

Pay Increases are Staying Constant

Based on the latest survey data from WorldatWork, Milliman, Mercer, Towers, Culpepper and Compensation Works, pay increases for 2012 will be very similar to increases provided in 2011. We are seeing very flat annual pay adjustments with the average for organizations giving increases at 3.0% in the Puget Sound area. Oregon is running slightly lower at 2.8 to 3.0%.

ONLY ORGS WITH INCREASES	Actual Median 2011	Projected Median 2012
World at Work (Seattle 7/2011)	3.0%	3.0%
Milliman Mgmt & Prof (6/2011 - Puget Sound)	3.0%	3.1%
Milliman Non-Exempt (8/2011 - Puget Sound)	2.9%	3.0%
Compensation Works (8/2011 - Puget Sound)	3.0%	2.8%
ALL ORGANIZATIONS	Actual Median 2011	Projected Median 2012
World at Work (Seattle 7/2011)	3.0%	3.0%
Milliman Mgmt & Prof (6/2011 - Puget Sound)	2.5%	2.8%
Milliman Non-Exempt (8/2011 - Puget Sound)	2.4%	2.8%
Compensation Works (8/2011 - Puget Sound)	2.1%	2.4%

*Includes across-the-board, merit and market adjustments but not promotional, bonus, or lump sum awards.

**Structure increase is the amount that a typical pay range or pay structure is expected to increase.

We have often cautioned our clients to pay attention to the industry more than the overall average. You can see from the chart below why this is so important. We're seeing huge pressure on IT jobs and continuing pressure on skilled medical professional positions. Accounting and finance professionals continue to be in demand as well. Government and education are suffering now. Increases in these sectors traditionally lag the private sector by several years with any upswing or downturn.

Industry Comparison



Milliman M&P	All Orgs	Only Orgs with Increases
All Orgs	2.8%	3.1%
High Tech	3.8%	3.8%
Distrib/Wholesale/Retail	3.2%	3.2%
Health care	3.1%	3.1%
Manufacturing	3.0%	3.2%
Banking	2.8%	2.8%
Services	2.7%	3.1%
Govt/Education	2.0%	2.7%

Surveys continue to indicate a high percentage of employees are looking to move as soon as the economy improves. Make sure you have a key employee program in place and are communicating your strategy about the business and pay with your staff.

TIPS FOR BUSINESS LEADERS

How can businesses best leverage these very small salary increase budgets? Get creative!

- 1) Consider moving to 18 month or bi-annual pay increases that are basically double what they would be in a single year. You only have to go through the process once and employees get a bigger and more memorable increase. Be sure to communicate the plan in advance to set employee expectations.
- 2) Consider variable timing pay increases. For example, provide increases at 12 months to your top performers and increases at 18 months or 24 months for average or low performers.
- 3) It may be time to look at your performance rating system. If you are using pay increase guidelines based on performance (merit matrix) your performance distribution can have a big impact on how big increases are for top performers.
- 4) Continue to communicate. Research shows that employees who understand their pay plans are significantly more satisfied than others, even when pay levels are the same. You can get more bang for your buck just by communicating more.
- 5) Finally, make sure that employees understand that almost all business are dealing with the same issue. This will help them understand that moving elsewhere is unlikely to significantly improve their pay situation.

Let us know if we can help. We're happy to chat about your unique situation and share our experiences. We're here to help!

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