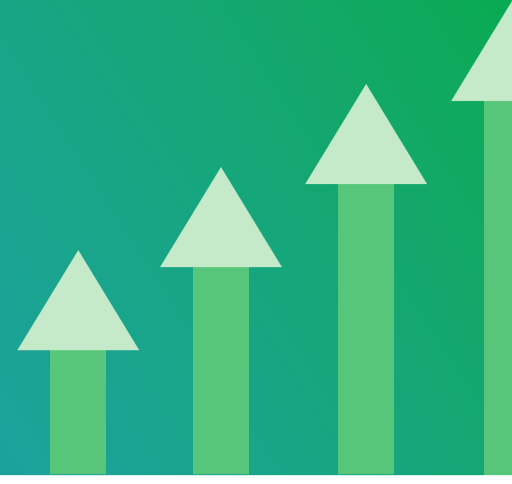


# Compare: Salary increase budgets vs. salary increases



Organizations around the world use different budgeting strategies. A **salary increase budget** is the total amount of money an organization has available to disseminate to employees, usually on an annual basis. It's generally discussed as a percentage, which represents the increase to the organization's annual salary expenditure. A **salary increase** refers to the percentage increase in compensation for an individual employee.



## Salary increase budget

- Refers to the total amount of money allocated to salary increases for all employees.
- Typically expressed as a percentage (of payroll spend).
- Salary increase budgets may be organization-wide or department-wide and select areas of an organization may receive a higher or lower budget amount.
- Salary increase budgets are frequently set on an annual basis.
- The salary increase budget is usually determined based on the financial success of the organization, market conditions and organization-specific policies and practices.
- The budget may include a cost of living adjustment (COLA) or funds to help offset high inflation. It may also include funds to be allocated to employees receiving a promotion, or to address internal or external equity issues.
- Some organizations have a separate budget for merit increases, promotions or other types of salary increases.
- The salary increase budget typically requires approval by HR, finance, senior leadership, or the executive or management team, which may include the CEO and CFO.
- The salary increase budget may be communicated to managers or department heads who then determine the increase amount each employee receives, or it may be distributed directly to each employee.



## Salary increase

- Refers to an employee's raise in annual salary.
- A salary increase is employee-specific and the amount is generally different for each employee.
- Salary increases are typically provided annually, but can also be provided for a promotion or as an off-cycle adjustment, for example during an internal equity review.
- May be expressed as a percentage increase (of base salary) or fixed amount.
- A salary increase can often be dependent on an individual's performance throughout the year, as well as market trends.
- An individual's position within their salary band, may impact their salary increase (if an employee is at the low end of the salary band they may get a higher percent increase compared to an employee that is already at the higher end of their salary band).

### Example:

Company A has a **salary increase budget** of 5%, which is the equivalent of 50,000 EUR. As a manager, Erik has decided to give a 5% **salary increase** to John and a 6% **salary increase** to Ana. John makes 60,000 EUR annually, so his **salary increase** of 5% (3,000 EUR) will result in an annual salary of 63,000 EUR. Ana makes 67,000 EUR annually, and with her 6% **salary increase** (4,020 EUR) she will make 71,020 EUR annually. Erik has 42,980 EUR remaining in the **salary increase budget** to distribute to the remaining employees.

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