



# COMPENSATION & BENEFIT CHALLENGES IN 2010

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What will be the biggest total reward issue for your organization in 2010?

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- Survey results



# Low or No Salary Budget Increases

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- Who is doing merit and who is freezing?
- Who is doing merit this year that had a freeze last year?
- Did anyone do merit last year and is freezing this year?
- How much is your budget?
- Any creative ideas with low merit budgets on how to award the dollars?
- Who moved their salary structure?
- What percent did you increase your structure?



# Low or No Salary Budget Increases cont...

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- About one third of employers froze salaries in 2009. That is expected to fall to about 15%-17% for 2010.
- Expectations are that 7-10% of employers who froze salaries in 2009 will reinstate them for 2010.
- Most current information on projected salary increases for 2010 is between 2.2 and 2.4%. Increase projections are less than they were in 2009 and definitely below 2008 levels.



# Other Trends in Employee Compensation

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- Base pay systems are reverting back to more traditional systems.
- There is a move away from broadbanding to traditional salary grade structures.
- Internal equity and pay for performance are some of the highest priorities.
- About half of companies intend to continue with their same methodology for differentiation amongst employees in their salary review processes.



# Other Trends in Employee Compensation Cont...

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- The other half intend to try and find better ways to differentiate amongst employees in the salary review process.
- Short-term incentives are expected to be down slightly in 2010 from 2009.
- Senior executives will continue to see a decline in their salaries and bonuses for the second year.
- Some things being used to help with employee retention are cash retention awards, stock retention awards, and higher bonus payouts for top performers.



# Controlling costs (including health care cost)

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- At what percent have your renewals come in?
- What kind of changes did you have to make to control cost?
- How many of you have seen your COBRA enrollment increase? Go down? Stay about the same?
- If your COBRA enrollment went up, did you have layoffs in 2009?



# Controlling costs (including health care cost)

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- Local anecdotal data from benefits brokers
  - Overall renewals are up partly because:
    - Higher usage because of employee uncertainty about job and health coverage,
    - Higher employee stress during these times manifests itself in physical problems



# Controlling costs (including health care cost)

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- Small groups hit hardest – some renewals increased as much as 40% - 50%
  - Partially attributed to “in-group change” – layoffs resulting in smaller employee pools
- Most were in the 20% range
- Large fully-insured were in the 12% - 14% range
- Large self-insured were mostly less than 10%



# Controlling costs (including health care cost)

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- Employers are running out of plan design options – can only push so much cost to the employees (consumerism)
- Seeing more focus on formal wellness programs, on-site clinics, and directing employees to lower cost providers like clinics in Walgreen's or CVS



# Controlling costs (including health care cost) cont...

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- Average monthly enrollment rates in COBRA among subsidy-eligible employees have increased by 20% since the subsidy was enacted.
- With the 65% subsidy, employees pay on average \$3,000 annually for family coverage down from about \$8,800 with no subsidy.



# Controlling costs (including health care cost) cont...

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- Is your 401(k) funding status improving?
- How many eliminated their 401(k) match in 2009? Reduced it?
- Of those that either eliminated or reduced, how many are returning their match back to what it was before reducing or eliminating it?



# Controlling costs (including health care cost) cont...

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- 2009 Profit Sharing Council of America Survey
  - 23% of companies suspended matching contributions in 2009
  - 47% of companies that suspended match in 2009 reinstated it in 2009 or plan to reinstate it in 1Q of 2010
  - 73% of companies that suspended match experienced a decrease in participation



# Controlling costs (including health care cost) cont...

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- According to World at Work, the funding status of pension plans have improved over the last 12 months given the market.
- From the end of 2008 to the end of 2009, the funded status of plans increased from 75% to 85%.
- Most plans still have investments in equities which are volatile and can erode the funding status quickly.



# Impact of Health Care Reform

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- Which of you would say you very actively manage your health plan and costs? Moderately manage? Really don't manage very well?
- How aggressive are you getting at requiring employees to participate in wellness programs?
- How aggressive are you getting at requiring employees to participate in case management for high, catastrophic claims or chronic illnesses?
- What concerns you about health care reform legislation? Does anyone see their employer getting out of the health care business because employees can use a public plan?

# Impact of Health Care Reform Cont...



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- According to a Watson Wyatt Consultant's Roundtable, there is very little in any current legislative bills about reforming health care.
- Instead the bills focus on providing and finding ways to pay for greater access.
- Current bills don't address the root causes of cost increases and cost drivers.
- Another concern is that the quality initiatives and technology are noted but seem to be taking a backseat to access and who pays.

# Impact of Health Care Reform

## Cont...



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- There are concerns that because the legislation lacks cost control, employers may need to step up and manage plans even more actively after reform than they had before.
- Allowing access to plans doesn't directly translate to a healthy and productive workforce.
- Employers must be aggressive in requiring employees to participate in wellness programs.

# Impact of Health Care Reform

## Cont...



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- When employees do move into that high- or catastrophic-cost range, they should participate in case management.
- Currently when employees refuse to participate, not many employers impose penalties or any real pressure on the employee to participate.



# Increased Regulation

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- Has anyone changed or planning to change their leave policies?
- Is anyone doing anything different as a result of the Lilly Ledbetter Act?



# Increased Regulation Cont...

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- Many countries around the world guarantee employees receive paid annual leave, sick leave, and maternity leave.
- The U.S. is among the minority of countries with no guaranteed paid leave for workers.
- A study conducted by Harvard University and McGill University found that 163 countries guarantee paid sick leave, 164 guarantee paid annual leave, and 177 guarantee maternity leave for new mothers. Paid leave for new fathers is also offered by 74 countries.
- Current legislation has been introduced in Congress that would require employers to offer paid sick leave to employees.

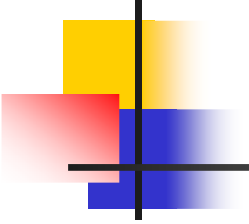


# Employee Engagement

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- Do you feel your employees are becoming increasingly unhappy at work?
- What are you doing to provide challenging and meaningful work?
- Do any of you expect to do layoffs in 2010? Reduced hours? Forced time off?

# Employee Engagement Cont...

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- Employees are continuing to become increasingly unhappy at work by many studies.
  - Those under 25 have the highest level of dissatisfaction ever for this age group.
  - Two thirds of employees did not take all of their vacation time in 2009. Concern about job security, pressure to do more with less, and inadequate support to fill in when they are out are causing employees to not take all of their vacation time.

# Employee Engagement Cont...



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- Some ideas out there to engage employees are:
  - 1) Set goals where leaders agree to give of themselves when the goals are met,
  - 2) Insist people give their best ideas and really listen to and try to implement their suggestions,
  - 3) Conduct stay interviews with employees, and
  - 4) Brainstorm a list of non-financial rewards that you can use to recognize and reward employees without spending any money.



# Motivating & Retaining Employees in this Economy

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- What are you doing to motivate and retain employees?
- Is anyone doing total reward statements?
- What have been your communication strategies during this time? Have they differed from what you normally do?



# Motivating & Retaining Employees in this Economy

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- 2009 SHRM Survey
  - Very important aspects of employee job satisfaction in small (1-99 employees) and medium-sized (100-499 employees) businesses.
    - #1 - Job security
    - #2 - Benefits
    - #3 - Competitive compensation
    - #4 – Opportunities to use skills and abilities
    - #5 – Feeling safe in the work environment



# Motivating & Retaining Employees in this Economy

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- 2009 SHRM Survey
  - Very important aspects of employee job satisfaction in small (1-99 employees) and medium-sized (100-499 employees) businesses.
    - #6 – Relationship with immediate supervisor
    - #7 – Management recognition of job performance
    - #8 – Communication between employees & senior management
    - #9 – The work itself
    - #10 – Autonomy & independence



# Motivating & Retaining Employees in this Economy

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- Ideas

- Breakfast, lunch, small group meeting with CEO
- Reach out to employees to address their issues and questions – don't give them a chance to fester
- Career development, cross training, mentoring



# Other Total Reward Issues for your Organization?

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- What did we learn in our survey?
- Any others you want to ask the group about at this time?