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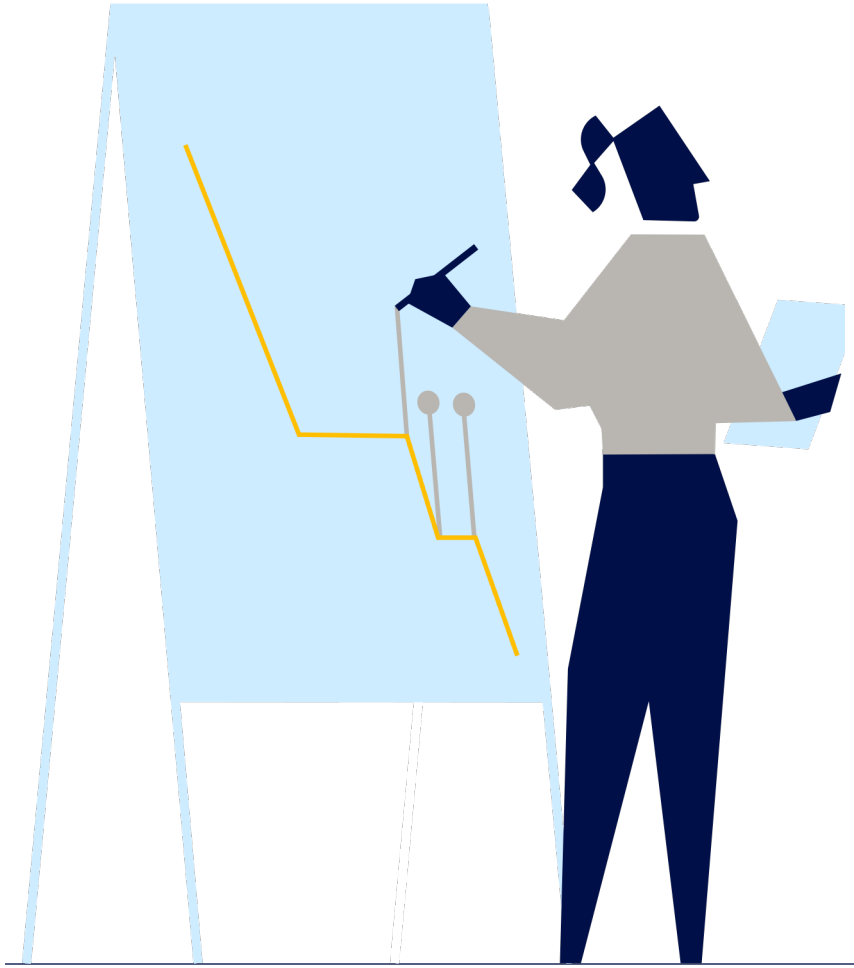
October 7, 2026

Beyond Compensation: What's Ahead for Pay

A cooling but resilient market



4.1%

Unemployment
remains broadly stable after a late-2025 peak of 4.5%.
Down slightly from 4.2% in June 2026 and 4.3% in July 2025.

7.3M

Job Openings
have cooled from 2021–22 highs but remain elevated.
Up from 7.2M in June 2026 (+1.2%) and 7.1M in July 2025

1.9%

Quits
have settled back near pre-pandemic norms, staying around 2.0%.
Workers' confidence remains subdued

1.7M

Layoffs
remain low, but announcements continue.
Levels remain at or below pre-pandemic norms

Source: US Bureau of Labor Statistics, July 2026 data (released September 2026)

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2026 US MBD/TRS demographics

3,423 (+6%)
No. of organizations

8.1M+ (+1%)
No. of incumbents

7,232 (+2%)
No. of reportable jobs

73%
Retention rate

Published August 6

9.2B
Participant organization average net sales revenue (USD)

10,238
Participant organization average FTE

Services (Non-Financial)
Is the best represented industry

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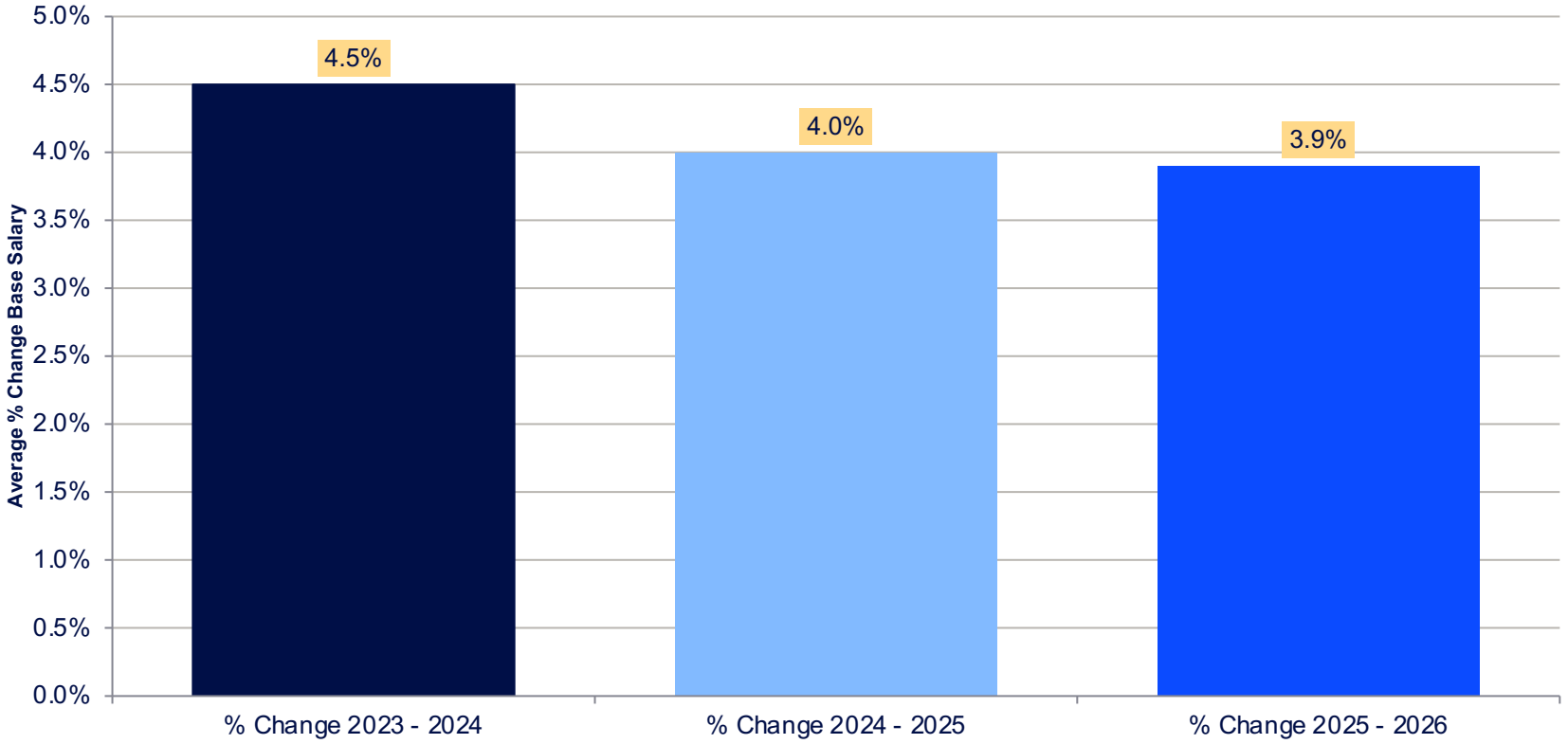
Overall base salary growth continues to slow

Base salary growth continues to slow for the third consecutive year, settling closer to historical norms after the sharp post-pandemic adjustments of 2022 and 2023. This overall moderation masks a widening divide beneath the surface.



Mercer Compensation Planning Survey: Actual Total Increases

3.6% → 3.5% → 3.4%

2024 – 2026, same declining trend

Source: Mercer US Compensation Planning Survey, March 2026 edition

First time since 2021

more unemployed people than job openings

Source: US Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, September 2025

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% Change 2025 – 2026 is common organizations, common jobs, common incumbents across 2025 and 2026 US MBD/TRS.
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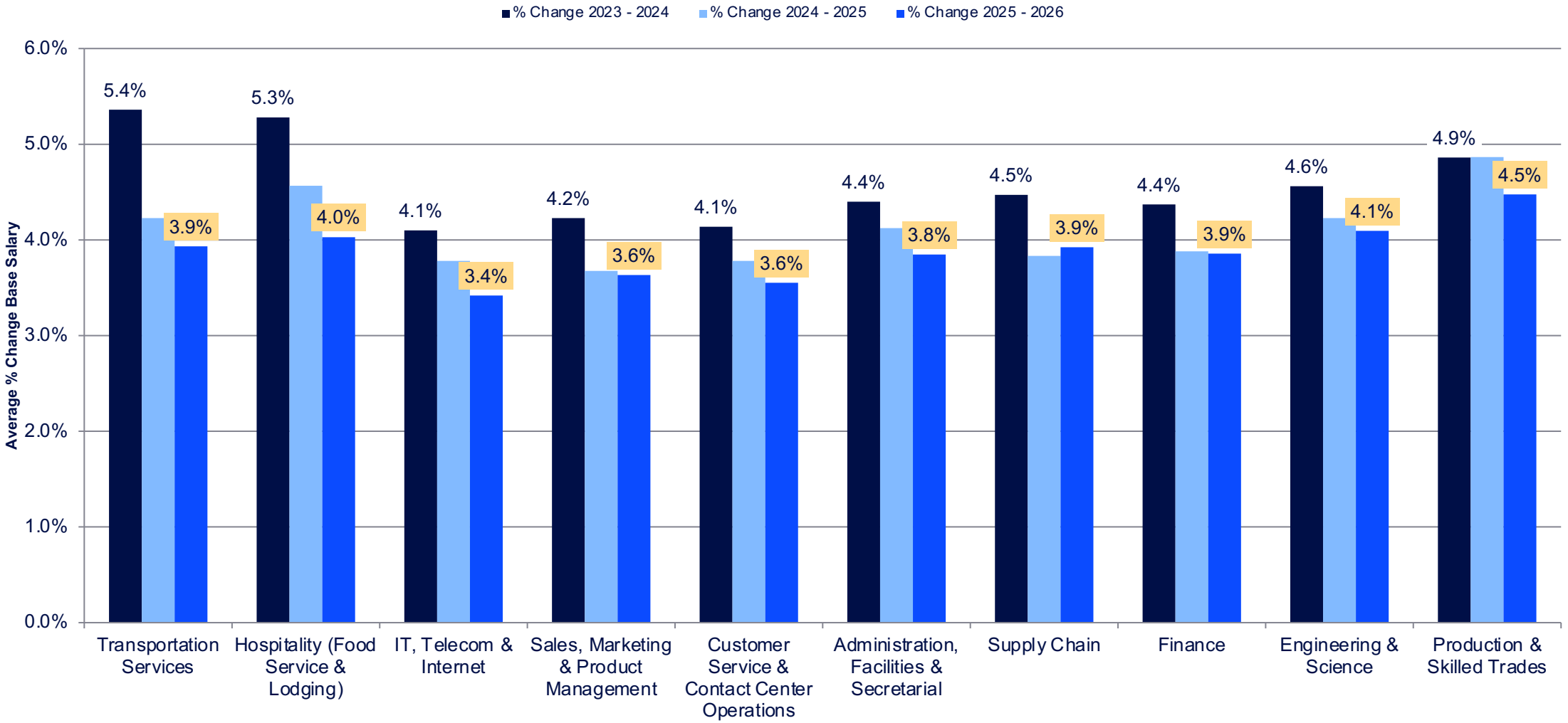
Average base salary change by job family *(10 most populated job families)*

X%	Change 2025–2026
Y%	Change 2023–2024

Transportation Services has cooled the most as freight oversupply keeps driver pay flat, while Production & Skilled Trades holds up the best against a deepening shortage of trades workers.



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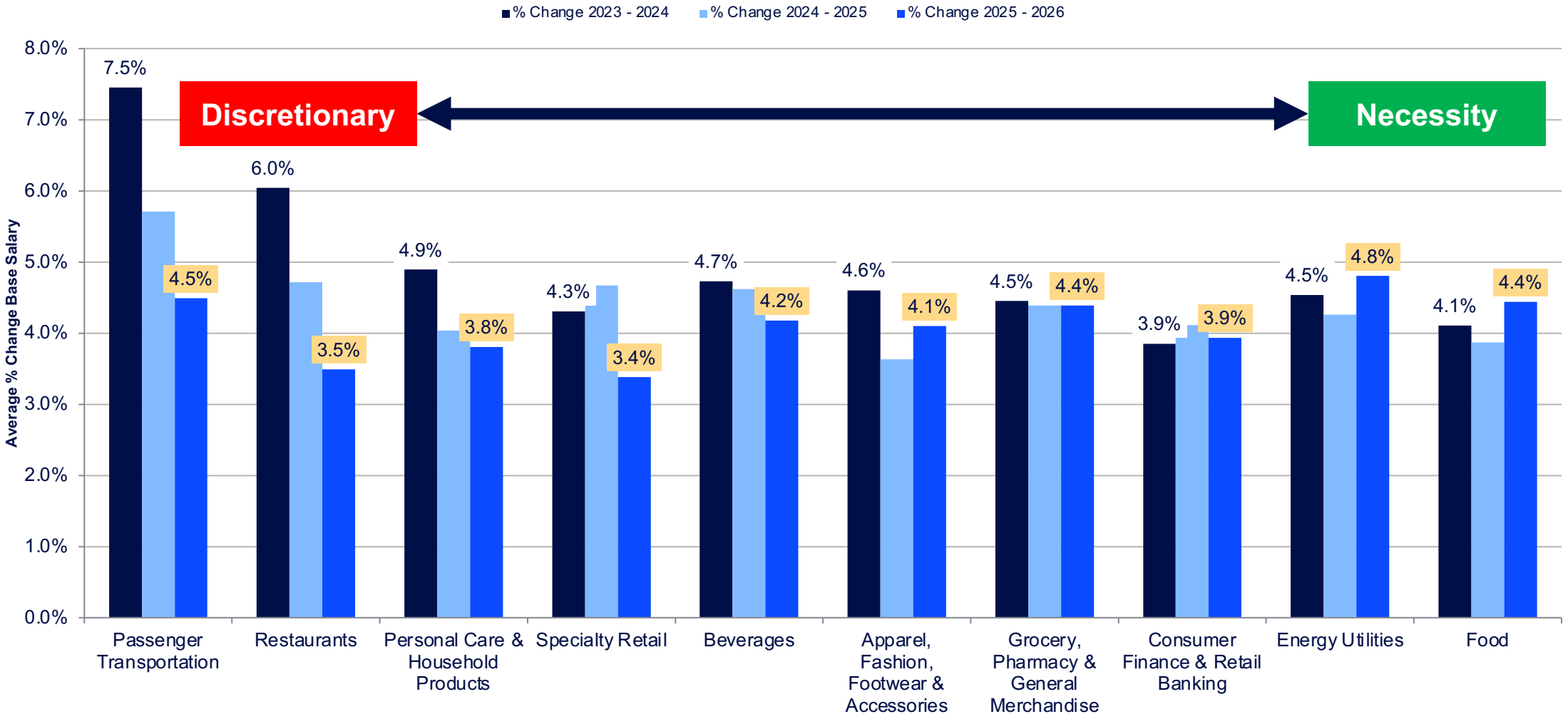
Discretionary spending is cooling faster than necessity spending

X%	Change 2025–2026
Y%	Change 2023–2024

Sectors tied to discretionary household spending – such as travel and dining out – are cooling several times faster than sectors tied to necessities like groceries and utilities.



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Most organizations are experimenting with AI in Rewards; few have embedded it across processes or pay decisions

Advanced AI adoption remains shallow

42% are piloting or evaluating

9% are actively implementing

1% report AI embedded across processes

35% are not exploring; 13% are unsure

Use falls as decisions become more consequential

55% Job matching and leveling

38% Market-pricing recommendations

11% Salary-increase recommendations

Scaling is constrained by organizational barriers

41% Risk, governance, legal or compliance concerns

36% Data quality challenges

35% for system integration

30% Limited internal expertise or resources

28% cost constraints

Where is AI embedded? | What decisions does it influence? | What must change to scale safely?

Source: Mercer QuickPulse® US Compensation Planning Survey – July 2026

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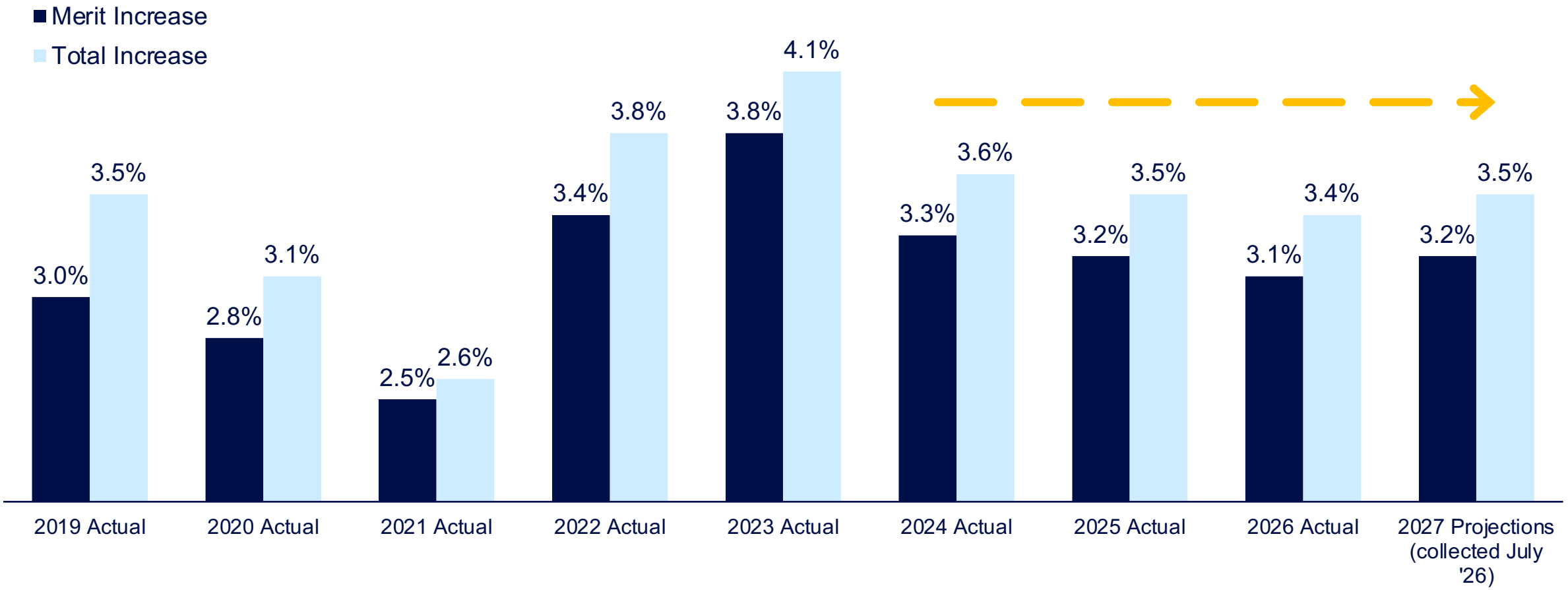
Four consecutive years of stable compensation budgets

Compensation increase budgets stabilize from the post-pandemic spike



Source: Mercer US Compensation Planning Surveys, Average Increases (including companies reporting 0 increases). Actuals collected in March for each respective year

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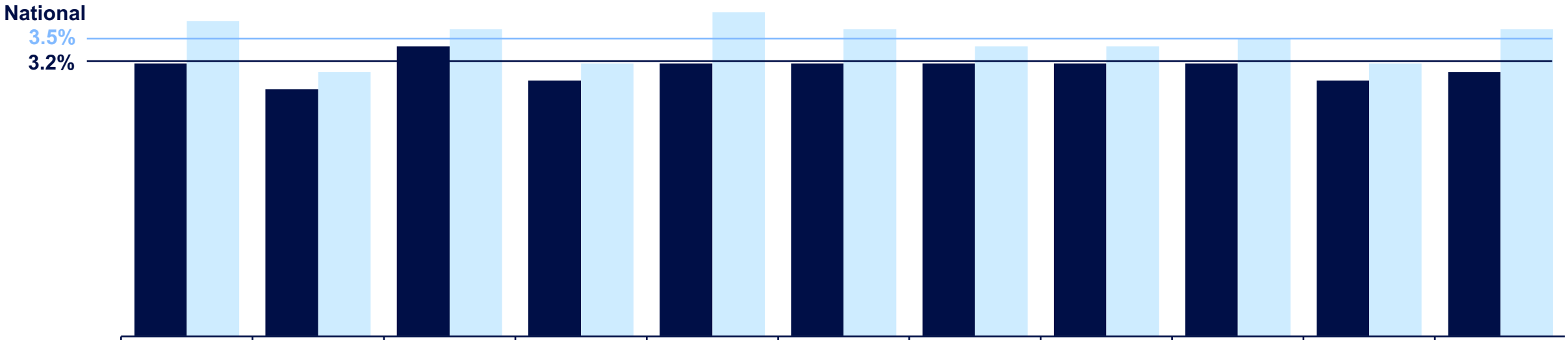
Consumer Goods, Healthcare, and Retail lag the market for merit budgets. High Tech, Banking, Energy, Insurance/Reinsurance, and Services set largest budgets in total.

2027 Merit and Total Salary Increase Averages



	Banking/ Financial Services	Consumer Goods	Energy	Health Care Services	High Tech	Insurance/ Reinsurance	Life Sciences	Other Mfg	Other Non-Mfg	Retail & Wholesale	Services (Non-Financial)
Merit	3.2%	2.9%	3.4%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.0%	3.1%
Total	3.7%	3.1%	3.6%	3.2%	3.8%	3.6%	3.4%	3.4%	3.5%	3.2%	3.6%

Source: Mercer US Compensation Planning Survey-July 2026
Note: Merit and total increase budget average values displayed above include zeros (0s)

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Questions to Address as Compensation Professionals

Assessment

- What specific talent or business challenge is the compensation strategy intended to address?

- Which roles or skills carry the greatest competitive or operational risk?

- Has a recent market review or pay transparency audit exposed compensation gaps that need to be addressed

Governance

- Where is the organization intentionally differentiating pay beyond the merit budget – and can it be explained consistently?

- How is the organization using off-cycle adjustments – and what is the cumulative effect on equity and compression?

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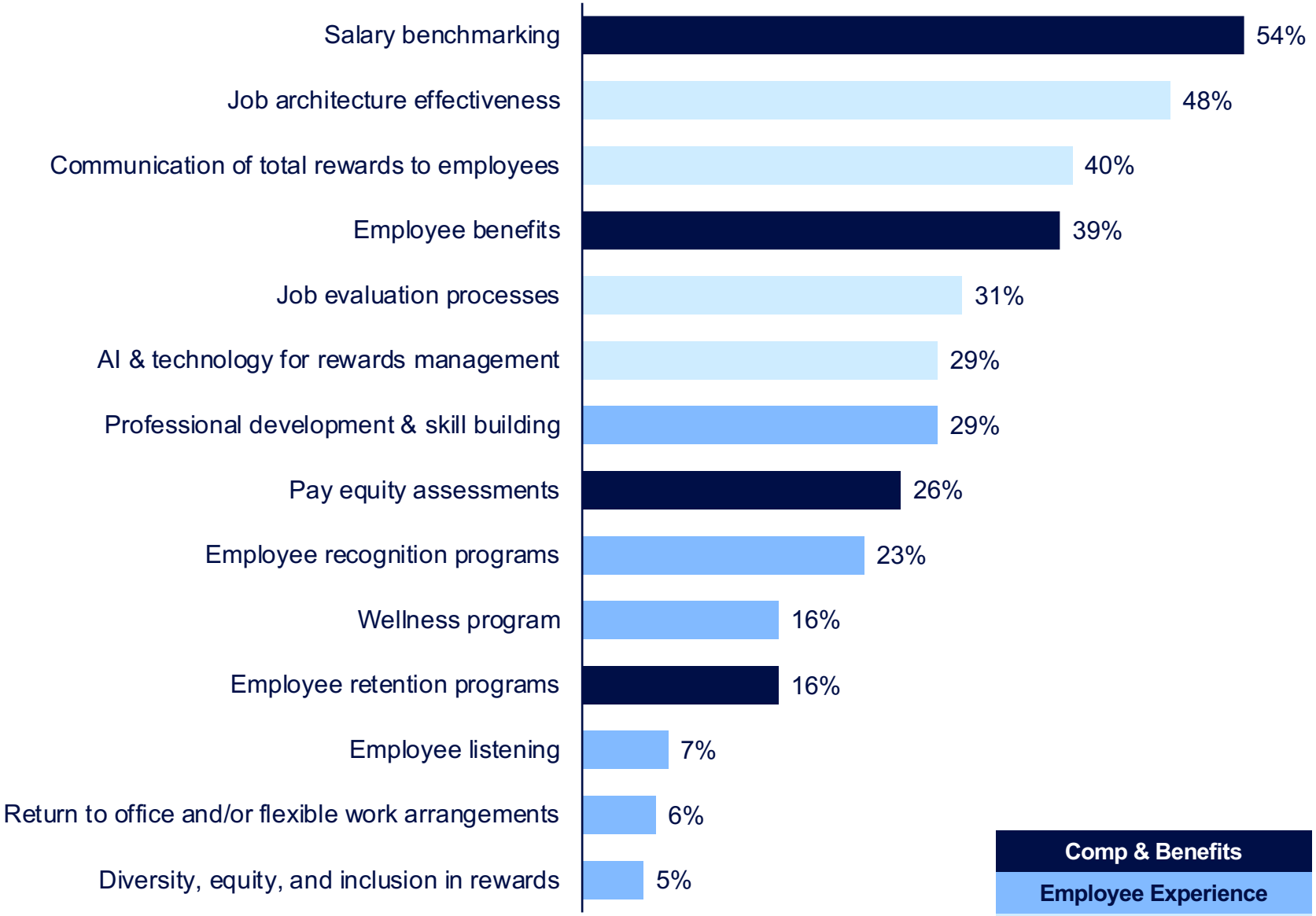
What are your key priorities for Total Rewards 2026?



Source: Mercer US Compensation Planning Survey – July 2026

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