Compensation Programs and Practices

research

WorldatWork®
The Total Rewards Association

About WorldatWork®

The Total Rewards Association

WorldatWork (www.worldatwork.org) is a not-for-profit organization providing education, conferences and research focused on global human resources issues including compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce. Founded in 1955, WorldatWork has nearly 30,000 members in more than 100 countries. Its affiliate organization, WorldatWork Society of Certified Professionals®, is the certifying body for the prestigious Certified Compensation Professional® (CCP®), Certified Benefits Professional® (CBP), Global Remuneration Professional (GRP®), Work-Life Certified Professional™ (WLCP®), Certified Sales Compensation Professional™ (CSCP™), and Certified Executive Compensation Professional™ (CECP™). WorldatWork has offices in Scottsdale, Arizona, and Washington, D.C.

The WorldatWork group of registered marks includes: Alliance for Work-Life Progress® or AWLP®, workspan®, WorldatWork® Journal, and Compensation Conundrum®.

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Introduction & Methodology

This report summarizes the results of a June 2010 survey of WorldatWork members to gather information about current trends in compensation programs and practices. This survey focuses on the prevalence of base and variable pay programs as well as common practices used to administer and communicate these programs in today's workplace. On June 16, 2010, survey invitations were sent electronically to 5,232 WorldatWork members. Members selected for participation were all participants from the WorldatWork 2010-2011 Salary Budget Survey and randomly selected members who had designated compensation in their title. The survey closed on July 2, 2010, with 1,618 responses, a 31% response rate. The final dataset was cleaned, resulting in a final dataset of 1,381 responses.

In order to provide the most accurate data possible, data was cleaned and analyzed using statistical software. Any duplicate records were removed. Data comparisons with any relevant, statistically significant differences are noted within this report.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America.

The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a data set. Due to rounding, frequencies of data responses provided in this survey may not total exactly 100 percent.

WorldatWork conducted a similar compensation practices survey in 2003. The report, *Survey of Compensation Policies and Practices, March 2003*, can be viewed on the WorldatWork Web site. Where possible, historical comparisons from data gathered in the previous survey are shown.

Table of Figures

Additional Analysis Figures

Demographics

Figure 1: "Your organization is:" (n=1,298)
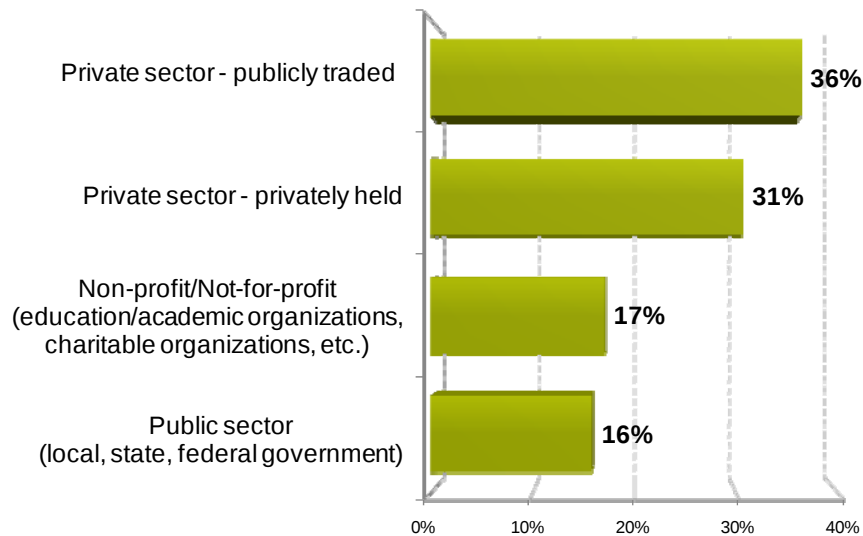
Figure 2: "Please choose the total number of full-time employees (FTEs) your organization employs worldwide:" (n=1,296)

Option	Percent
Less than 100 employees	6%
100 to 499	9%
500 to 999	9%
1,000 to 2,499	17%
2,500 to 4,999	17%
5,000 to 9,999	15%
10,000 to 19,999	12%
20,000 to 39,999	8%
40,000 to 99,999	5%
100,000 or more employees	4%

Figure 3: "Please choose one category that best describes the industry in which your organization operates:" (n=1,292)[1]

Option	Percent
Finance & Insurance	14%
All Other Manufacturing	12%
Healthcare & Social Assistance	11%
Consulting, Professional, Scientific & Technical Services	9%
Utilities, Oil & Gas	7%
Information (includes Publishing, IT Technologies, etc.)	4%
Retail Trade	4%
Public Administration	4%
Computer and Electronic Manufacturing	3%
Educational Services	3%
Pharmaceuticals	2%
Other Services (except Public Administration)	2%
Transportation	2%
Arts, Entertainment & Recreation	1%
Wholesale Trade	1%
Accommodations & Food Services	1%
Real Estate & Rental & Leasing	1%
Construction	1%
Other	14%

[1] Industries with less than 1% of respondents are not shown in this table.

Executive Summary

There is a wide variety of pay practices in use by employers today. Some of the most common practices include the use of compensation philosophies, setting competitive positions around the median or 50th percentile, and tying performance to compensation rewards. Organizations continue to find the best solutions to motivate their workforces and get the greatest return on their compensation investments. The findings below highlight consistencies in some of the most common compensation programs and practices as well as where they may vary.

Compensation Philosophy

- **Nine out of every 10 companies have a compensation philosophy**, with 61% having a written policy and 29% having an unwritten policy. These results have changed minimally since 2003 when 91% of organizations had a written or unwritten compensation philosophy. (See Figure 4.)
- **Forty-two percent of employers say that virtually all or most employees <u>do not understand</u> the compensation philosophy of the company.** Only 29% said that "most" or "virtually all" employees understand the philosophy. (See Figure 5.) Results have changed slightly from 2003 when 35% of organizations reported that "most" or "virtually all" employees understood the philosophy. Employees' understanding of the compensation philosophy does not appear to be affected by sector (public, private or not for profit) or organization size.
- **Of those organizations indicating that most or all employees understand the compensation philosophy, 82% also have a written compensation philosophy**, suggesting that a written policy has a positive effect on employees' understanding. (See Figure 33.) There has been little shift in these findings since 2003, when 80% of employers who reported that most or all employees understood the compensation philosophy also had a written compensation philosophy.
- **Employers with high levels of turnover (21% or higher) are less likely to have a written compensation philosophy than employers with lower levels of turnover.** (See Figure 35.) This suggests that the lack of a clearly articulated compensation philosophy within an organization may contribute to its turnover rate.

Competitive Positioning

- **Base Pay Practice: Most organizations (90%) pay between the 40th and 60th percentiles of the market**. More than one-fourth (27%) pay exactly at the 50th percentile and only 10% pay at the 60th percentile or above. (See Figure 6.)
- **Total Cash Practice (Base and Variable Pay): Two-thirds (68%) of organizations pay between the 40th and 60th percentile**, with 23% paying exactly at the 50th percentile. (See Figure 6.) Nearly a quarter of organizations (24%) set their total cash at

the 60th percentile or above, indicating that many organizations are using variable pay as the vehicle to increase cash compensation above market.

Variable Pay Programs

- **Eight in every 10 organizations (80%) are using variable pay,** exactly matching results from the *WorldatWork 2010-2011 Salary Budget Survey.* (See Figure 7.)
- **Of the organizations utilizing variable pay, individual incentives are used by 67%.** Recognition programs, bonuses and performance sharing plans are also common. On the contrary, only 19% of companies are using profit sharing plans. (See Figure 8.)

Base Salary Increases

- **Three-fourths (73%) of organizations determine base salary increases by evaluating "individual performance against job standards."** Forty-four percent use "individual performance against MBO's or similar personal objectives." (See Figure 10.)
- **Most organizations (89%) look at individual performance against job standards and/or MBO, *without* additionally offering a general increase.** (See Figure 10.)
- **"Market value of the position" (55%) and "position in range" (54%) are also common factors considered when determining an employee's pay increase.** (See Figure 10.)
- **Two percent of organizations give only a general increase** and no other type of base salary increase. (See Figure 10.)
- **Almost all organizations (94%) award promotional increases.** (See Figure 24.)
- **Almost all organizations (92%) award merit increases.** (See Figure 24.)
- **Market adjustments (76%) and internal equity adjustments (64%) are also extremely common types of increases**, despite a difficult economy. (See Figure 24.)

Pay for Performance

- **Sixty-five percent of organizations tie salary increases, at least in part, to formalized performance ratings.** A fifth of organizations (20%) do not tie an employee's salary increase to a performance rating. (See Figure 11.)
- **Fourteen percent assess performance but do not have a formalized performance score.** (See Figure 11.)
- **For those who utilize performance ratings, 93% have between three and five categories,** with 54% having five rating categories, 27% having four, and 12% having three. (See Figure 13.)
- **More than four in every ten organizations that utilize performance ratings are able to award top performers with an increase of approximately 1.5 times the average increase.** Twenty-five percent award top performers twice the average; 24% award 1.25 times the average. (See Figure 12.) These responses are very similar to 2003 survey results where 20% awarded 1.25 times the average. Differentiating salary

increases for higher performers is a fundamental tenet of a pay-for-performance philosophy.

- **More than half (54%) of reporting organizations indicate that the distribution of performance ratings resembles a bell-shaped curve** with most employees falling into the middle category. Thirty-nine percent say that their distribution is skewed toward the higher performance ratings. (See Figure 14.)

FLSA Classification

- **'All or nothing' is not the case for FLSA exemption classification.** Very few U.S. organizations have classified all jobs as exempt from FLSA requirements, or conversely, no jobs as exempt. Most have at least some jobs classified as exempt and some classified as nonexempt. (See Figure 15.)
- **The practice of maintaining documentation of FLSA classification testing also varies.** Just over a third say that they do not maintain documentation for any positions, and just under a third say they maintain documentation for all positions. The remaining organizations are fairly evenly distributed, reporting anywhere from 10 to 90% of exemption status testing documentation is maintained.

Salary Structure Design and Administration

- **Nearly six in every ten (58%) organizations adjust their structures annually.** Thirty percent adjust structures on an "as needed" basis, and 9% do so every two years. (See Figure 18.)
- **Over half of organizations (55%) perform market pricing on an annual basis.** Nineteen percent indicated market pricing is performed on an "as needed" basis and 13% do so once every two years. (See Figure 17.)
- **Fifty-nine percent have multiple salary structures.** Of those, 42% have five or more structures with geographic region being the most common criterion. (See Figure 19.)
- **Thirty-five percent identify separate structures by FLSA exemption status and 32% by job category or function.** (See Figure 21.)
- **Traditional salary grades are most common, in use at 73% of organizations.** (See Figure 22.) Only 14% have a broadband structure.

Pay Communication

- **Only about one-half of organizations share information on compensation philosophy or design of the pay program** (e.g. strategy, compensation markets, link to performance, etc.). In fact, nearly one-third (32%) said they share "minimal pay-related information" to employees. (See Figure 25.)
- **Forty-three percent share employee's own salary range information**, but only 19% share all ranges with their employees. (See Figure 25.)

- **The methods for sharing information with employees are varied, with the most common method (73%) being an individual discussion with the employee's supervisor.** The use of electronic methods, such as company Web sites or e-mails, is used by just over 40% of organizations. (See Figure 26.)

- **Individual meetings with the HR department are utilized by 30% of organizations.** Larger employee meetings and written materials such as handbooks or employee manuals are used by fewer organizations. (See Figure 26.)

- **About one-half of organizations say their approach is to use "brief" verbal or written communication.** Less than a quarter of organizations utilize "detailed" verbal or written communication. (See Figure 28.)

- **Employees receiving brief verbal communication are the least likely to understand the organization's compensation philosophy.** Employees receiving detailed verbal communication are more likely to understand the organization's compensation philosophy than brief verbal communication or either brief or detailed written communication. (See Figure 42.)

- **In terms of the frequency of communications, most organizations (76%) stated they communicated pay-related information "at least once" during the past 12 months**, with only 18% indicating they communicated twice or more. Six percent indicated that employees had received no communications. (See Figure 27.)

Results and Analysis

Compensation Philosophy
See Figures 31-43 for additional comparisons of findings by compensation philosophy.

Figure 4: "Does your company have a compensation philosophy for paying employees?" (n= 1,381)

Option	2010	2003
We have a written compensation philosophy	61%	62%
We have an unwritten compensation philosophy	29%	29%
We do not have a compensation philosophy	9%	7%
Other	1%	2%

Figure 5: "To what extent do employees understand the company's compensation philosophy?" (n= 1,237)
Participants who answered "We do not have a compensation philosophy" in Figure 4 did not receive this question.

Option	Percent
Virtually no employees understand the compensation philosophy	7%
Most do not understand the compensation philosophy	35%
About half of employees understand the compensation philosophy	29%
Most employees understand the compensation philosophy	26%
Virtually all employees understand the compensation philosophy	3%

Competitive Positioning

**Figure 6: "Compared to the relevant labor market, what is your organization's:"
(n=1,283)**

	Less than 25th percentile	Between 25th and 40th percentile	Between 40th and 60th percentile, or approx. the median	EXACTLY at 50th percentile, or EXACTLY at median	Between 60th and 75th percentile	Above 75th percentile
Base salary target (or goal)	1%	3%	42%	46%	8%	1%
Base salary practice	1%	9%	53%	27%	9%	1%
Total cash target or goal	1%	3%	35%	36%	23%	3%
Current total cash practice	1%	7%	45%	23%	21%	3%

Variable Pay Programs

Figure 7: Does your organization currently use variable pay (not including sales commission plans)?" (n= 1,347)

No 20%

Yes 80%
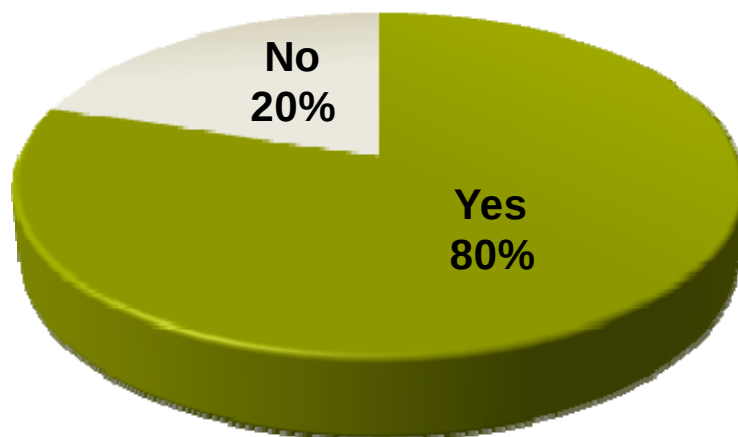
Figure 8: "Which of the following types of variable pay plans does your organization use for some or all employees?" (Please select all that apply.) (n=1,066)
Participants who answered "No" in Figure 7 did not receive this question.

Category	Percent
Individual incentives (other than sales incentives)	67%
Recognition (e.g. spot award)	60%
Bonuses (e.g. sign-on retention)	59%
Performance-sharing (based on other financial or non-financial goals)	57%
Profit-sharing	19%
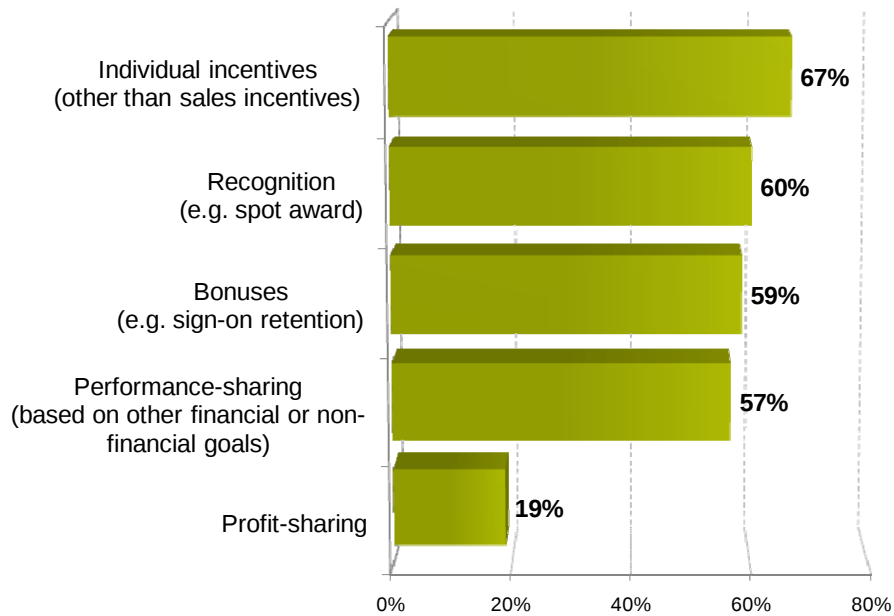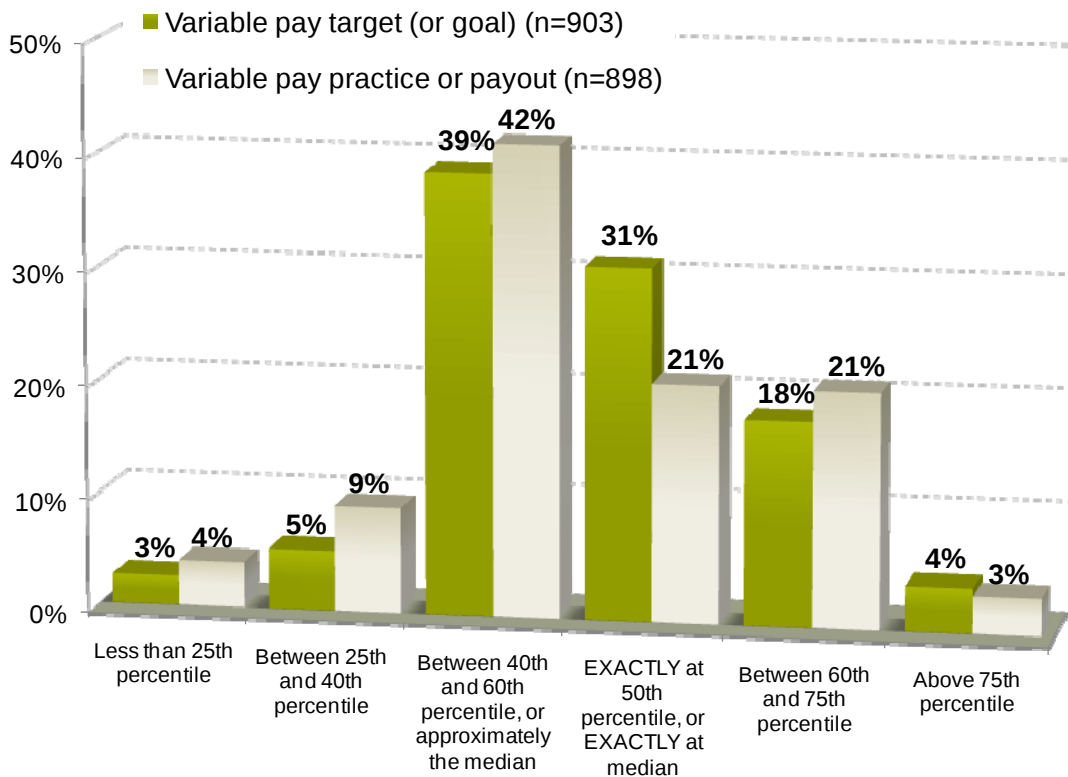
Figure 9: "Compared to the relevant labor market, what is your organization's:"

■ Variable pay target (or goal) (n=903)
□ Variable pay practice or payout (n=898)

	Target	Practice/payout
Less than 25th percentile	3%	4%
Between 25th and 40th percentile	5%	9%
Between 40th and 60th percentile, or approximately the median	39%	42%
EXACTLY at 50th percentile, or EXACTLY at median	31%	21%
Between 60th and 75th percentile	18%	21%
Above 75th percentile	4%	3%

Determination of Base Salary Increases

Figure 10: "How are base salary increases typically determined for employees?"
(Please select all that apply.) (n=1,337)

Option	Percent
Individual performance against job standards	73%
Market value of the position	55%
Position in range	54%
Individual performance against MBO's or similar personal objectives	44%
Skill or competency acquisition	25%
Years of service	13%
General increase – everyone receives the same increase	11%
Education/certifications	10%
Other	4%

Additional Findings:
- Two percent of participants (2%) selected only "General increase – everyone receives the same increase" and nothing else out of all answers listed.
- Ninety percent of participants (90%) selected individual performance against job standards and/or MBO.
- Eighty-nine percent of participants (89%) selected individual performance against job standards and/or or MBO *without* selecting the general increase option.

Pay for Performance

Figure 11: "Do you have a formal employee performance rating system, resulting in a performance metric or score?" (n= 1,335)
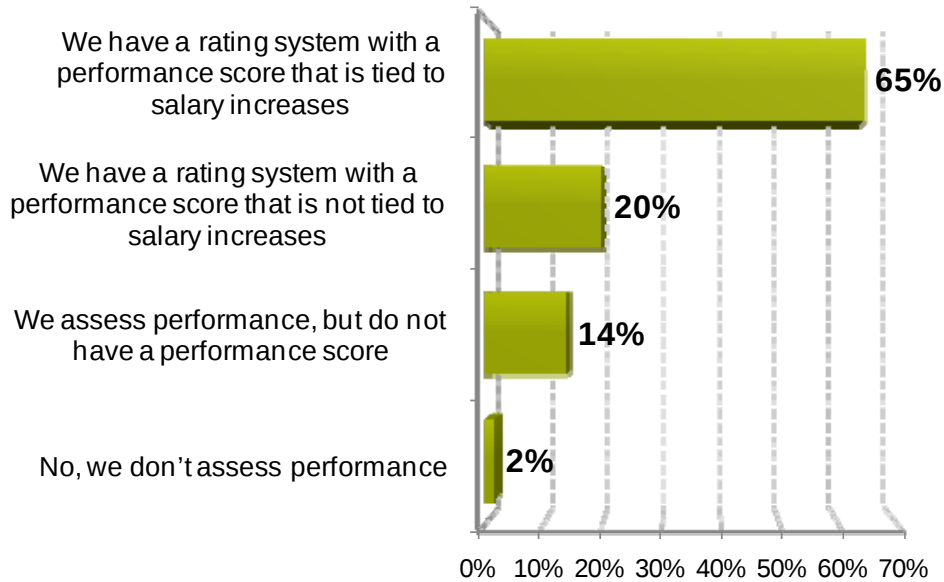
Figure 12: "If salary increases are based on performance, what is the typical variation in salary increases for 2010?" (n=836)
Only participants who answered "We have a rating system with a performance score that is tied to salary increases" in Figure 11 received this question.

Option	Percent
Base salary increase is based on something other than individual performance	2%
Everyone receives approximately the same increase	4%
Small variation (increase for top performers is 1.25 times the average)	24%
Moderate variation (increase for top performers is 1.5 times the average)	43%
Considerable variation (increase for top performers is 2 times the average)	25%
Extreme variation (increase for top performers is at least 3 times the average)	2%

Figure 13: "How many performance ratings levels/categories are used when assessing individual performance? (Please do not including levels such as "Too New to Rate," "New Hire," etc.)" (n=1,126)

Only participants who answered "We have a rating system with a performance score that is tied to salary increases" or "We have a rating system with a performance score that is not tied to salary increases" in Figure 11 received this question.
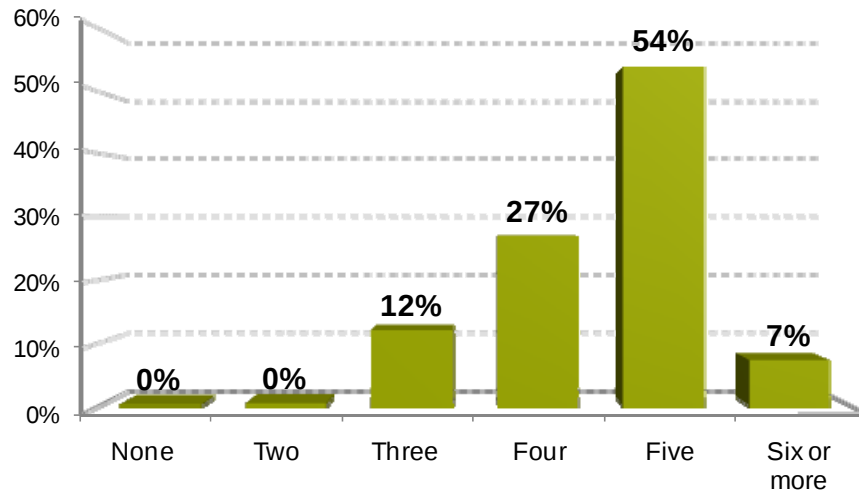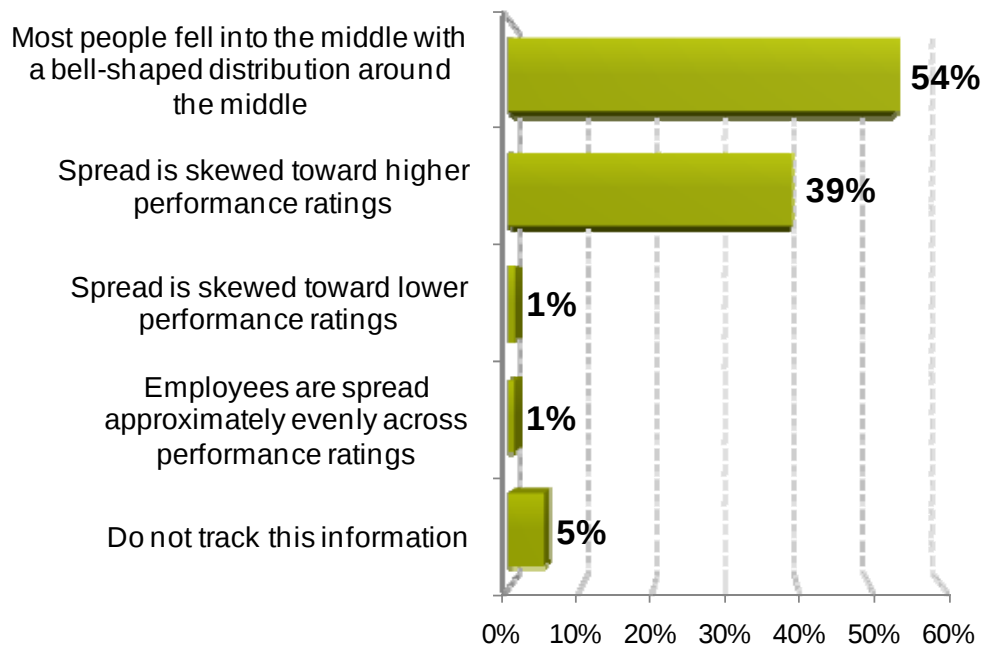
Figure 14: "How were employees distributed across these performance categories for 2009 or last performance period?" (n=1,112)

Only participants who answered "We have a rating system with a performance score that is tied to salary increases" or "We have a rating system with a performance score that is not tied to salary increases" in Figure 11 received this question.

FLSA Classification (U.S.)

Figure 15: "What portion of your organization's U.S. positions/jobs is exempt from Fair Labor Standards Act (FLSA) requirements?" (n=998)

Only participants who answered "We have a rating system with a performance score that is tied to salary increases" or "We have a rating system with a performance score that is not tied to salary increases" in Figure 11 received this question. Answer options in the survey questionnaire were listed in 10% increments.
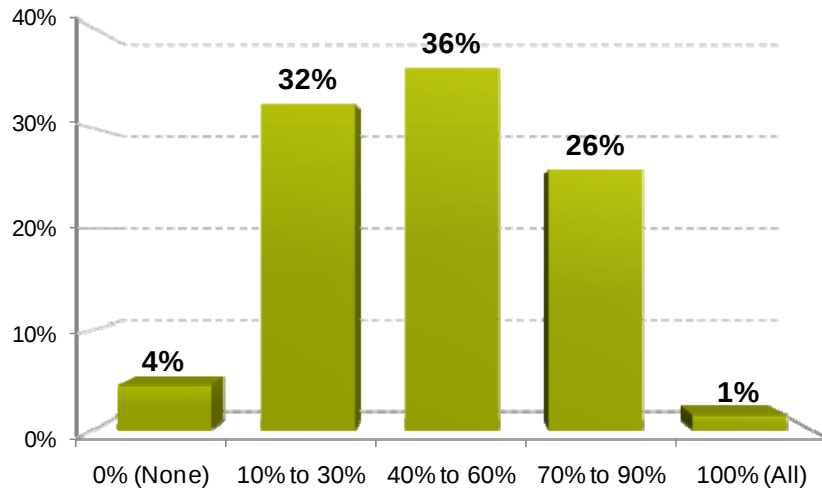
Figure 16: "For what portion of your organization's U.S. positions/jobs do you maintain FLSA exemption status documentation?"

Only participants who answered "We have a rating system with a performance score that is tied to salary increases" or "We have a rating system with a performance score that is not tied to salary increases" in Figure 11 received this question. Answer options in the survey questionnaire were listed in 10% increments and a definition for "documentation" was not provided in the questionnaire.
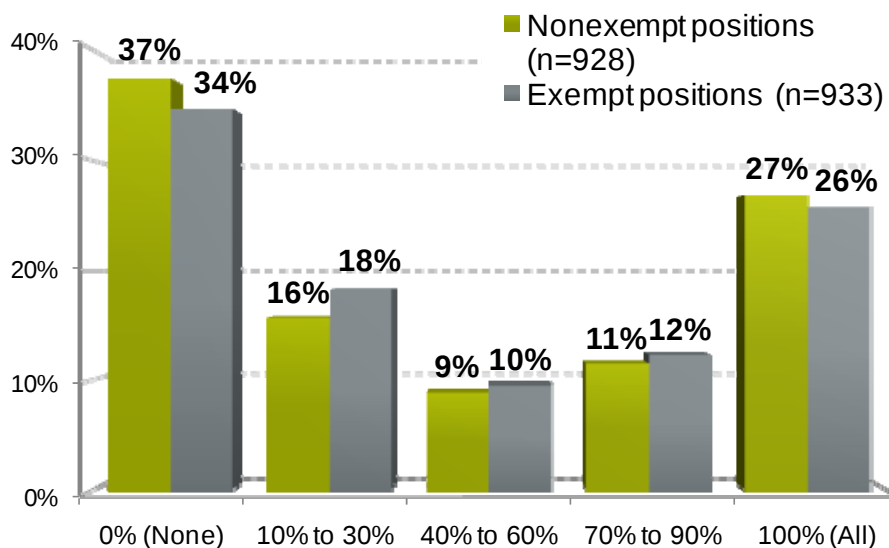
Figure 16a: Portion of <u>nonexempt</u> positions/jobs for which FLSA exemption status testing documentation is maintained, by organization size

Organization Size	Portion of jobs for which FLSA status testing documentation is maintained				
	0%	10% to 30%	40% to 60%	70% to 90%	100%
Less than 100 (n=32)	47%	9%	3%	3%	38%
101 to 999 (n=100)	46%	11%	4%	5%	34%
1000 to 4,999 (n=164)	38%	17%	11%	13%	22%
5,000 to 19,999 (n=317)	36%	17%	9%	12%	27%
20,000 and above (n=262)	28%	15%	12%	17%	28%

Figure 16b: Portion of <u>exempt</u> positions/jobs for which FLSA exemption status testing documentation is maintained, by organization size

Organization Size	Portion of jobs for which FLSA status testing documentation is maintained				
	0%	10% to 30%	40% to 60%	70% to 90%	100%
Less than 100 (n=33)	46%	3%	6%	3%	42%
101 to 999 (n=162)	44%	12%	4%	9%	30%
1000 to 4,999 (n=321)	34%	22%	10%	14%	20%
5,000 to 19,999 (n=262)	31%	20%	10%	12%	28%
20,000 and above (n=152)	28%	16%	14%	15%	28%

Salary Structure Design and Administration

Figure 17: "How often do you assess the market pricing of jobs (i.e., pricing benchmarks or all jobs with salary survey data)?" (n=1,315)

Multiple times per year	7%
Once a year	55%
Once every two years	13%
Less than once every two years	5%
Never	1%
As needed based on market conditions	19%
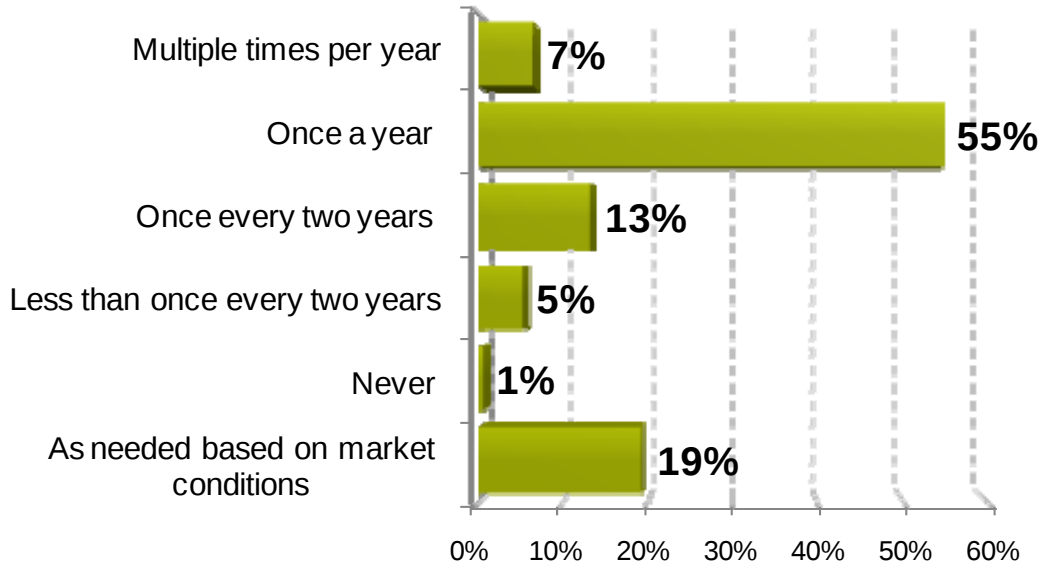
Figure 18: "How often do you typically adjust base salary structures for employees?" (n=1,280)

Multiple times per year	0%
Once a year	58%
Once every two years	9%
Less than once every two years	3%
Not consistently adjusted OR as needed based on market conditions	30%
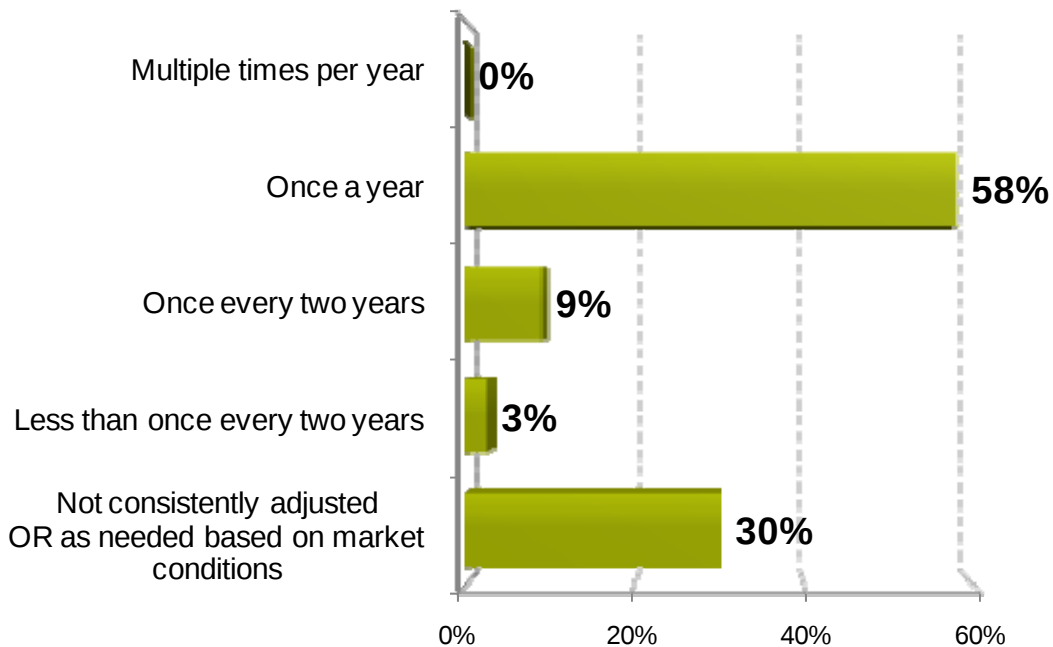
Figure 19: "Does your organization have more than one salary structure?" (n=1,285)

No
41%

Yes
59%
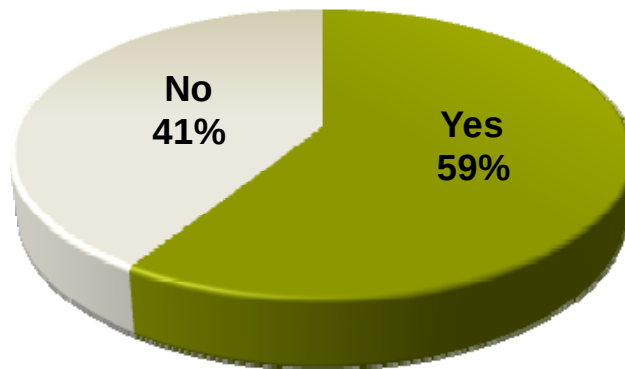
Figure 20: "How many separate structures are in place?" (n=751)
Only participants who answered "Yes" in Figure 19 received this question.

2
25%

5 or more
42%

3
21%

4
12%
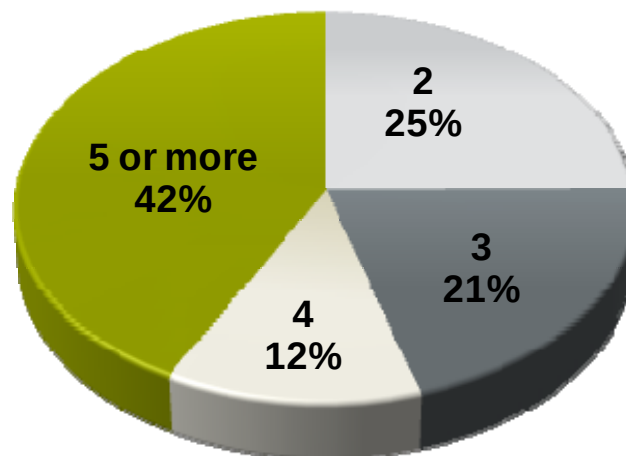
Figure 21: "How are the separate structures defined/identified?"
(Please select all that apply.) (n=750)
Only participants who answered "Yes" in Figure 19 received this question.

Option	Percent
By geographic region	45%
By FLSA exemption status or other regulatory classification	35%
By job category/roll/type/function	32%
By business unit/subsidiary	25%
By union affiliation	6%
By bargaining unit	1%
Other	4%

Figure 22: "Does your salary structure(s) consist of salary grades or broadbands?"
(n=1,284)
Open-ended responses were not gathered for participants selecting the option 'Other.'
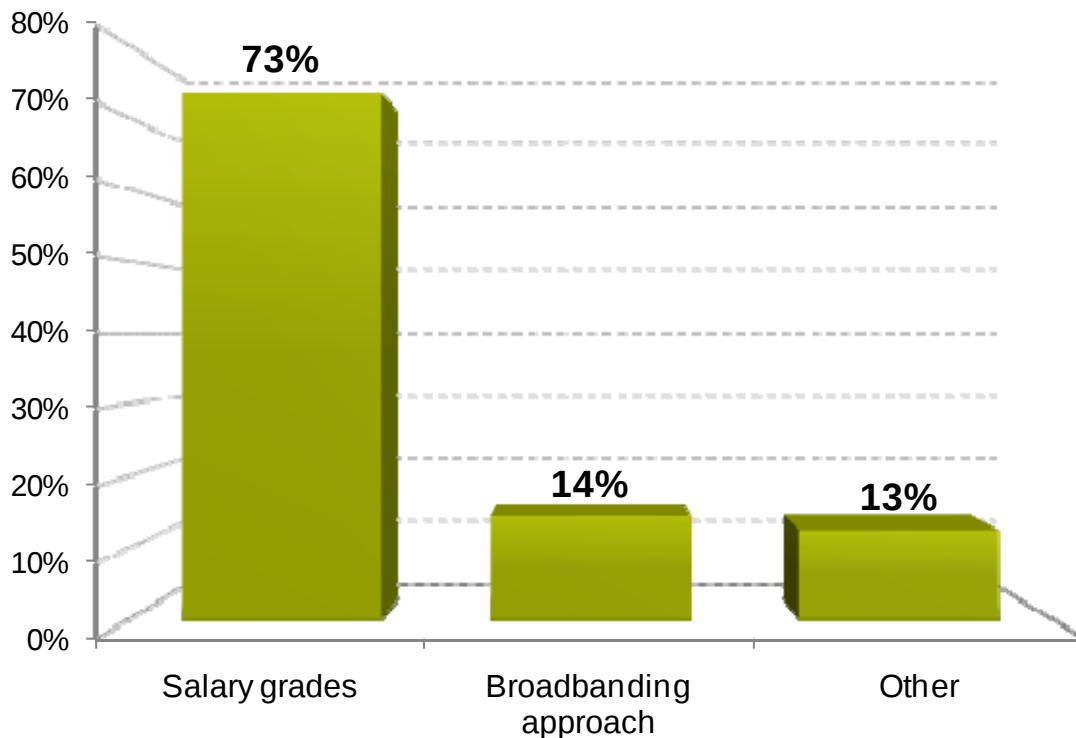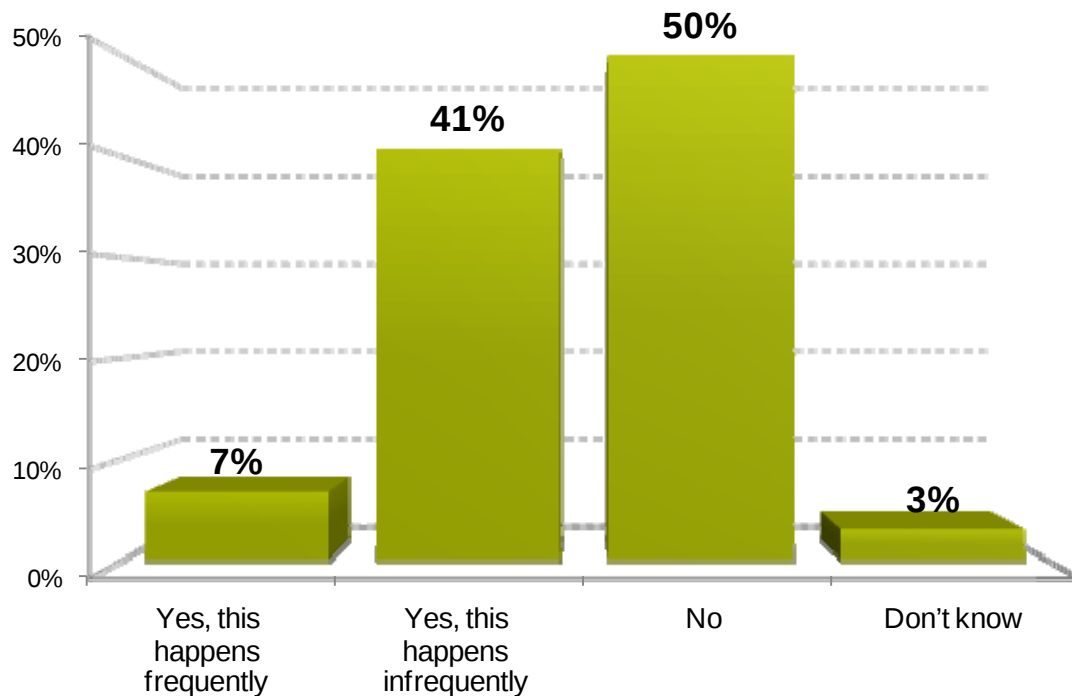
Figure 23: "Do you have cases where a manager or supervisor (as opposed to a work leader) and subordinate are in the same job grade or band?" (n=1,290)

Types of Increases

Figure 24: "What types of salary increases and/or adjustments does your organization award to some or all employees?" (Please select all that apply.) (n=1,306)

Option	Percent
Promotional increases (result of higher/greater level of responsibility)	94%
Merit increases	92%
Market adjustments	76%
Internal equity adjustments	64%
Pay differentials (usually related to atypical schedule, hazardous or un-secure work environment, special skill set or responsibilities, etc.)	42%
Temporary special assignment pay	36%
General across-the-board increases not considered COLA or market adjustments	12%
Cost-of-living adjustments (COLAs)	11%
Other	4%

Pay Communication

Figure 25: "How much information about the pay program is shared with employees about their individual salaries?" (Please select all that apply.) (n=1,300)

Option	Percent
The organization's compensation philosophy	52%
Information regarding the design of the pay program (e.g., strategy, compensation markets, link to performance, etc.)	49%
Base salary range for the employee's pay grade	43%
Minimal pay-related information is shared	32%
Base salary ranges for all pay grades or jobs	19%
Actual pay levels for all employees	1%
Other	4%
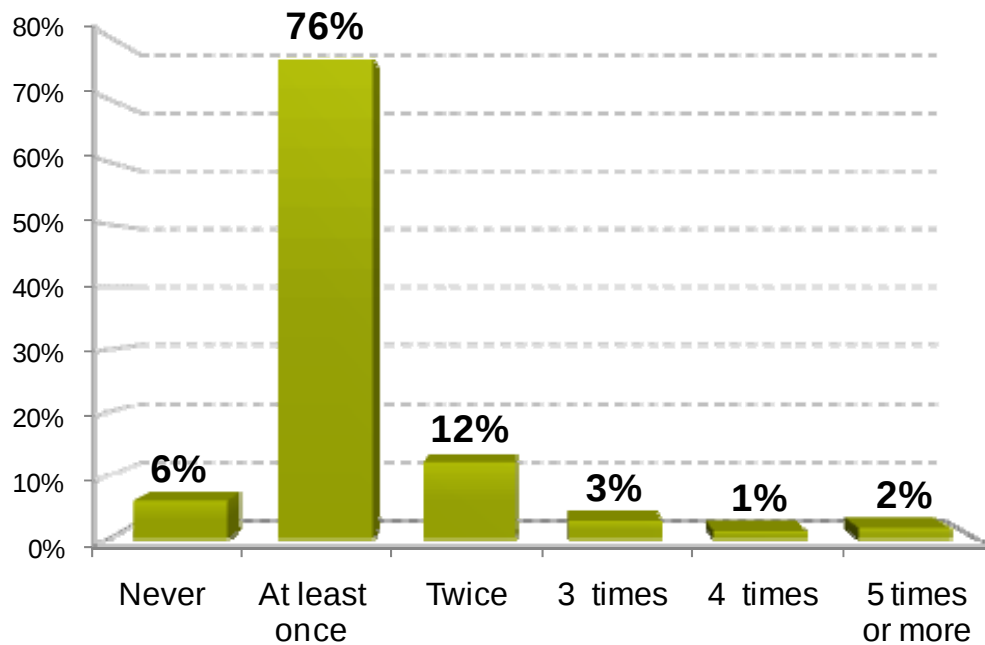
Figure 26: "In the past 12 months, how did employees receive communications about the pay program?" (Please select all that apply.) (n=1,299)

Option	Percent
Individual discussions with their supervisor	73%
Information is posted on a company Web site	42%
Memos, e-mails	41%
Individual discussions with human resources/compensation department	30%
Employee meetings	27%
Employee handbook or orientation manual	21%
No pay communications	7%
Other	6%
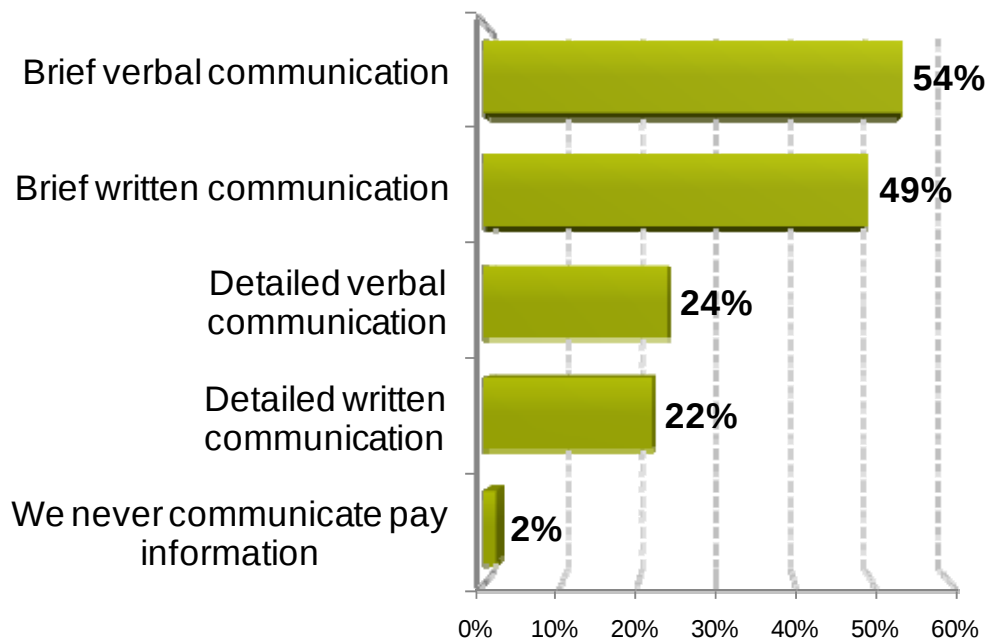
Additional communications about the pay program noted under "Other":
- Total Reward Statements
- Compensation Statements
- Letters mailed to employee homes.

Figure 27: "How often did employees receive communications about their individual pay in the past 12 months?"(n=1,297)

Figure 28: "The approach to communicating individual pay increases is:"
(Please select all that apply.) (n=1,297)

Evaluation of Salary Policies and Practices

Figure 29: "What is the approximate annual turnover for employees?" (n=1,218)

Option	Percent
0-5%	26%
6-10%	38%
11-15%	20%
16-20%	9%
21-26%	4%
27-40%	2%
41% or more	2%

Figure 30: "How does management determine if the salary program is effective?" (Please select all that apply.) (n=1,258)

Option	Percent
Employee turnover or retention	59%
Employee satisfaction survey metrics	46%
Business/operating results	32%
Management does not evaluate salary program effectiveness	22%
Senior leadership tells us that it is working	21%
Employees tell us that it is working	18%
Employee productivity metrics	17%
Labor cost is controlled/lowered	15%
Other	3%

Additional Analysis

Comparisons by Type of Compensation Philosophy

The following section provides a detailed analysis of an organization's compensation philosophy status:
- Written compensation philosophy
- Unwritten compensation philosophy
- None/other compensation philosophy

This summary is intended to provide an overview of how organizations with a written compensation philosophy may differ from an organization with an unwritten compensation philosophy[2].

Legend:

Written compensation philosophy 61%	Unwritten compensation philosophy 29%	None/other compensation philosophy 10%

Figure 31: By sector

	Written	Unwritten	None/other
Public sector (n=206)	65%	22%	13%
Private sector (n=870)	58%	32%	10%
Nonprofit/Not-for-profit (n=222)	66%	27%	7%

Figure 32: By organization size:

	Written	Unwritten	None/other
Less than 100 employees (n=71)	35%	44%	21%
100 to 999 (n=232)	59%	30%	12%
1,000 to 4,999 (n=439)	60%	31%	10%
5,000 to 19,999 (n=339)	66%	26%	7%
20,000 and above (n=215)	65%	28%	7%

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[2] Selected statistically significant differences are noted.

Figure 33: By understanding of compensation philosophy

	Written	Unwritten	None/other
Most or all employees understand the compensation philosophy[3] (n=517)	82%	18%	0%
About half of employees understand the compensation philosophy[3] (n=354)	79%	21%	0%
Virtually all or most employees DO NOT understand the compensation philosophy (n=366)	49%	50%	2%

Figure 34: By formal employee performance rating system prevalence:

	Written	Unwritten	None/other
We have a rating system with a performance score that is tied to salary increases[4] (n=864)	65%	29%	6%
We have a rating system with a performance score that is not tied to salary increases[4] (n=266)	60%	27%	12%
We assess performance, but we do not have a performance score (n=184)	47%	35%	18%
We don't assess performance[5] (n=21)	33%	38%	29%

Figure 35: By annual turnover:

	Written	Unwritten	None/other
0%-5%[6] (n=313)	65%	27%	8%
6%-10%[6] (n=466)	64%	28%	8%
11%-20%[6] (n=347)	59%	31%	10%
21% + (n=94)	47%	37%	16%

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[3] Where most, all or half of the employees understand the organizations compensation philosophy, these organizations are statistically significantly more likely to have a written compensation philosophy.

[4] Organizations that have a rating system with a performance score tied or not tied to salary increases were statistically significantly more likely to have a written compensation philosophy.

[5] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

[6] Organizations with between 0%-5%, 6%-10% and 11%-20% were all statistically significantly more likely to have a written compensation philosophy.

Figure 36: By type of pay information shared with employees:

	Written	Unwritten	None/other
Minimal pay related information is shared (n=420)	39%	44%	17%
Information regarding the design of the pay program (e.g., strategy, compensation markets, link to performance, etc.) (n=634)	74%	22%	4%
Base salary range for the employee's pay grade (n=565)	71%	23%	6%
Base salary ranges for all pay grades or jobs (n=245)	67%	25%	8%
Actual pay levels for all employees[7] (n=20)	75%	20%	5%
The organization's compensation philosophy (n=670)	86%	13%	1%

Comparisons by Level of Compensation Philosophy Understanding

The following section provides a detailed analysis of employee understanding of organizations' compensation philosophies:
- virtually all or most employees do not understand the compensation philosophy
- about half of employees understand the compensation philosophy
- most or all employees understand the compensation philosophy

This summary is intended to provide an overview of how an organization's compensation philosophy may vary with an employee's understanding of the compensation philosophy.

Legend:

Most or all employees understand the compensation philosophy 30%	About half of employees understand the compensation philosophy 29%	Virtually all or most employees DO NOT understand the compensation philosophy 42%

Figure 37: By sector:

	Most/All	Half	Few/None
Public sector (n=179)	29%	28%	43%
Private sector (n=790)	29%	30%	41%
Nonprofit/Not-for-profit (n=207)	31%	23%	46%

[7] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 38: By organizations size:

	Most/All	Half	Few/None
Less than 100 employees (n=57)	23%	11%	67%
100 to 999 (n=207)	39%	29%	32%
1,000 to 4,999 (n=396)	46%	28%	26%
5,000 to 19,999 (n=317)	42%	32%	26%
20,000 and above (n=198)	43%	28%	29%

Figure 39: By type of pay information shared with employees:

	Most/All	Half	Few/None
Minimal pay-related information is shared[8] (n=349)	12%	16%	72%
Information regarding the design of the pay program (e.g., strategy, compensation markets, link to performance, etc.) (n=608)	37%	36%	27%
Base salary range for the employee's pay grade (n=531)	35%	32%	33%
Base salary ranges for all pay grades or jobs (n=227)	41%	26%	33%
Actual pay levels for all employees[9] (n=19)	26%	32%	42%
The organization's compensation philosophy (n=665)	43%	35%	22%

Figure 40: By type of pay communication in last 12 months:

	Most/All	Half	Few/None
Information is posted on a company Web site (n=519)	39%	31%	30%
Employee meetings (n=331)	41%	34%	26%
Memos, e-mails (n=501)	34%	30%	36%
Employee handbook or orientation manual (n=253)	39%	32%	29%
Individual discussions with their supervisor (n=876)	32%	29%	39%
Individual discussions with human resources/compensation department (n=365)	35%	32%	33%
No pay communications (n=79)	10%	19%	71%

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[8] Organizations where minimal pay information is shared reported at statistically significantly higher rates that employees within the organization did not understand the compensation philosophy.
[9] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 41: By frequency of pay communication in last 12 months:

	Most/All	Half	Few/None
Never (n=61)	12%	12%	77%
At least once (n=898)	28%	29%	43%
Twice (n=145)	41%	32%	27%
3 times (n=35)	46%	20%	34%
4 times[10] (n=15)	47%	20%	33%
5 times or more[10] (n=22)	32%	36%	32%

Figure 42: By pay communication approaches:

	Most/All	Half	Few/None
We never communicate pay information[10] (n=17)	6%	18%	77%
Brief written communication (n=583)	38%	32%	41%
Detailed written communication (n=269)	38%	29%	32%
Brief verbal communication[11] (n=627)	26%	28%	46%
Detailed verbal communication[12] (n=291)	43%	29%	29%

Figure 43: By annual turnover:

	Most/All	Half	Few/None
0%-5% (n=286)	39%	28%	33%
6%-10% (n=428)	28%	29%	43%
11%-20% (n=315)	25%	31%	44%
21% +[13] (n=78)	17%	24%	59%

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[10] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.
[11] Organizations that reported communicating with brief verbal communication were statistically significantly more likely to report that virtually all or most employees do not understand the organization's compensation philosophy.
[12] Organizations that reported communicating pay information through a detailed verbal communication were statistically significantly more likely to report that most or all employees understand the organizations compensation philosophy.
[13] Organizations with 21%+ turnover were statistically significantly more likely to report that virtually all or most employees do not understand the organization's compensation philosophy.

Comparisons by Annual Turnover

The following section provides a detailed analysis of the approximate annual turnover for employees:

- 0% - 5%
- 6%-10%
- 11%-15%
- 16%+

This summary is intended to provide an overview of how pay practices may differ by annual turnover.

Legend:

0% - 5% 26%	6%-10% 38%	11%-15% 20%	16%+ 16%

Figure 44: By base salary target (or goal):

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile[14] (n=7)	14%	43%	29%	14%
Between 25th and 40th percentile (n=38)	21%	21%	21%	37%
Between 40th and 60th percentile, or approximately the median (n=490)	25%	38%	20%	17%
EXACTLY at 50th percentile, or EXACTLY at median (n=529)	26%	40%	20%	15%
Between 60th and 75th percentile (n=91)	33%	44%	12%	11%
Above 75th percentile[14] (n=9)	33%	44%	11%	11%

Figure 45: By base salary practice:

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile[14] (n=7)	9%	64%	18%	9%
Between 25th and 40th percentile (n=38)	19%	31%	25%	26%
Between 40th and 60th percentile, or approximately the median (n=490)	26%	38%	20%	16%
EXACTLY at 50th percentile, or EXACTLY at median (n=529)	26%	39%	21%	14%
Between 60th and 75th percentile (n=91)	31%	44%	11%	14%
Above 75th percentile[14] (n=9)	46%	18%	9%	27%

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[14] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 46: By total cash target (or goal):

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile[15] (n=7)	17%	17%	33%	33%
Between 25th and 40th percentile (n=38)	18%	33%	15%	33%
Between 40th and 60th percentile, or approximately the median (n=490)	23%	38%	21%	19%
EXACTLY at 50th percentile, or EXACTLY at median (n=529)	27%	37%	21%	14%
Between 60th and 75th percentile (n=91)	26%	41%	17%	16%
Above 75th percentile[15] (n=9)	32%	39%	16%	13%

Figure 47: By current total cash practice

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile[15] (n=7)	15%	54%	23%	8%
Between 25th and 40th percentile (n=38)	18%	32%	26%	24%
Between 40th and 60th percentile, or approximately the median (n=490)	24%	38%	20%	17%
EXACTLY at 50th percentile, or EXACTLY at median (n=529)	27%	39%	21%	12%
Between 60th and 75th percentile (n=91)	27%	40%	14%	19%
Above 75th percentile[15] (n=9)	41%	44%	11%	4%

Figure 48: By variable pay practice or payout

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile (n=34)	32%	38%	9%	21%
Between 25th and 40th percentile (n=78)	13%	36%	28%	23%
Between 40th and 60th percentile, or approximately the median (n=341)	24%	41%	19%	15%
EXACTLY at 50th percentile, or EXACTLY at median (n=176)	27%	39%	19%	16%
Between 60th and 75th percentile (n=166)	25%	39%	16%	19%
Above 75th percentile[15] (n=27)	41%	48%	4%	7%

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[15] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 49: By variable pay target (or goal):

	0% - 5%	6% - 10%	11% - 15%	16+%
Less than 25th percentile[16] (n=22)	23%	59%	5%	14%
Between 25th and 40th percentile (n=46)	17%	35%	26%	22%
Between 40th and 60th percentile, or approximately the median (n=325)	22%	39%	21%	18%
EXACTLY at 50th percentile, or EXACTLY at median (n=252)	30%	38%	17%	14%
Between 60th and 75th percentile (n=149)	23%	41%	16%	20%
Above 75th percentile (n=34)	35%	32%	15%	18%

Figure 50: By variation in salary increase for 2010:

	0% - 5%	6% - 10%	11% - 15%	16+%
Base salary increase is based on something other than individual performance[16] (n=12)	42%	17%	17%	25%
Everyone receives approximately the same increase[16] (n=26)	23%	50%	12%	15%
Small variation (increase for top performers is 1.25 times the average) (n=185)	24%	42%	15%	19%
Moderate variation (increase for top performers is 1.5 times the average) (n=332)	23%	38%	22%	17%
Considerable variation (increase for top performers is 2 times the average) (n=189)	24%	42%	22%	12%
Extreme variation (increase for top performers is at least 3 times the average)[16] (n=20)	30%	30%	10%	30%

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[16] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 51: By type of pay information shared with employees:

	0% - 5%	6% - 10%	11% - 15%	16+%
Minimal pay related information is shared (n=382)	20%	32%	23%	25%
Information regarding the design of the pay program (e.g., strategy, compensation markets, link to performance, etc.) (n=602)	29%	41%	18%	12%
Base salary range for the employee's pay grade (n=542)	28%	42%	17%	13%
Base salary ranges for all pay grades or jobs (n=226)	32%	39%	16%	13%
Actual pay levels for all employees[17] (n=20)	35%	40%	10%	15%
The organization's compensation philosophy (n=635)	29%	41%	18%	13%

Figure 52: By type of pay communications in last 12 months:

	0% - 5%	6% - 10%	11% - 15%	16+%
Information is posted on a company Web site (n=503)	29%	42%	17%	11%
Employee meetings (n=329)	30%	37%	21%	12%
Memos, e-mails (n=498)	26%	39%	23%	12%
Employee handbook or orientation manual (n=254)	24%	40%	21%	16%
Individual discussions with their supervisor (n=892)	26%	40%	19%	16%
Individual discussions with human resources/compensation department (n=364)	30%	35%	20%	14%
No pay communications (n=93)	20%	28%	19%	32%

Figure 53: By frequency of pay communication in the last 12 months:

	0% - 5%	6% - 10%	11% - 15%	16+%
Never (n=72)	28%	38%	13%	22%
At least once (n=923)	23%	40%	20%	17%
Twice (n=150)	32%	35%	19%	14%
3 times (n=35)	60%	17%	11%	11%
4 times[17] (n=13)	38%	46%	15%	0%
5 times or more[17] (n=21)	24%	33%	38%	5%

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[17] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 54: By pay communication approaches:

	0% - 5%	6% - 10%	11% - 15%	16+%
We never communicate pay information[18] (n=24)	42%	29%	4%	25%
Brief written communication (n=598)	23%	41%	19%	16%
Detailed written communication (n=265)	26%	40%	21%	14%
Brief verbal communication (n=646)	25%	37%	20%	18%
Detailed verbal communication (n=292)	29%	39%	17%	15%

Comparisons by Sector

The following section provides a detailed analysis of the organization type:
- Public sector
- Private sector
- Nonprofit/Not-for-profit

This summary is intended to provide an overview of how an organization's compensation philosophy may vary by sector.

Legend:

Public sector 16%	Private sector 67%	Nonprofit/ Not-for-profit 17%

Figure 55: By determination of base salary increases:

	Public	Private	Nonprofit
Individual performance against job standards (n=954)	14%	68%	18%
Individual performance against MBO's or similar personal objectives (n=564)	13%	74%	13%
Skill or competency acquisition (n=325)	14%	71%	14%
Years of service (n=167)	28%	47%	25%
Position in range (n=696)	15%	72%	13%
Education/certifications (n=131)	12%	64%	24%
Market value of the position (n=712)	13%	69%	18%
General increase — everyone receives the same increase (n=152)	31%	41%	28%

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[18] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 56: By formal employee performance rating system prevalence:

	Public	Private	Nonprofit
We have a rating system with a performance score that is tied to salary increases (n=838)	14%	70%	16%
We have a rating system with a performance score that is not tied to salary increases (n=258)	20%	63%	17%
We assess performance, but we do not have a performance score (n=180)	20%	59%	21%
No, we don't assess performance[19] (n=21)	10%	71%	19%

Figure 57: By variation in salary increases for 2010:

	Public	Private	Nonprofit
Base salary increase is based on something other than individual performance[19] (n=12)	25%	58%	17%
Everyone receives approximately the same increase[19] (n=29)	31%	45%	24%
Small variation (increase for top performers is 1.25 times the average)(n=199)	17%	60%	23%
Moderate variation (increase for top performers is 1.5 times the average)(n=354)	11%	73%	16%
Considerable variation (increase for top performers is 2 times the average)(n=203)	11%	79%	10%
Extreme variation (increase for top performers is at least 3 times the average)[19] (n=20)	30%	30%	25%

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[19] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 58: By types of salary increases or adjustments:

	Public	Private	Nonprofit
Cost-of-living adjustments (COLAs) (n=139)	27%	59%	14%
Merit increases (n=1196)	15%	69%	16%
Promotional increases (result of higher/greater level of responsibility) (n=1214)	16%	67%	17%
Temporary special assignment pay (n=473)	21%	57%	23%
Pay differentials (usually related to atypical schedule, hazardous or unsecure work environment, special skill set or responsibilities, etc.) (n=541)	17%	63%	20%
Market adjustments (n=992)	15%	67%	18%
Internal equity adjustments (n=824)	15%	65%	20%
General across-the-board increases not considered COLA or market adjustments (n=161)	34%	38%	29%

Figure 59: By types of pay information shared with employees:

	Public	Private	Nonprofit
Minimal pay-related information is shared (n=419)	11%	76%	14%
Information regarding the design of the pay program (e.g., strategy, compensation markets, link to performance, etc.) (n=631)	16%	66%	18%
Base salary range for the employee's pay grade (n=560)	16%	63%	21%
Base salary ranges for all pay grades or jobs (n=245)	33%	42%	24%
Actual pay levels for all employees[20] (n=19)	42%	42%	16%
The organization's compensation philosophy (n=665)	17%	65%	19%

Figure 60: By types of pay communications in last 12 months:

	Public	Private	Nonprofit
Information is posted on a company Web site (n=540)	21%	59%	20%
Employee meetings (n=343)	14%	63%	22%
Memos, e-mails (n=529)	18%	61%	22%
Employee handbook or orientation manual (n=267)	15%	64%	21%
Individual discussions with their supervisor (n=945)	13%	69%	18%
Individual discussions with human resources/compensation department (n=384)	14%	62%	24%
No pay communications (n=96)	13%	77%	10%

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[20] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 61: By frequency of pay communications in last 12 months:

	Public	Private	Nonprofit
Never (n=77)	29%	55%	17%
At least once (n=985)	14%	69%	17%
Twice (n=157)	20%	65%	15%
3 times (n=36)	22%	67%	11%
4 times[21] (n=15)	33%	53%	13%
5 times or more[21] (n=21)	24%	43%	33%

Figure 62: By pay communication approaches:

	Public	Private	Nonprofit
We never communicate pay information[21] (n=24)	25%	63%	13%
Brief written communication (n=637)	18%	64%	18%
Detailed written communication (n=281)	19%	60%	22%
Brief verbal communication (n=692)	13%	71%	16%
Detailed verbal communication (n=307)	13%	69%	17%

Figure 63: By annual turnover:

	Public	Private	Nonprofit
0%-5% (n=313)	20%	64%	16%
6%-10% (n=465)	17%	65%	19%
11%-20% (n=345)	10%	70%	20%
21% + (n=92)	13%	84%	3%

[21] Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.