pave + Alpine Rewards

2026 Compensation Budgets & Trends Report

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Introduction

2026 planning is happening against a backdrop of profound change in how companies approach compensation.



The post-pandemic hiring frenzy has cooled. Pay transparency laws continue to spread across states and internationally, with the EU Pay Transparency Directive taking effect in 2026. Employees are staying put in what's been called "the Great Stay," opting to keep their jobs rather than risk their luck in a turbulent market.

At the same time, the fundamentals of compensation strategy remain as critical as ever: How much budget should you allocate to raises? How should you structure merit cycles? How should you reward performance fairly? How transparent should you be about pay?

In a joint survey from Pave and Alpine Rewards, we asked compensation leaders to understand how they're navigating these questions as they plan for 2026. This report captures their strategies across budget planning, performance management, pay transparency practices, and retention—offering a snapshot of how the profession is adapting to today's evolving talent landscape.

Key Findings

3.5%

Median merit budget increase, indicating companies in the US are still maintaining a “business-as-usual” outlook heading into 2026

63.7%

Companies that share pay ranges on job descriptions, regardless of state requirements—another 19.7% say they’re considering this approach in the next 12 months

25.7%

Decrease in overall turnover at public companies since 2023, highlighting the so-called “job hugging” trend

2026 Budget Projections

US Budget Trends

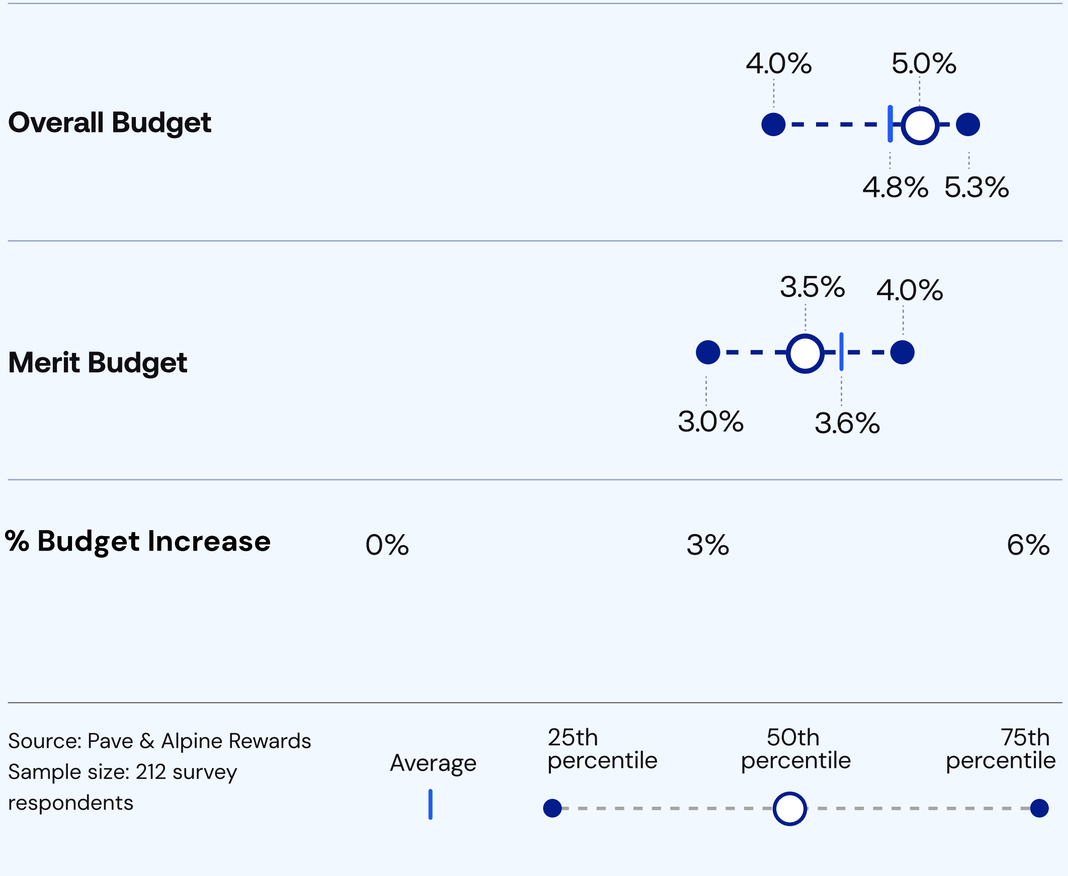
Companies typically budget for pay increases along two dimensions—they have an overall salary increase budget and a merit increase budget.

Let's begin by looking at overall budgets, which include merit budgets, but also have extra funds set aside to pay for promotions, pay equity fixes, and other market-based adjustments. In 2024, we found that the median planned budget increase was 4.5% for the 2025 fiscal year. Now, among our current survey respondents, we see a planned 5.0% budget increase for 2026—slightly up year-over-year.

When it comes to how much of that is allocated to merit budgets, compensation leaders said they were planning 3.5% for merit budgets heading into 2025. Today, those numbers look much the same: surveyed companies again say they're planning a 3.5% merit budget increase for 2026.

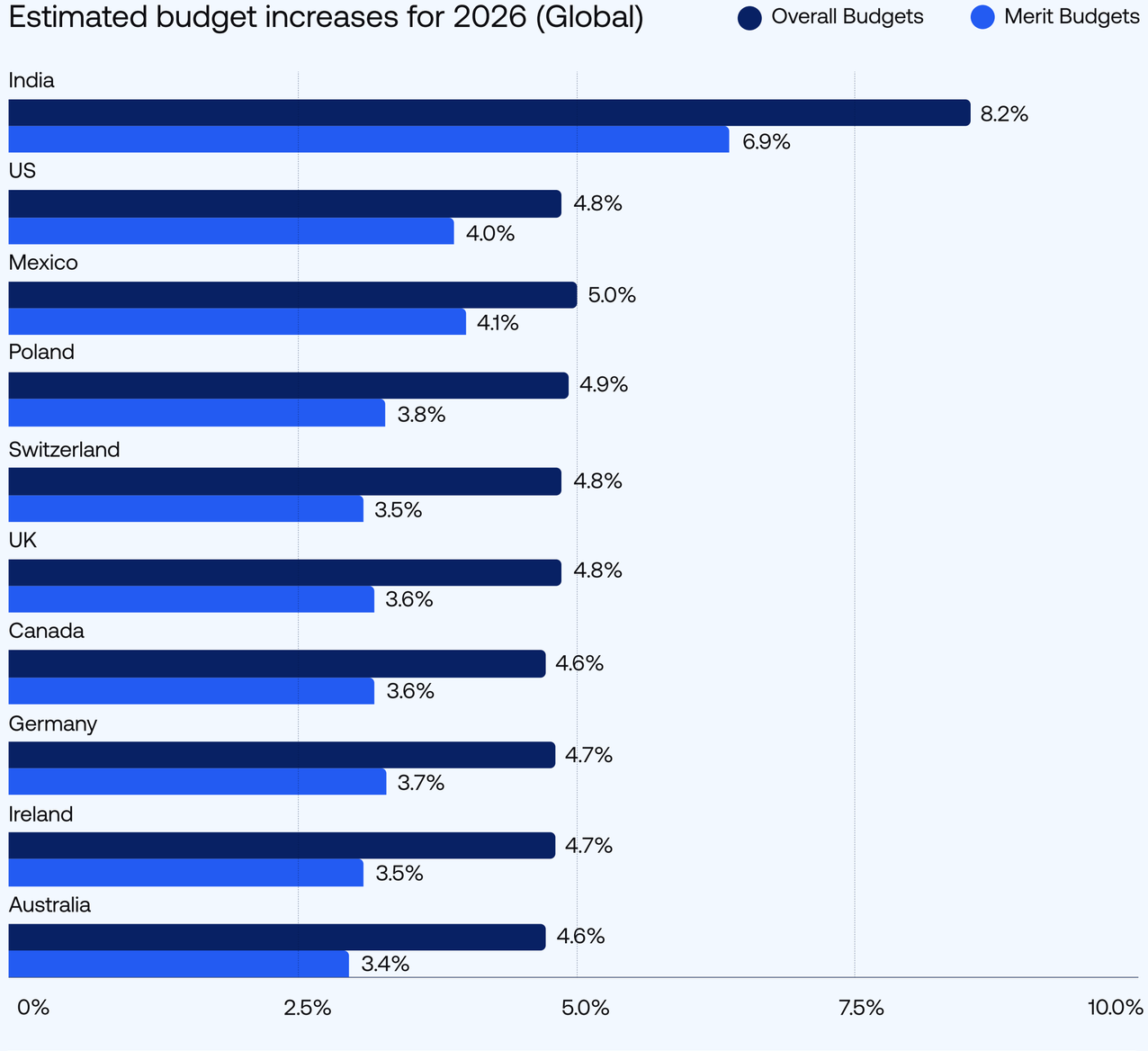
While the numbers may look familiar, they tell an important story: compensation leaders are maintaining steady outlooks for US-based companies despite economic uncertainty.

Estimated budget increases for 2026 (US)



Global Budget Trends

While many countries captured in our survey show budget trends similar to that of the US, India is a clear outlier. Companies must plan for nearly double the US budget increases in India—not just because of economic factors, but because of cultural expectations. In India's market, employees have been conditioned to expect substantial pay increases by switching jobs (often 20-35% gains). To retain talent, organizations need compensation strategies that bridge the gap between annual merit increases and the much larger gains available through job changes.



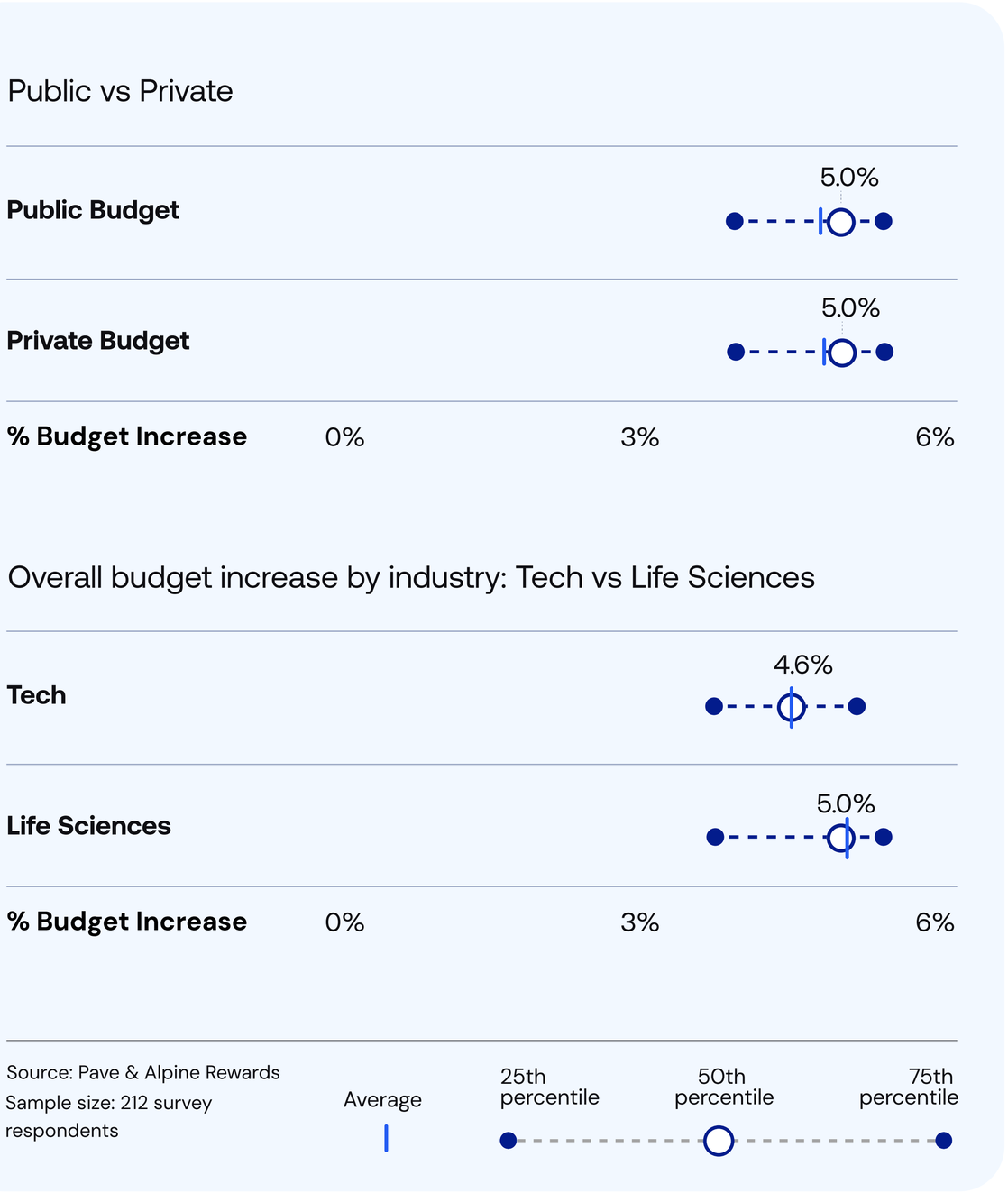
Sample size: 243 Survey Respondents

Source: Pave & Alpine Rewards

Public vs Private & Industry Trends

Public and private companies are planning nearly identical compensation budgets for 2026. Despite different stakeholder pressures (e.g., shareholder expectations vs. private equity or founder priorities), compensation leaders across both sectors are converging on similar budget strategies. This suggests market forces, not organizational structure, are the primary driver of compensation decisions.

When we look at the data by industry, life sciences companies are planning higher compensation budgets than tech across the board, flipping the traditional narrative of tech leading on compensation. This likely reflects that life sciences are competing more aggressively for certain specialized scientific roles, while tech normalized after the 2021-2022 hiring surge.



Merit Cycles

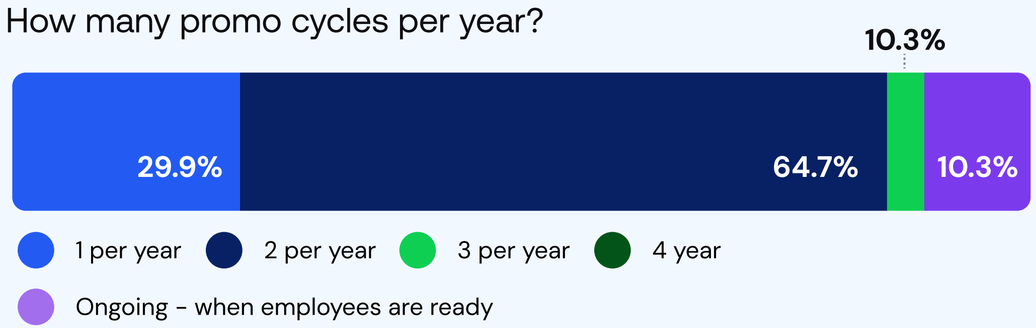
How Many Merit Cycles?

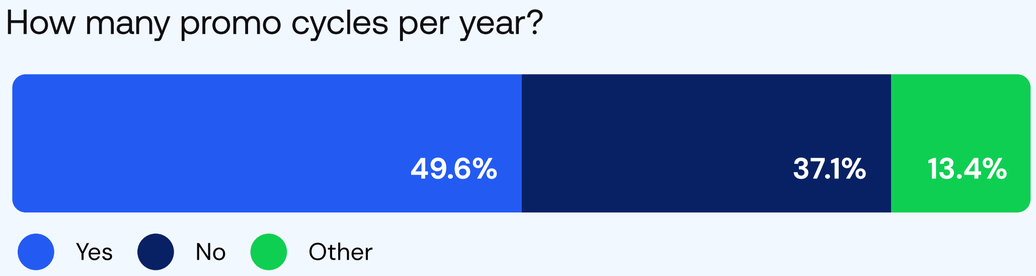
The vast majority of companies participating in our survey run one annual merit cycle, with only ~10% reporting that they run two.

When it comes to promotions, most respondents run two promo cycles per year. Another 10% say they promote on an ongoing basis when employees are ready. Additionally, nearly half of respondents say they do off-cycle promotions.

Understanding these patterns helps you benchmark your own cycle structure against the market—and determine whether your promotion cadence is competitive for retention.







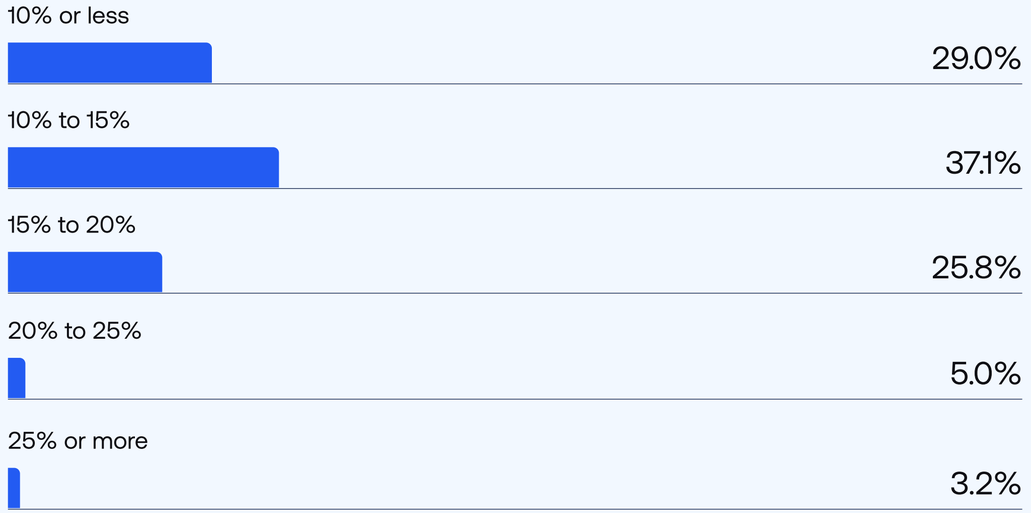
Source: Pave & Alpine Rewards
Sample size: 224 survey respondents

Promotion Rates

Earlier this year, we examined Pave's merit cycle data for Q1 and found the promotion rate for eligible employees was 9.8%, down from the 11.2% promotion rate in 2024. So how did promotion rates take shape as the year went on?

Our survey also asked companies to share their promotion rates for 2025. More than half of respondents promoted 15% or less of their employee population over the past 12 months. Only 3.2% promoted 25% of their employee population or more. As promotions typically come with significant pay increase, we may see more companies exercising caution given economic uncertainty.

Percent of employee population promoted in the last 12 months



Sample size: 212 survey respondents

Source: Pave & Alpine Rewards

Promotion Rate Trends

	Q1 2024	Q1 2025
% Employees promoted (across eligible US employees)	11.2%	↓ 9.8%
Salary increase (across promoted US employees)	9.0%	↑ 9.7%

Sample size: 90K US employees in Q1 2025 merit cycles

Source: Pave

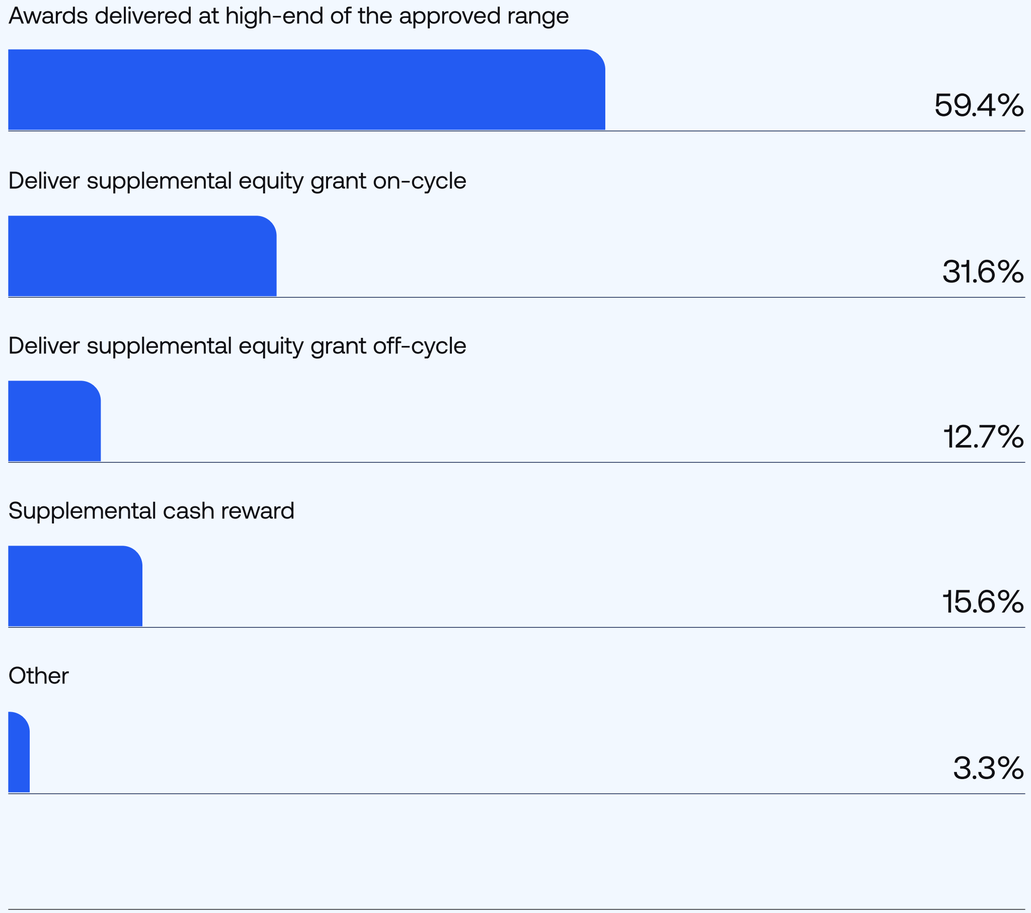
Pay for Performance

When we asked companies about their long-term incentive (LTI) strategies, the data revealed how companies are operationalizing performance differentiation in practice. Nearly 60% of companies recognize top performers by awarding at the high end of their approved range—meaning they're using the flexibility built into their existing LTI framework rather than creating special exceptions.

This suggests compensation leaders have evolved in their approach to pay for performance—companies are differentiating, but doing so within guardrails instead of making reactive, one-off decisions that can create downstream equity and fairness issues.

For 2026 planning, consider building adequate range spread into your LTI program design upfront.

How are you recognizing top performers in LTI programs?



Source: Pave & Alpine Rewards
Sample size: 212 survey respondents

Pay Transparency

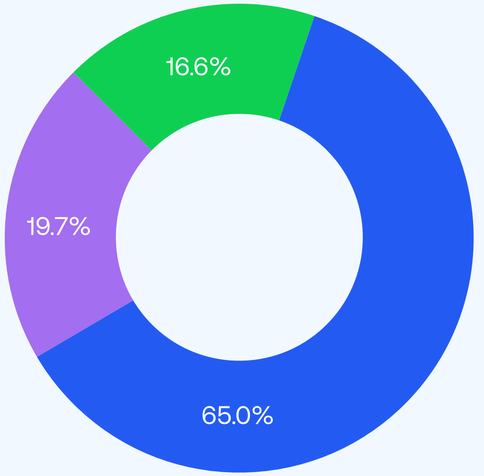
Pay Transparency

Sharing Salary Ranges in the US

As of September 2025, 14 US states have pay transparency laws, and this number is likely to grow. However, many companies aren't bothering to wait for wider adoption of pay transparency mandates, and instead are getting ahead of the curve.

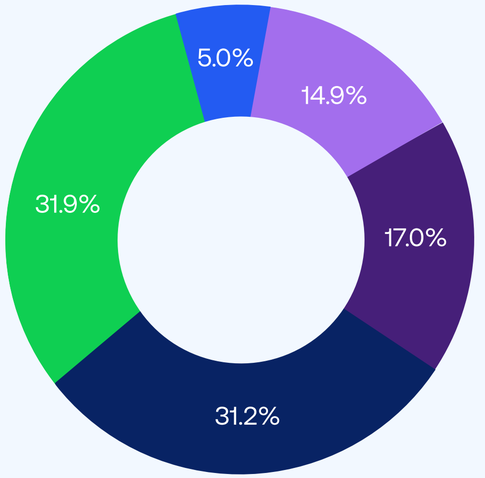
Large corporations like Microsoft, Google, and Citibank, have started sharing salary ranges in job postings across all 50 states. Among our survey participants, 63.7% said they do the same, with 19.7% considering implementing the practice soon. Adopting this strategy can be helpful for companies who want to promote greater transparency—and avoid the administrative burden of following different standards for different states.

Do you post salary ranges on all job postings, regardless of state requirements?



- Yes
- No
- Not yet, but considering within the next 12 months

Which salary information do you include as a range in job postings?



- Percentiles (25th-75th range penetration)
- Min-Mid-Max
- Min-Value between Mid & Max
- Min-Mid
- Other

Source: Pave & Alpine Rewards
Sample size: 223 survey respondents

Global Practices

Of course, pay transparency isn’t only a US trend. It's not just about keeping up with California or New York anymore—compensation leaders are preparing for a fundamentally more transparent global employment landscape. This makes 2026 planning even more important and forward-thinking as companies with international operations navigate a global shift toward transparency.

The EU Pay Transparency Directive goes into effect in June 2026. There is also growing pay transparency legislation across the Asia-Pacific (APAC) region, including laws in Japan and Australia targeted at reducing the gender pay gap.

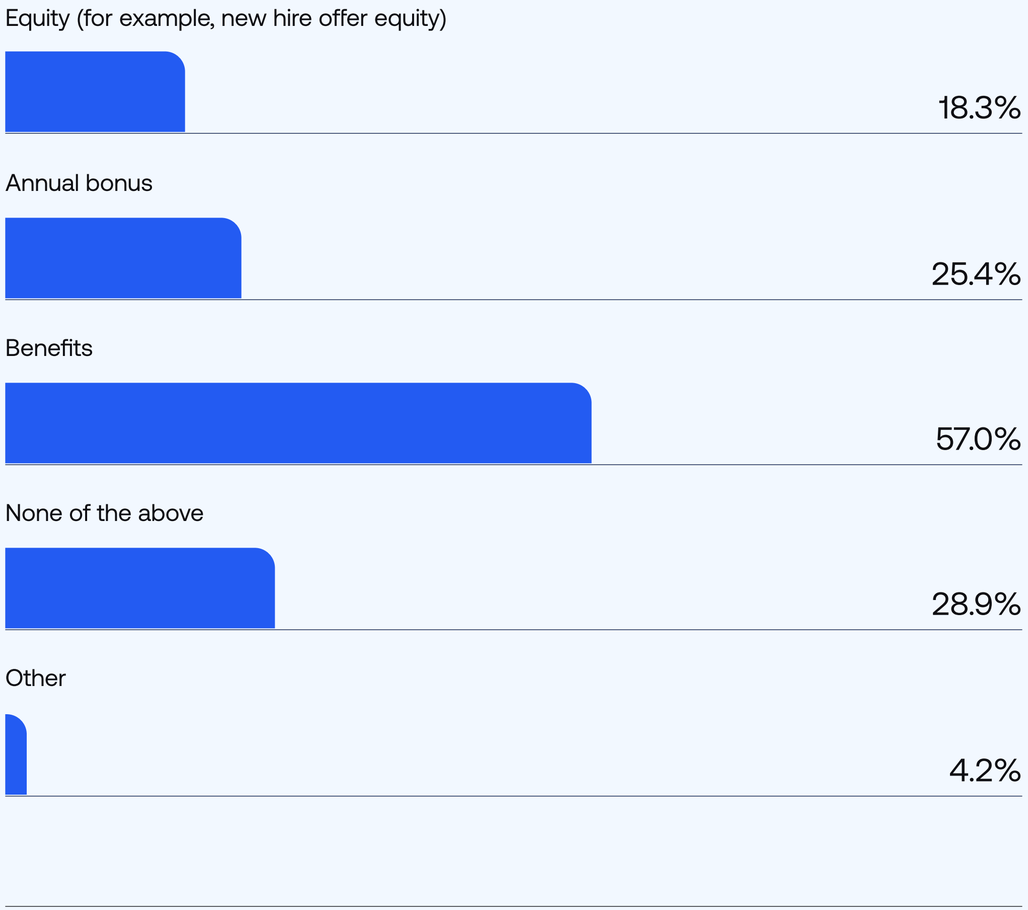


Pay Transparency

Total Rewards

Beyond compliance and operational efficiency, transparency is becoming a competitive advantage. Companies that don't disclose ranges risk losing out on top candidates. Several studies found that job seekers are more likely to apply when a salary range is listed—and sharing total rewards information can also have an impact. 57.0% of our survey respondents said they list benefits on job descriptions, and 18.3% list equity.

What other total rewards information do you share in job descriptions?



Source: Pave & Alpine Rewards
Sample size: 142 survey respondents

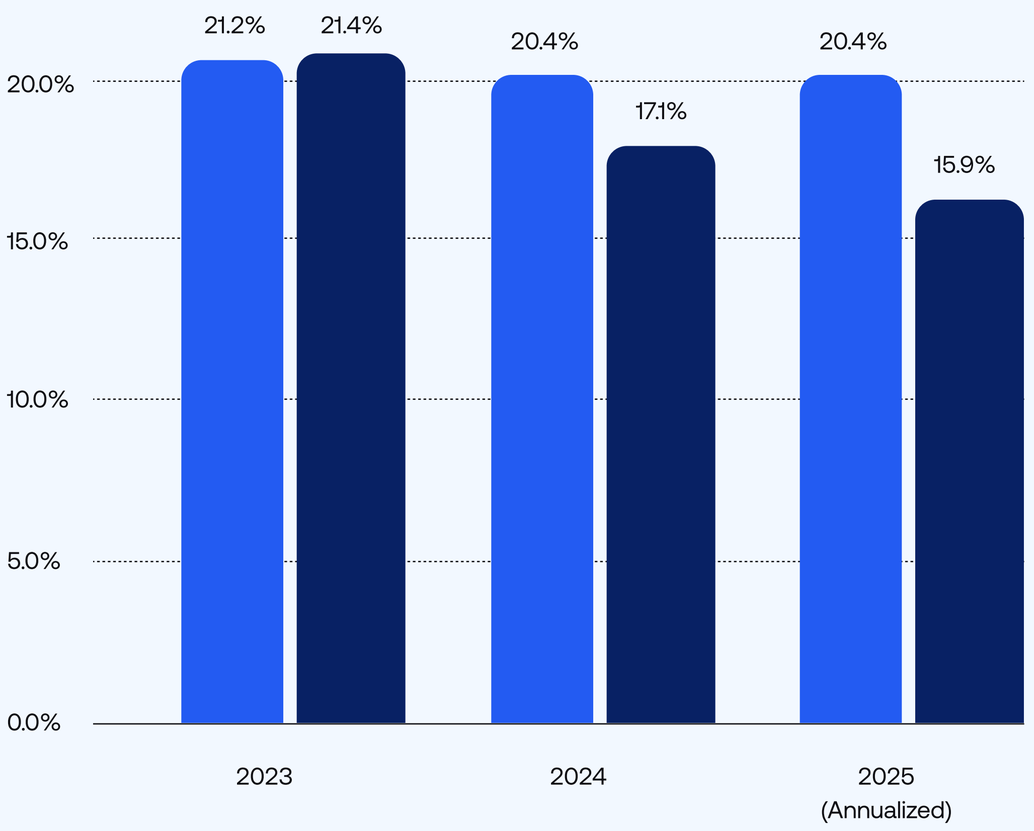
Retention Trends

“Job Hugging”

The “job hugging” trend is taking hold across the US. This trend refers to employees opting to stay at their jobs longer due to economic uncertainty and a volatile labor market.

In analyzing historical data from Pave’s dataset, we found that while turnover has slightly slowed at private companies, job hugging is most pronounced at public companies. Public companies in our dataset saw a turnover rate of 21.4% in 2023, but the annualized turnover rate in 2025 is only 15.9%.

Overall turnover rates: private vs public companies



Sample size: 1.5K+ companies with 100+ employees

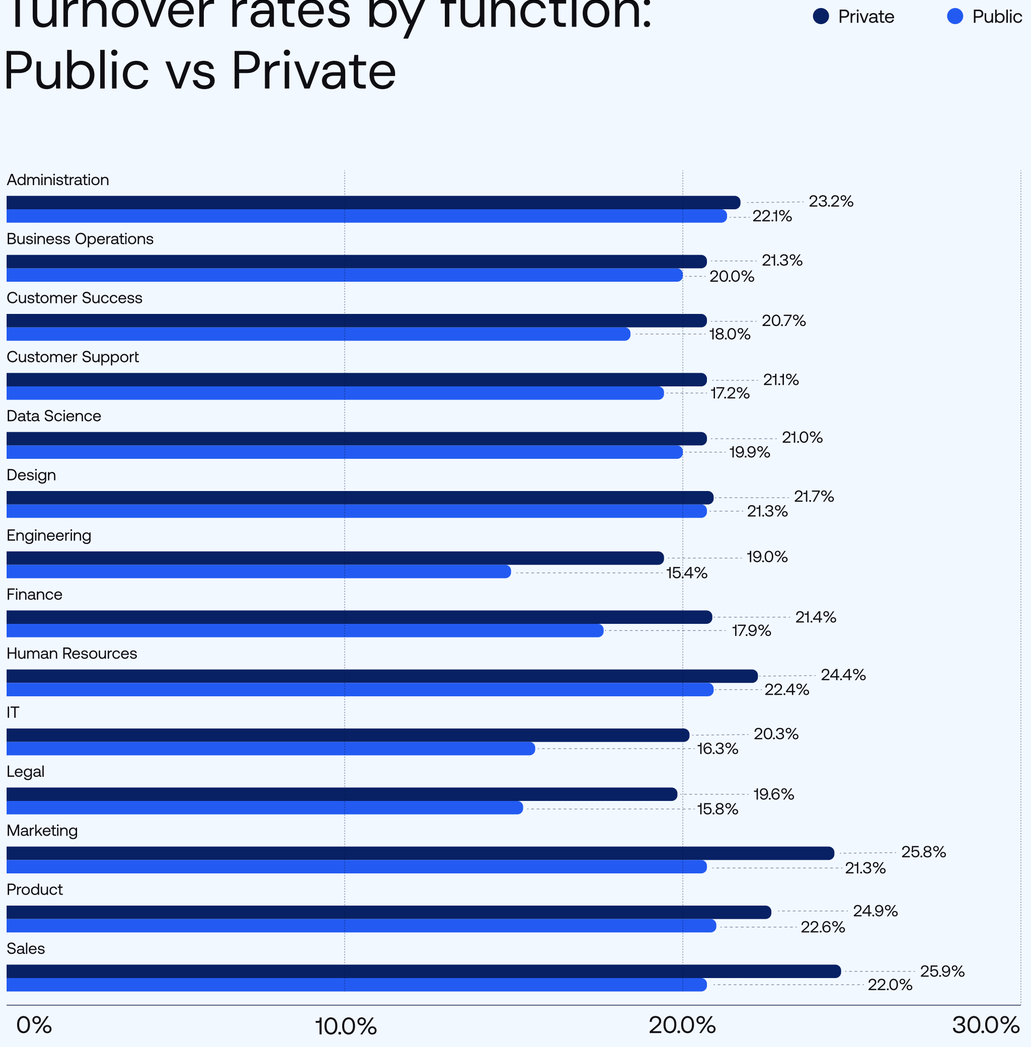
Source: Pave

Turnover by Function

Which functions are job hugging the most? We see the lowest turnover rates among Legal, IT, and Engineering teams across both public and private companies—but the turnover rates are lower at public companies. Engineering teams at public companies have the lowest annualized turnover rate of 15.4%. Marketing, Product, and Sales, meanwhile, see the highest turnover rates, with HR not far behind.

For compensation planning, this suggests retention strategies should be function-specific—Engineering may need different incentives than Marketing or Sales.

Turnover rates by function: Public vs Private



Sample size: 446.4K employees

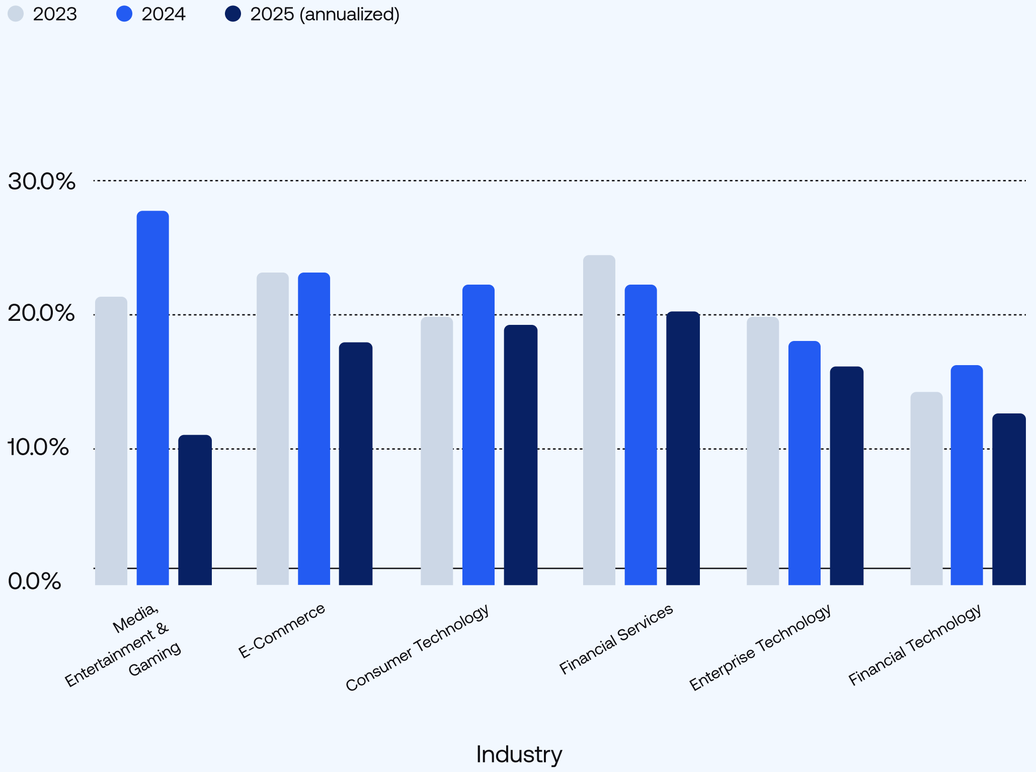
Source: Pave

Turnover by Industry

Another way to analyze this trend is by industry. Turnover rates have decreased year-over-year across the board, with a couple exceptions in 2024 in the Financial Technology and Media, Entertainment & Gaming sectors. However, these industries now have the lowest annualized turnover rates this year.

As job hugging is likely to continue into 2026, employers and compensation leaders can consider examining their pay programs through this lens. Retention isn't just about preventing exits, it's about having clear answers to: What career progression can we offer without relying on promotions? How do refresh grants fit into our ongoing compensation strategy? Are we rewarding loyalty or just longevity?

Turnover rates by industry over time



Source: Pave
Sample size: 1.5K+ companies with 100+ employees

Planning for What’s Next

The 2026 compensation landscape is defined by stability in some areas and rapid change in others. Budget increases are holding steady domestically while varying dramatically by geography. Transparency is accelerating, and retention patterns are shifting. The compensation leaders who understand these interconnected trends—and plan accordingly—won't be caught off guard by what the market delivers next.



Planning for What's Next with Alpine Rewards



Talent Market: Continued Impact of AI

- Talent demand will continue to polarize, deepening the K-shaped dynamic. Companies will face acute scarcity in specialized roles while experiencing surplus in operational and support positions, forcing a rethink of workforce planning.
- Significant premiums for high-demand skills and roles (e.g., AI/ML) will persist across both monetary and non-monetary reward programs, with the largest differentials appearing at mid- and senior-level positions.

Pay Transparency: Expanding Landscape

- More organizations will move beyond basic compliance and establish their own pay transparency philosophies grounded in simplicity, flexibility, and consistency.
- With manager readiness cited as the top concern, organizations are likely to place greater emphasis on consistent job architecture and enhanced training programs.

IPO Readiness: Promising Outlook

- With improving market conditions and the prospect of lighter SEC reporting requirements for public companies, the environment is becoming more conducive to IPOs.
- Across our practice, we are seeing more companies gearing up for a potential 2026 IPO; the SEC's renewed activity following the government shutdown also points to a possible increase in IPO activity next year.

Methodology

Survey data: Pave and Alpine Rewards partnered to run a survey on “2026 Trends and Budgeting”. 243 companies participated, mainly from the technology and life sciences industries. Full survey results with breakouts for company size, industry, and more can be found in Pave Data Lab.

Turnover data: Pave's real-time compensation dataset consists of 1M+ employees from 8300+ companies. Turnover data is calculated as the rate of employees from 12 months ago that are no longer at the company.

About Pave

Pave is your complete compensation intelligence platform.

Now you can benchmark pay, price jobs, build pay ranges, run merit cycles, and communicate total rewards, all in one place.

By connecting directly to your HCM, EMS, and ATS platforms, Pave is a fully unified compensation operating system for your business, allowing you to take control of your company's investment in people, make pay decisions with confidence, and earn trust from leaders and employees alike.

Today, more than 8,300 companies are using Pave to move away from stale survey data and error-prone spreadsheets to powerful and collaborative workflows, making Pave home to the world's largest real-time compensation dataset—and the most powerful AI features in the field of compensation.

To learn more, visit pave.com →

About Alpine Rewards

Alpine Rewards is a strategic advisor for the Life Sciences and Technology sectors, providing comprehensive expertise in Executive Compensation and Employee Rewards.

Bringing industry experience, a focus on people, and linking to your business needs, Alpine Rewards designs and develops compensation and rewards programs with an intuitive strategy to align interests, inspire performance, and achieve results.

From Board of Director and IPO Compensation to Cash Incentive Plan Design and Equity Strategy, Alpine Rewards is actively innovating approaches to attract and retain the best talent.

Learn more at Alpine-Rewards.com →