

## COMPENSATION TRENDS REPORT FOR 2025:

# Insights on Pay Disparities

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Salary raises decreased for the second year in a row, and employees are feeling the strain. Prepare for compensation conversations in 2025 with updated benchmarking from BambooHR.

The **economy was top of mind for 31% of voters** as they left election booths last November. BambooHR's latest compensation survey sheds light on the cost-of-living crisis employees face throughout the United States. Companies are feeling the financial squeeze, too, with 2024 being **the year of cost cuts** across companies and industries.

To better understand the current compensation landscape, BambooHR surveyed 1,500 full-time, salaried employees. In this report, you'll learn about:

- The current state of compensation benchmarking by industry, seniority, generation, and gender
- The relationship between compensation and employee satisfaction
- How compensation impacts turnover and retention
- Employees' expectations about pay transparency

Read on for deeper insight into the financial challenges employees are facing, and for practical strategies HR teams can use to foster a resilient and satisfied workforce.

## Key Takeaways

- 72% of employees have positive feelings about their current compensation, a drop from 83% in 2022.
- 73% of employees feel like they deserve a pay raise, but 27% don't want one if it means more work.
- 64% of men received a salary increase in the past year, compared to just 55% of women.
- 47% of employees have discussed their salary with a coworker, including 42% in the last year.
- 50% of employees are currently struggling to make ends meet due to rising costs.
- 61% of US workers say executives and leadership don't understand the financial struggles of typical employees.
- Over half (55%) of employees think their company's CEO is overpaid.
- For the second year in a row, 2 in 5 salaried workers haven't received a salary increase in the past 12 months.
- Of those who received a salary increase, the average increase was 3.6%.
- Nearly 1 in 3 employees (32%) were dissatisfied with their most recent salary increase, up from last year (23%).
- 44% of employees say they'd like to change jobs, but because their salary is secure, they're staying put.
- 52% of employees would rather have a higher salary than equity, bonuses, or profit sharing.

## The State of Compensation and Economic Burdens in 2025

As 2025 begins, US workers' financial strain is palpable. **Annualized inflation is lingering at 2.4%**, and the average salary increase for 2024 is just a little higher at 3.6%. Translation: average salaries are barely keeping ahead of costs, influencing not just household budgets but the very wellbeing of the workforce.

Today, many employees find themselves grappling with **stagnant wages** and **escalating debts**. Over half of the workforce is burdened by financial obligations that are increasingly difficult to manage, including 60% of US workers who are paying off debt, costing them 30% of their paycheck

on average. Only 41% of employees feel that their current pay is sufficient to sustain their lifestyle.

Although the economy may impact businesses' bottom line, most employees agree that employers should provide financial stability. Three-quarters of employees (76%) believe that no matter the state of the economy, compensation shouldn't be decreased.

"I do like to continuously go up in salary. So if I feel like I'm not going up anywhere, then I'm going to be looking for a different job."

Software Engineer  
Insurance Company | Finance Industry

With **50% of employees struggling to make ends meet** and **43% working more hours than ever**, employees' overall wellbeing is closely tied to their pay. More than one-third of employees (**36%**) **say there's a direct correlation between their compensation and their mental health.**

### HR PRO TIP

Consider implementing **cost-of-living adjustments** for employees in different geographic locations to ensure fairness and employee satisfaction across the board.

"Companies should consider their employees' financial wellness when they look at total compensation. At BambooHR, we recognize the importance of financial literacy, which is why we offer our employees a free subscription to a financial literacy program. This program empowers our team with the knowledge and tools they need to manage their finances effectively, providing a sense of security and confidence in uncertain times."

Alex Bertin | Director of Total Rewards | BambooHR

## Coming Soon: BambooHR Salary Benchmarking

Compensation Benchmarking gives you an easy way to set your pay with actionable, fair, data-backed salary insights.

Compensation Benchmarking is powered by Mercer—a market leader in salary insights—and offers a seamlessly integrated BambooHR experience. Now you'll have the tools you need to ensure pay equity, align with industry standards, and retain top talent, no matter your company size or industry.

“Compensation Benchmarking has been an amazing new addition to our toolbox. It is quick and easy to do. It also allows us to make sure everyone is being paid fairly compared to other positions in our area.”

Natalie Allen  
Office Coordinator | FreeFlight Systems

## Compensation Benchmarking in 2025

Since 2022, BambooHR surveys have shown that average salary increases are shrinking—along with employee satisfaction about compensation.

YEAR	AVERAGE SALARY INCREASE YOY
2024	3.6%
2023	4.6%
2022	6.2%

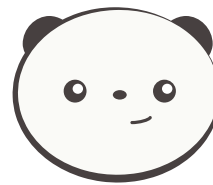
For the second year in a row, 2 in 5 salaried workers haven't received a salary increase in the last 12 months. For the 60% of employees who did get a raise, the average increase was a modest 3.6%, marking a continued decline from 4.6% in 2023 and 6.2% in 2022—a 42% decrease over two years.

Salary continues to be top of mind for a majority: **52% of employees say they would rather have a higher salary** than equity, bonuses, or profit sharing (down from last year's 60%), evidence that most employees prioritize putting money in their pockets over other benefits that might offer greater monetary value in the long term.

The data also reveals a growing discontent around current compensation structures, **with one-third (33%) of employees feeling negatively about their current financial remuneration**—a sharp increase from 23% last year.

However, a majority rank themselves as satisfied, with **half of employees (50%) saying they were at least somewhat satisfied** with their most recent salary increase. This is a drop from last year, where 64% of employees were satisfied with their salary increase.

### How satisfied were you with your most recent salary increase?



54%

Satisfied



24%

Neutral



32%

Dissatisfied

Source: BambooHR 2024 Compensation Survey  
(Base: Total Respondents, n=1,512)

### Free Tool: Total Compensation Calculator

Compensation is about more than just a paycheck. Our Total Compensation Calculator helps employees see the full value of their compensation package—including benefits, PTO, perks, and more

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# Compensation Benchmarking by Industry

A closer look at salary increases by industry shows notable differences:

INDUSTRY	AVERAGE SALARY INCREASE 2024
Construction	5.2%
Technology	4.5%
Government/Nonprofit	2.6%
Healthcare	2.5%
Education	2.4%

When it comes to salary and satisfaction, construction not only had the highest salary increases in the past year but was also the **happiest industry** for all of 2024, underscoring the potential impact of financial rewards on workforce morale.

### HR PRO TIP

Monitor industry salary trends to ensure that your compensation packages are competitive enough to attract and retain top talent.

## Gender Pay Gap Worsens: Women Still Earn Less

Men are more likely to receive raises, they get bigger raises, and they also feel more secure and satisfied regarding their compensation.

Half (50%) of men report that their current salary meets their lifestyle needs, in stark contrast to only 33% of women who feel the same. This discrepancy is consistent with the gender wage gap—on average, women make 16% less than what men make for full-time work, **according to the US Department of Labor**, as of March 2024.

The sentiment towards financial compensation also varies greatly between genders. Just 27% of men harbor negative feelings about their financial remuneration, compared to 39% of women.

This dissatisfaction among women is compounded by the fact that they are less likely to receive salary increases; **64% of men received a salary increase in the past year, compared to 55% of women**. Additionally, the increases that women do receive are typically lower, with men receiving an average increase of 4.8% compared to women's 2.7%.

This trend isn't new. Our historical data shows that, **since 2022, men have consistently reported receiving higher salary increases than women:**

YEAR	AVERAGE SALARY INCREASE
2024	<ul style="list-style-type: none"> <li>Overall: 3.6%</li> <li>Men: 4.8%</li> <li>Women: 2.7%</li> </ul>
2023	<ul style="list-style-type: none"> <li>Overall: 4.6%</li> <li>Men: 4.9%</li> <li>Women: 3.5%</li> </ul>
2022	<ul style="list-style-type: none"> <li>Overall: 6.2%</li> <li>Men: 6.36%</li> <li>Women: 5.24%</li> </ul>



Although pay raises have shrunk across the board, women's wages have been hit harder, falling 2.54% compared to men's 1.56% decrease. The ongoing disparity not only highlights the existing gender pay gap but also indicates that it's expanding, affecting women's overall satisfaction and financial security.

Moving forward, it's essential for companies to address the gap in compensation understanding by ensuring **equitable practices** that contribute to a fair and motivated workforce. Conducting a thorough **audit** to review salary data across all roles, broken down by gender, and ensuring criteria for salary increases, promotions, and bonuses are gender-neutral and based on **objective performance** metrics can help build trust and address any disparities.

“The Equal Pay Act is not just about fairness in the workplace; it's about recognizing the value of every individual's contribution and ensuring that everyone is compensated equally for equal work, regardless of gender. By fostering a culture of equality, we can boost employee morale and create an environment where everyone feels valued and motivated to contribute their best.”

Wende Smith  
Sr Director of People Operations | BambooHR

## Gen Z Reports Highest Compensation Satisfaction

As employees progress through different stages of their lives and careers, their expectations and attitudes towards compensation evolve.

Gen Z is the youngest—and happiest—cohort in the workforce, with 79% expressing satisfaction with their pay. That figure stands out compared to the 70% satisfaction rate reported by Millennials, Gen X, and Boomers.

In contrast, employees tend to become less satisfied with salary increases as they age. **Boomers and Gen X report higher levels of discontent at 36% and 34% respectively**, compared to 32% for Millennials and only 22% for Gen Z.

This trend suggests that as employees age and their financial responsibilities presumably increase, their expectations for compensation adjustments also rise, possibly leading to greater disappointment when these expectations aren't met.

## 10 Red Flags of Bad Company Culture

It's never too late to turn a struggling workplace culture around! We identified 10 red flags to look out for —plus strategies for fixing what's broken.

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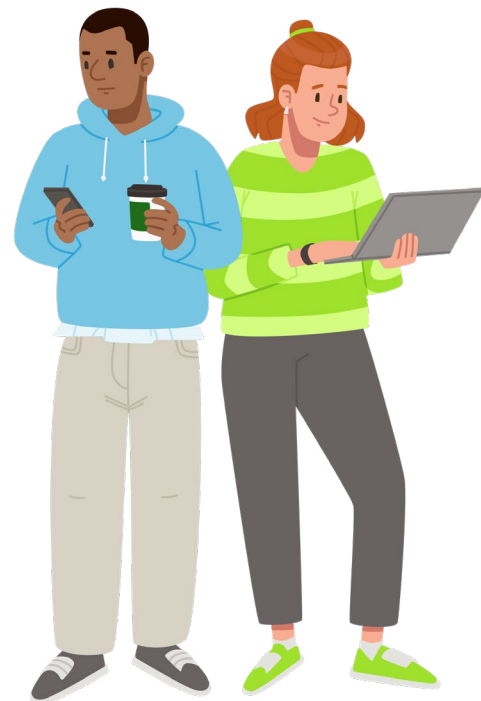
Notably, Gen Z workers are most likely to say their financial security directly impacts their mental health. Nearly half of Gen Z (45%) and Millennials (44%) recognize the relationship between compensation and wellbeing, compared to 30% of Gen X and only 22% of Boomers.

## Job Mobility by Generation

Workers' likelihood of changing jobs also varies significantly across generations. Overall, older workers tend to stay in place, while early to mid-career employees are the most likely to seek new opportunities.

Millennials are the most active job hunters, with 62% currently job hunting, followed by Gen Z (54%), Gen X (48%), and Boomers (31%).

Today's challenging **job market** is also shaping generational perspectives. Among Gen Z workers who aren't currently job hunting, 30% say it's because the job market is a mess right now. By contrast, only 11% of Boomers feel the same way.



For HR professionals who are forecasting workforce movement, this suggests younger workers may become more mobile once market conditions improve.

Additionally, younger workers tend to place more importance on **company culture and social opportunities**. Nearly half of Gen Z workers (44%) say they'd stay at a job with a positive social atmosphere, compared to just 34% of Gen X and Millennials and a mere 26% of Boomers.

#### HR PRO TIP

Establish regular compensation package reviews to ensure they remain competitive and reflect the market standards, employee contributions, and responsibilities.

## Compensation Benchmarking by Role: Most Employees Think Upper Management Is Out of Touch

C-suite executives generally express higher satisfaction with their compensation, with only 17% reporting dissatisfaction with recent salary increases and 56% feeling satisfied over the last 12 months. Additionally, 57% of C-suite workers believe their salary meets their lifestyle needs.

In contrast, ICs, who form the backbone of operational workforces, are often the lowest-paid and tend to express greater dissatisfaction. Specifically, 34% of ICs are dissatisfied with recent salary increases, and only 35% feel satisfied over the last 12 months. Furthermore, only 39% believe their salary meets their lifestyle needs.

**Most Americans (61%) feel executive leaders are out of touch with typical employees' financial struggles.** More than half of ICs (65%) feel irked by senior employees' lack of understanding of what it's like to live on a typical wage.

US workers are correctly sensing a growing wealth gap. According to the **Economic Policy Institute**, "From 1978 to 2021, CEO pay based on realized compensation grew by 1,460%. In contrast, compensation of the typical worker grew by just 18.1% from 1978 to 2021."

With the pay gap between average workers and executives widening, it's not surprising that **over half (55%) of employees think their company's CEO is overpaid.** (Though it's also worth noting that 27% of employees admit to not actually knowing what the CEO's salary is.)

## The Best of BambooHR Compensation Resources

Get practical advice on how to improve every area of your compensation with advice on your payroll processes, a self-service tool for calculating PTO, and insights into benefits that make a difference.

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employees think their company's CEO is overpaid.

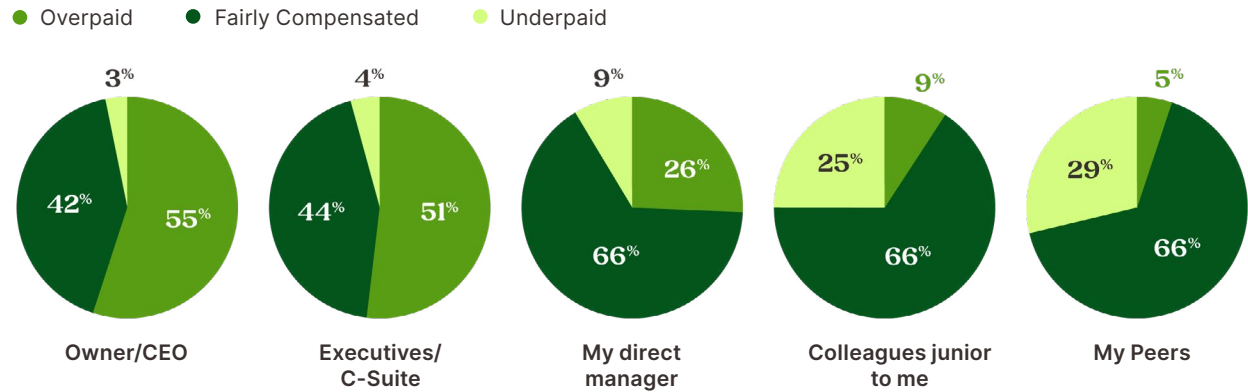


employees admit to not actually knowing what the CEO's salary is.



## Compensation Perceptions Across Company Roles: Who's Overpaid and Who's Underpaid?

Respondents were asked whether they believe each type of role is overpaid, underpaid, or fairly compensated at their organization.



Source: BambooHR 2024 Compensation Survey (Base: Total Respondents, n=1,512)

## Financial Tug-of-War: The Desire to Balance Salary Needs and Job Satisfaction

Employees find themselves in a precarious position where their current salary isn't enough, driving them to seek new opportunities that promise better compensation.

In fact, **the majority (77%) of employees would consider leaving their current positions for higher pay**, a sentiment that underscores the critical role salary plays in job satisfaction and career decisions. This is an increase from 73% in 2023 and 2022. Among those 77%, it would take a 12.5% salary increase, on average, for them to consider leaving their current job (down from 13.3% in 2023 and 16.1% in 2022).

"I have a family and there have been situations where job security has been a big worry point for me. Constant worrying that I could be let go takes a toll and has affected my mental health both at work and in my personal life."

AP Supervisor | Payroll Company | Healthcare Industry

### HR PRO TIP

Educate employees on compensation structures and help them understand how their compensation is determined, including the differences between merit-based and market-based increases, to reduce potential confusion and dissatisfaction.

For those currently job searching, **23% are willing to accept a salary decrease** if it means securing a new position that better aligns with their needs or offers other benefits. On average, employees say a 5.4% dip in pay would still be acceptable, particularly if it came with other perks or benefits.

As one employee in the construction industry explains, "As long as the compensation is close to a livable wage, people really value some flexibility and work-life balance. Companies should give more paid time off and more flexibility options to help improve happiness."

However, many employees still feel trapped in their current roles due to the security their salary provides. Nearly half (47%) of employees admit they'd remain in a job they dislike if the pay was high, and 44% are reluctant to leave their secure salary even if they wish to change jobs.

This dissatisfaction regarding pay and work environment contributes to **quiet quitting**. According to our data, 514% of employees are uncommitted to their current roles and are actively looking for or considering new job opportunities.

For many US workers, it's simply too risky to quit without another job lined up. More than half of US adults (59%) are uncomfortable with their level of emergency savings and 27% have no emergency savings at all, according to **Bankrate's 2024 Annual Emergency Savings Report**.

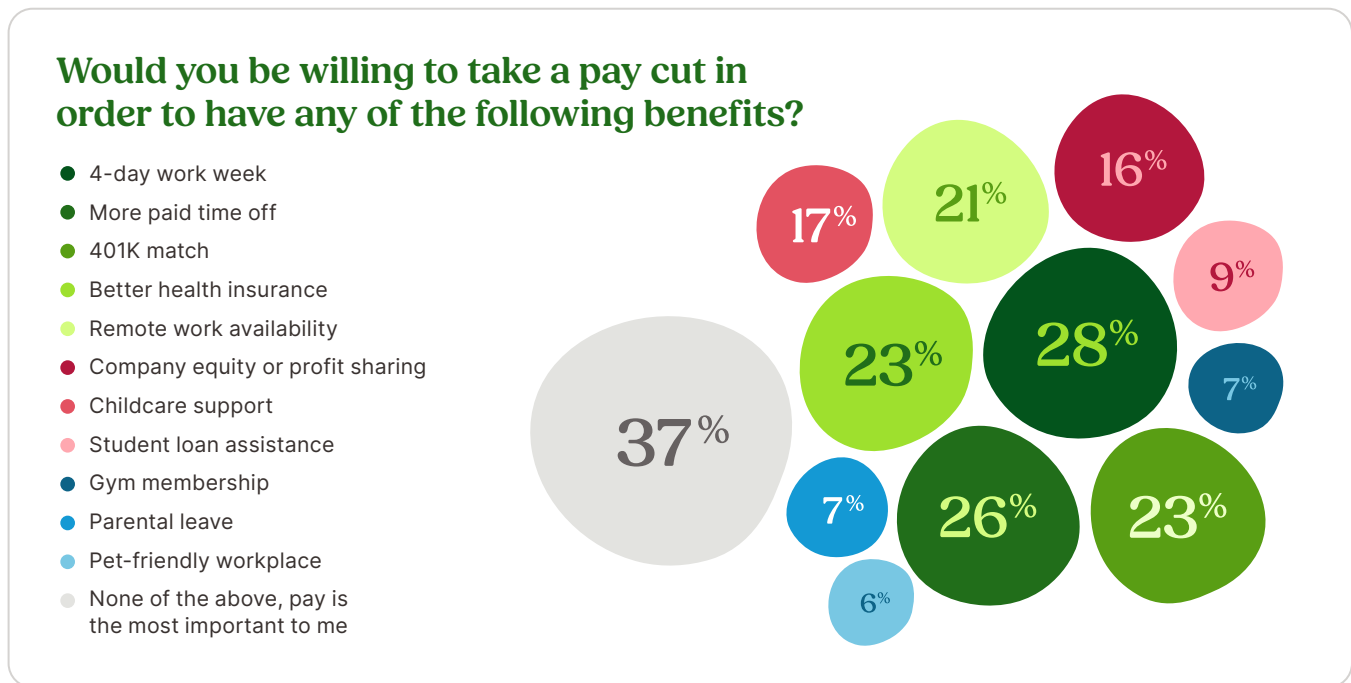
**HR PRO TIP**  
**Address employee concerns** by actively listening to employee concerns regarding compensation to maintain morale and productivity. For example, conducting regular, anonymous **surveys** can help employees feel heard.

## Most Employees Care About Benefits Beyond Salary

While salary is the primary factor, non-salary compensation also plays a crucial role in job satisfaction. A substantial 85% of employees want additional benefits not currently offered by their employers. Although 37% prioritize pay over other benefits, 63% would accept a pay cut for specific perks.

For instance, 28% would trade a salary increase for a 4-day work week, and 26% would trade for more paid time off.

In the chart below, we take a look at a number of additional benefits employees value:





#### HR PRO TIP

Enhance benefits and compensation packages—if salary increases aren't feasible, consider enhancing the overall compensation package with benefits valued by employees, such as flexible work options or additional paid time off.



## Half of Employees Are Talking about Salary Transparency—Regardless of Policy

When it comes to salary, the desire for transparency **continues to gain traction**. In an environment with **pay transparency**, employees and managers openly share information about pay, benefits, and other critical aspects of compensation. This openness can take various forms, such as disclosing salary ranges for every role, clearly communicating total compensation to each employee, or even revealing the exact salaries of all employees.

#### 2025 NORMS AROUND PAY TRANSPARENCY POLICIES

In 2025, HR professionals and managers should assume that employees are talking about their salaries and benefits with each other.

Most Boomers (77%) have *never* disclosed their salary to a coworker. But this taboo seems to be fading. Within the past month of our survey, 21% of Gen Z workers had disclosed their salary to a coworker, compared to only 4% of Boomers.

Overall, nearly half (47%) of employees have discussed their salary with a coworker, including 42% who compared pay at some point in 2024.

These conversations happen regardless of organizational policies. We found that 52% of employees work at companies with limited transparency, and 42% of salaried employees say their employer doesn't practice salary transparency at all.

In fact, **54% report their company actively discourages such discussions**, up from 46% in 2023. This lack of openness is further highlighted by the fact that 51% of employees feel that published salary bands are insufficient for true pay transparency, and 21% don't discuss their compensation with HR or managers at all.

### Much Ado About Transparency



Nearly half (47%) of employees have discussed their salary amounts with a coworker, even though 54% say their company has a policy or culture around discouraging such discussion. **A third (33%) don't trust their employers to properly benchmark their salaries.**

#### HR PRO TIP

Promote salary transparency by fostering an environment where salary discussions are open and encouraged. This **transparency** helps build trust, ensure equal pay for equal work, and reduce pay discrimination.

## 50% OF EMPLOYEES SAY PAY TRANSPARENCY IMPROVES EQUALITY

**Pay transparency** is recognized as a best practice that promotes equitable compensation practices. However, it remains a sensitive issue that HR professionals must navigate conscientiously.

Employees have different definitions of salary transparency:

- 25% believe it involves clearly communicating total compensation to each employee
- 35% think it means disclosing salary ranges for every role
- 21% see it as revealing the exact salary of every role

While definitions vary, nearly half of all employees (44%) agree that salary transparency increases overall trust in the organization, and 36% say it enhances accountability for leadership.

And employees are closely tracking industry trends and staying alert for new opportunities, with 78% monitoring job listings and pay scales within their field. This vigilance is often motivated by the need to negotiate raises and promotions, as 41% track salary data for this purpose.

Resentment can also brew among employees, with 40% feeling discontent towards colleagues hired at the same time but earning more, and 31% resenting those paid more due to better economic conditions at the time of their hiring.

### HR PRO TIP

Develop, implement, and communicate clear policies regarding **compensation**, especially if there are differentials based on location or role. This clarity can prevent misunderstandings and contribute to a more open company culture.

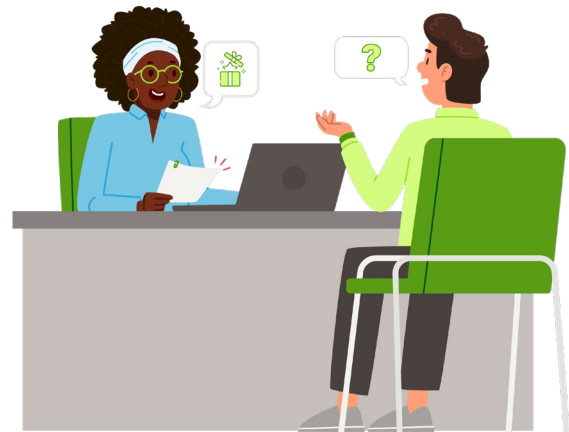
Half (50%) of employees believe that salary transparency ensures equal pay for equal work. Additionally, 43% see it as a means to reduce pay discrimination, and nearly 1 in 4 (23%) believe it can highlight disparities in salaries caused by market factors.

Employees' strong sense of community and fairness extends to pay cuts, too. **38% of full-time employees would even forgo a raise to keep their coworkers safe from layoffs.**

However, pay transparency can also present challenges. Over half of employees (53%) feel it can foster jealousy, and 47% believe it may lead to increased gossip and employee discourse. Additionally, 36% of employees are concerned about its potential negative impact on company culture. These issues highlight the complexity of implementing pay transparency in the workplace.

“I think compensation is important, but HR leaders should avoid bombarding or surprising people with information around benefits and compensation. Also, chances for additional raises or benefits would be amazing, and great health insurance and retirement plans are important.”

Customer Success Assistant  
Curriculum Development Company | Education Industry



## HR Leaders Need to Communicate Benchmarking with Employees

HR leaders need to communicate about **benchmarking** with employees to address critical knowledge gaps and foster a fair and transparent workplace.

Nearly a quarter (24%) of American workers don't understand the difference between merit and market increases, which can lead to confusion and dissatisfaction. Additionally, 31% of employees believe that anyone in the same role doing the same job responsibilities should be paid the same, regardless of performance.

By educating employees on the various types of compensation adjustments and the rationale behind them, HR professionals can help reduce misunderstandings, build trust, and enhance overall employee satisfaction and retention.

By implementing key strategies, companies can create a **fair and transparent** compensation system that not only supports employee satisfaction but also drives organizational success.

## Compensation Doesn't Have to Be Complicated

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“To thrive in today’s economy, companies must balance affordability with a comprehensive total rewards strategy, using market analysis, employee feedback, and financial assessments to ensure competitive and equitable compensation that aligns with business goals. Start your analysis with your Total Rewards philosophy, ensuring that it is well-defined, and then develop programs based on market and benchmark analysis, along with feedback from your employees, to ensure you are on the right path.”

Wende Smith | Sr Director of People Operations | BambooHR

## Methodology

BambooHR conducted this research using an online survey prepared by **Method Research** and distributed by **RepData** among n=1,512 adults (age 18+) in the United States who are full-time salaried employees. The sample was equally split between gender, with a spread of age groups, race groups, household income, job titles, industries, and geographies represented.

Data was collected from September 13 to 24, 2024.

## About BambooHR

**BambooHR** is the leading HR software solution that sets people free to do great work, by managing the complex work of supporting employees and succeeding as a business, while giving leaders all the data they need to make informed strategic decisions.

Intuitively designed and easy-to-use benefits administration, payroll, performance, time tracking, and reporting where everything works together means less focus on process and more focus on growing what matters most—people.

Over the past 15 years, BambooHR has been the trusted partner of HR professionals at 33,000 companies with employees in over 190 countries and 50 industries, supporting millions of users throughout their employee experience.