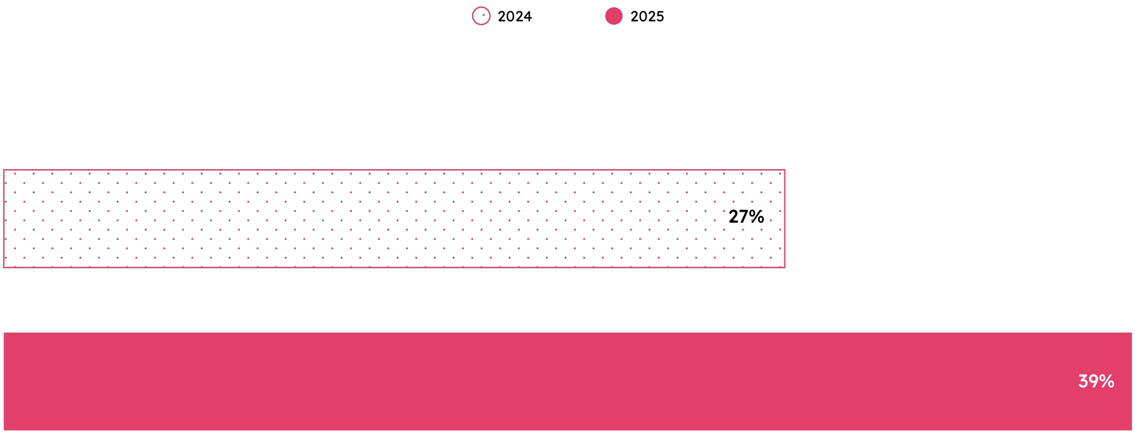


Promotions are often tightly linked to performance, but their definition can still vary from a company to the other.

Might it be a change of level, or a change of job/responsibilities, we notice that more and more companies are using a dedicated budget for these promotions.

To us, it make the most sense in organization where you have an important number of promotions, and want to avoid that these promoted employees are preventing you from properly increasing the others, who still might be solid performers. By splitting both budget you can define rules that are not overstepping on one another.

Market adjustment budget



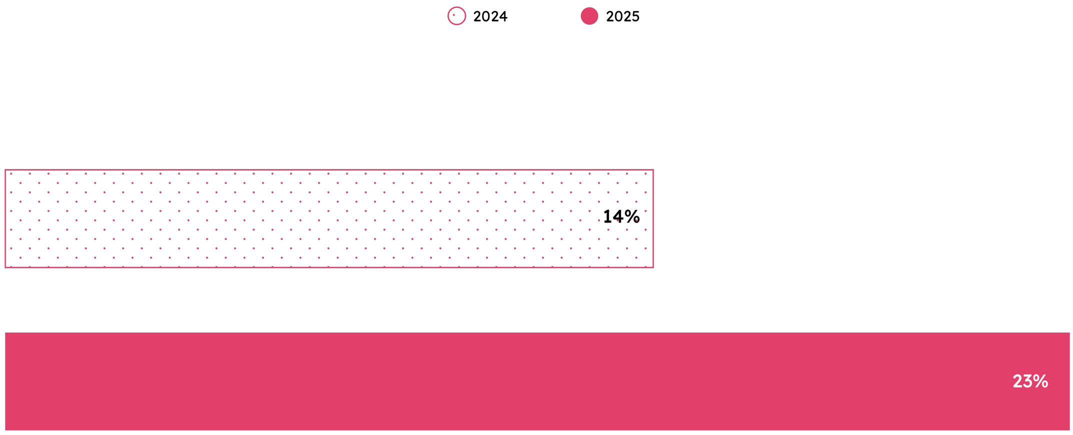
% of probed companies disposing of a specifically allotted budget for market adjustment

We know for sure that the employment market is very volatile, particularly when the economic landscape is changing itself.

For the past 4 to 5 years, we've seen salaries moving drastically and quickly, depending on job qualifications, industries, or locations.

It's not surprising that if they want to remain competitive and attractive, more and more companies are dedicating a budget to eventually reduce the gaps noticed between their internal compensation and the market.

Gender pay gap budget



% of probed companies disposing of a specifically allotted budget for gender pay gap reductions

Gender pay gap is a burning topic!

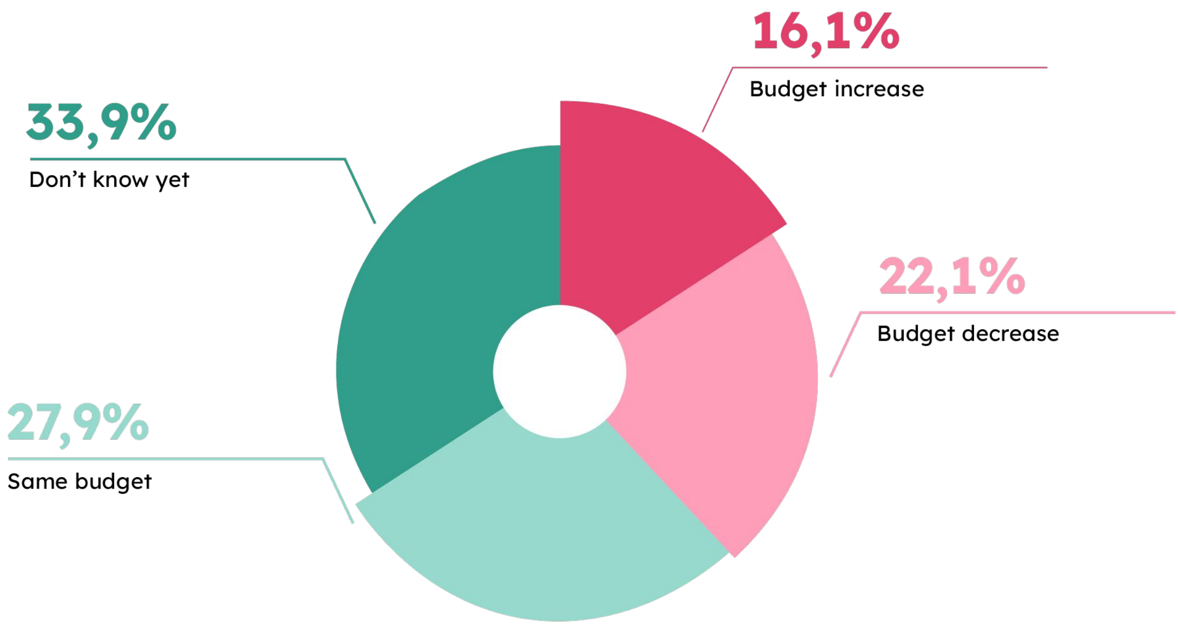
While the EU pay directive will soon be applicable in european countries, most companies are yet to measure and correct their gender pay gap to avoid sanctions and bad press.

Dedicating a budget to it is a way to make sure that the gaps are corrected, might it be over time, but also a proof of commitment to a more fair compensation from the organization.

General information

Budget trend

Compared to last year **how did your global budget evolve?**



On average, **global budgets decrease by**

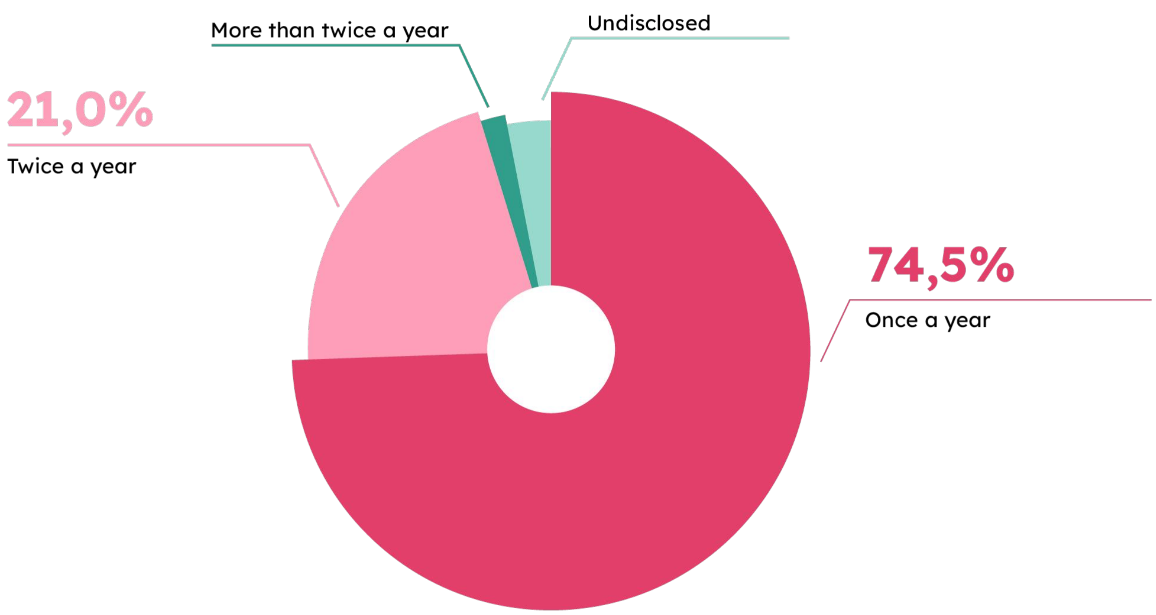
5%

Review frequency

The most popular review frequency remains **once a year**

We know it's a demanding process and doing it more often would require more resources, along with more structured processes, which is not always doable.

Moreover, it wouldn't necessarily be more efficient!



Your HR role in the process

73%

of our participants are giving **specific increases recommendations to managers**

It's in our core beliefs that HR and People teams have a key role to play in compensation review processes, beyond pure administration of the process.

With a combined view on budgets and compensation strategies but also team performance and business needs, HR teams should be a perfect position to guide managers through compensation topics and decisions.

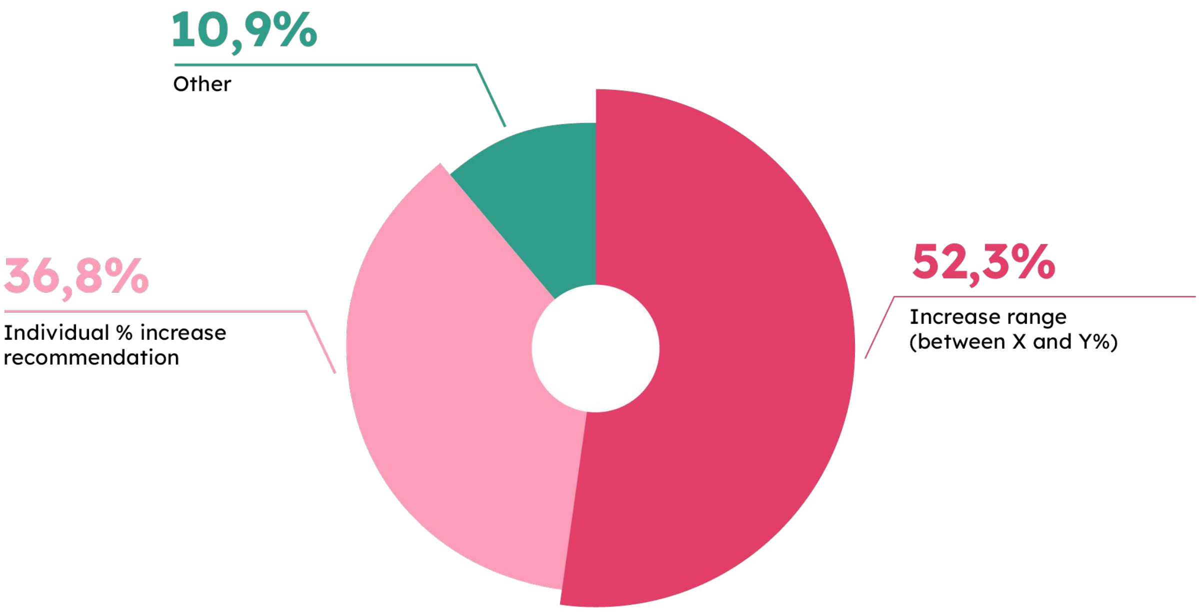
Here we understand that 27% of companies still let managers decide on salary increases without any initial guidance, which in the transparency era that's ahead of us will quickly become problematic.

How will you be able to justify that compensation decisions made arbitrary by managers are following uniform, objective and unbiased criteria, if all managers are doing it at their own will?

We know that these questions will become more and more frequent with the upcoming Pay Transparency laws, and you surely want to be prepare to answer them.

Structuring your compensation review process, guiding your manager using company-wide criteria, and linking them to salary increases recommendations will then make your life, if not easier, at least more compliant!

Your HR role in the process



There can be different ways to guide managers through this thorny topic:

- Giving them a range of increase (between X and Y%) based on various criteria (performance, location, position in salary range, etc.)
- Giving a precise individual % of increase, also based on the same criteria ↑

No matter which one you decide on choosing, remember that explaining how compensation works from your HR point of view (strategy, philosophy, processes and even budgets), will be key to have more educated managers, and eventually team members, which will make compensation decisions and discussion only easier over time.

And ain't it what we're all dreaming of?

figures