

HR Pros See Slower Growth in Compensation in 2014

Reflecting a trend seen across nearly all professions, HR saw little growth in total compensation in 2014.

By Joseph Coombs

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Want a raise? You're not alone. But before you ask for more cash, consider this: Yearly salary bumps have become increasingly conservative, and companies have become more creative—and, frequently, less generous—with compensation packages for their employees.

The HR profession hasn't been spared from this movement to de-emphasize and limit the annual merit increase. Median total cash compensation—which includes base salary combined with variable pay, such as bonuses and incentives—for all HR positions rose an average of just 2.6 percent in 2014, the lowest amount in three years—down from 3.6 percent in 2013 and 4.1 percent in 2012, according to [the 2014 General Industry Human Resources Compensation Survey Report-U.S.](#) by [Towers Watson](#).

While it may not be a long-term trend, many HR executives' compensation packages saw considerable declines in 2014, according to the report. Median total cash compensation for equal employment opportunity executives, for example, fell 17 percent in 2014 to \$129,700. Top employee/labor relations executives received median compensation of \$166,300, down 14.9 percent from 2013, and human resources information systems executives earned an average of \$151,100, down 13.7 percent from last year.

10 HR Positions with the Highest Percentage Decrease in Total Cash Compensation from 2013 to 2014

Position	Median total cash compensation		Percentage change in 2014
	2013	2014	
Workers' compensation case management—professional entry level	\$49,400	\$38,700	-21.7%
Medical services/nursing discipline—technical support intermediate level	\$56,200	\$45,900	-18.3%
Human resources information systems—business support lead level	\$56,000	\$46,600	-16.8%
Benefits—professional master level	\$106,200	\$89,300	-15.9%
Health and safety—technical support senior level	\$61,100	\$52,800	-13.6%
Human resources information systems—business support entry level	\$37,600	\$33,300	-11.4%
Workers' compensation case management—technical support intermediate level	\$49,000	\$43,900	-10.4%
Human resources/no applicable discipline—manager level	\$102,900	\$92,900	-9.7%
Health and safety—technical support intermediate level	\$51,700	\$46,800	-9.5%
Employee development/training generalist/multidiscipline—group manager level	\$166,800	\$152,200	-8.8%

Source: 2014 General Industry Human Resources Compensation Survey Report-U.S., Towers Watson.

The decline in total cash compensation for many HR specialists is possibly a result of companies failing to meet their fiscal goals in 2014, according to Laura Sejen, Towers Watson's global practice leader of rewards. "I think the decline is really an indication of underfunding of bonus pools. It's not really about base pay," she says. Funding for bonuses and incentives is often tied to an organization's financial performance, such as revenue or profit targets, in addition to employee performance.

Data on short-term incentives in 2014 from Towers Watson show that, in fact, fewer HR executives and nonexecutives in several disciplines earned such incentives.

Joan Reutter, president of Manassas, Va.-based [JBR Consulting](#), which provides HR services for a variety of companies, has a theory about the drop in total cash compensation in HR: A decline in the previous practice of hiring overqualified individuals at inflated rates of pay.

"I think employers are now saying, 'We'll either outsource the work or pick someone internally,' " she says. "A lot of companies feel they don't have to fill some of these jobs with the highest level of expertise."

Reutter is also starting to see some churn at the executive level. In the past, HR executives often stayed in their jobs for at least 20 years and steadily garnered higher compensation as their careers advanced, but that too has changed, she says. As younger, less-experienced professionals fill those positions, it naturally brings down average compensation.

But that's not necessarily a bad thing. "Experienced people are moving on, and there's a different population taking their place," Reutter says. "I don't view that as a problem. It could be a revitalization for the profession, with a younger generation moving in."

Salaries Stuck

Estimates indicate that base salary growth in 2014 and beyond will be minimal. Companies projected an average salary increase of 2.7 percent for their workers in 2014, according to the Society for Human Resource Management's (SHRM's) [human capital benchmarking database](#).

Salaried exempt employees saw their compensation rise by an average of 2.9 percent in 2014, and those workers are likely to receive an average increase of 3 percent in 2015, according to [the Aon Hewitt 2014 U.S. Salary Increase Survey report](#).

Popular tools for employers trying to control fixed costs associated with base salaries include incentive programs, one-time bonuses and other forms of variable pay, as well as low-cost flexible benefits designed to improve employee satisfaction.

The [Aon Hewitt](#) report revealed that variable pay budgets and related spending have nearly doubled in the last 20 years. Employers spent 12.7 percent of their payroll on variable pay for salaried exempt workers in 2014, the highest percentage in the past seven years.

“For the most part, companies are being very, very cautious about how they’re spending money,” says Paul Dorf, chairman and founder of [Compensation Resources Inc.](#), a New Jersey-based consulting company. “They’re thinking things through in a more diligent manner and becoming smarter and more cost-conscious.”

Formal incentive programs are replacing end-of-year bonus offerings at many employers, says Dorf, whose firm provides compensation consulting services to a variety of for-profit and nonprofit entities. Payouts are typically tied directly to performance, and workers who don’t meet goals are frequently on the low end of salary hikes, if they receive anything at all.

In contrast, “Bonuses often occur when companies see how much money they have left at the end of the year, and then they hand them out,” he says. “That’s not very motivational for employees.”

This renewed focus on pay structure and benefits is profiting HR professionals with expertise in those areas. Among nonexecutive positions, several of the highest percentage increases in total cash compensation in 2014 belonged to the compensation and benefits disciplines, according to Towers Watson’s research. This occurred in 2013, as well, and suggests that, at least in the short term, these skills will be in higher demand.

Not Bad for All

Not all HR professionals saw their pay tumble in 2014. Nonexecutives in the environmental, health and safety discipline had a median total cash compensation of \$92,700 in 2014, up 27.7 percent from 2013, according to Towers Watson. Nonexecutive HR professionals in industrial hygiene positions saw their median total cash compensation rise this year to \$79,200, up 10.3 percent.

And given the increased competitive nature of talent management—particularly finding recruits in a job market that is short on skilled workers in many industries—several categories of recruiters saw compensation increases in 2014, much like they did in 2013, according to Towers Watson.

Several levels of HR generalists also saw above-average increases in median total cash compensation. Generalists are, in fact, the most sought-after type of HR professional at the moment, according to one recent SHRM survey. HR professionals at only 20 percent of organizations said they were hiring for human resources help, but of that group, 70 percent were seeking HR generalists, according to the results of SHRM’s [HR Jobs Pulse Survey](#), released in January 2014.

“If you’re hiring for HR, most of what you’ll find are generalists,” Reutter says. “Instead of pigeonholing somebody into a specific field, you’re getting somebody who can eventually move into a different skill set. From a recruiting standpoint, it makes things easier.”

What's not getting easier for many employers is determining compensation across all levels of their organizations. While Reutter says she hasn't seen any specific trends in strategies from her clients, many employers today are taking a more holistic approach to salary and compensation reviews.

Total Cash Compensation for HR Nonexecutive Positions

Position	Median total cash compensation		Percentage change in 2014
	2013	2014	
Labor relations discipline	\$100,200	\$109,100	8.9%
Compensation and benefits generalist/multidiscipline	\$101,500	\$105,000	3.4%
Organization development discipline	\$96,800	\$102,200	5.6%
Recruitment—management discipline	\$89,900	\$93,800	4.3%
Environmental, health and safety—no applicable discipline	\$72,600	\$92,700	27.7%
Compensation—executive compensation discipline	\$110,700	\$91,300	-17.5%
Employee relations discipline	\$83,200	\$86,100	3.5%
Environmental, health and safety generalist/multidiscipline	\$85,000	\$84,200	-0.9%
Compensation generalist/multidiscipline	\$81,900	\$82,200	0.4%
Equal employment opportunity discipline	\$76,900	\$79,700	3.6%

“Fifteen or 20 years ago, there were some companies offering merit increases of 10 percent every year,” she says. “There was no way that could be maintained. Today, many employers just give the 3 percent increase and then bring something else to the table, such as flexible work or some other benefit.”

Base salaries have firmed up since the Great Recession, Sejen says, and job creation has improved, but not to the extent that employers are under heightened pressure to substantially raise total cash compensation.

“It varies for certain industries,” Sejen says. “People with critical skill sets still move up more quickly [with compensation], but a lot of salary budgets in place for 2015 are at 3 percent. That’s not much better than 2014, and it’s unclear when that will change.”

Now, about that raise ...

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About the Survey

The *Towers Watson 2014 General Industry Human Resources Compensation Survey Report-U.S.* is based on the responses of 657 organizations reporting on 38,506 employees across 191 geographic areas and 92 industry classifications. Survey data on hundreds of occupations and job levels is available at the Society for Human Resource Management’s [Compensation Data Center webpage](http://www.shrm.org/compensationdata), www.shrm.org/compensationdata. Members can access a tool to create compensation reports and glean information on salaries and compensation for myriad positions. Some reports are free, while others have access fees. Additional reports are available by job family, such as top management and middle management, and by job function, such as sales, marketing and engineering, and the data can be manipulated to generate reports based on position, geographic area, industry, organization size, revenue size and profit status.