Korn Ferry Hay Group Study Shows Mixed Salary Growth Across the Globe, Eight Years After Start of Great Recession

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-- U.S. Sees One of the Poorest Salary Growth Recoveries of all Developed Nations; Canada Sees Best

--Emerging Markets See Highest and Lowest Recovery Rates

LOS ANGELES--(BUSINESS WIRE)--Sep. 7, 2016-- A new analysis by the Hay Group division of Korn Ferry (NYSE:KFY) shows mixed salary recovery figures across the world, eight years after the fall of Lehman Brothers signaled the beginning of one of the worst global recessions in history.

According to the study, the United States suffered one of the worst salary recoveries among developed nations in what is known as the “G20,” which denotes the world’s top economies.

Adjusted for inflation, salaries in the United States *decreased* 3.1 percent on average since September 2008 – despite a Gross Domestic Product (GDP) growth of 10.2 percent. Canada’s salary recovery is the best among developed nations, with a 7.2 percent salary growth on average, with a GDP gain of 11.2 percent.

Other developed nations experienced flat to modest salary growth, with Australia at 5.9 percent, France at 5.2 percent, Germany at 5 percent, Italy at 2.4 percent and the U.K. down .1 percent.

Emerging markets saw the best and the worst salary growth. China, Indonesia and Mexico had the largest salary growth at 10.6 percent, 9.3 percent and 8.9 percent respectively; and Turkey, Argentina, Russia and Brazil had the worst at -34.4 percent, -18.6 percent, -17.1 percent and -15.3 percent respectively. Growth in all developed nations landed in the middle.

“While overall, global economists point to this recovery as one of the worst in history, there are political, economic and social reasons for the disparate salary fluctuations in different countries,” said Benjamin Frost, Korn Ferry Hay Group Global Product Manager – Pay. “In the countries that are seeing tremendous salary growth, the issue is supply and demand. With countries like China seeing a whopping 75.9 percent GDP growth since the beginning of the recession, universities and corporations simply can’t train people fast enough. This leaves an acute talent shortage and points to the reason skilled employees are seeing steep pay increases.”

Unbalanced Salary Growth in U.S.: Lower-End Jobs See Nearly 15 Percent Drop

In the United States, the Commerce Department recently released figures that show the pace of the current expansion has been by far the weakest of any since 1949.

In terms of salary growth, employees with lower-paying/entry-level titles, such as clerical, network analyst, payroll coordinator or production line supervisor experienced ***14.8 percent inflation-adjusted drop in wages on average*** since the start of the recession.

Those in professional mid-level roles, such as a brand/product manager or network administrator, fared much better with a 2 percent inflation-adjusted salary growth.

Senior managers, such as an IT manager or chief accountant saw a 3.5 percent salary growth on average.

“Imbalances in supply and demand are behind the differences in pay growth at different job levels in the United States,” said Frost. “For lower-level jobs, technology and offshoring are among the factors causing an oversupply of people – and driving weak pay growth. At the top end, key leadership and technical skills are in short supply, causing much stronger increases in pay.”

Salary Gaps by Level More Tempered in Other Developed Nations

The upward swing in salary increases for more senior level roles is not nearly as dramatic in other developed nations compared to the U.S. For example, in the U.K., lower-level employees experienced a 2.9 percent decline in inflation-adjusted salary, and senior-level managers experienced a 1.7 percent growth.

In some nations, people with lower-level jobs actually saw higher pay gains during the past eight years.

In France, lower-level employees experienced a 5.1 percent salary increase since the beginning of the recession, while senior managers experienced a 4.7 percent growth. In Italy, lower-level employees experienced a 1.6 percent growth rate and senior managers experienced a 1 percent decline.

“Several factors help to achieve pay parity across levels in European nations,” said Frost. “Firstly, many governments regularly increase minimum wage to keep pace with inflation, and labor laws usually favor employee rights. Also, strong unions bargain on pay and conditions, and in recent years, public pressure has kept senior manager salaries in check amid a call for everyone to ‘share the pain’ on the road to economic recovery.”

About the Study

Pay data is drawn from Korn Ferry Hay Group’s PayNet database, which contains salary and job data for more than 20 million workers in more than 25,000 organizations across 110 countries. Economic data (CPI and GDP) is from the Economist Intelligence Unit.

Data shows the ‘real’ change (i.e. absolute change minus CPI inflation) in base salary median pay levels, from 2008 to 2016, averaged across three benchmark job levels (clerical/entry level, professional and senior management) for each country. We also show the change in GDP over the same period.

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