

Pay Trends

& Economic Outlook Survey

Executive Summary 2011 - 2012



IMRA

110 Years Helping Business Thrive

MRA Pay Trends & Economic Outlook Survey 2011-2012:

**In the Midst of Uncertainty, the
Focus is on Pay, Performance,
& Engagement**

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The results of MRA's Pay Trends and Economic Outlook Survey 2011-2012 show that Midwest employers are giving pay increases in 2011 and plan to do so in 2012. The data show more companies gave a pay increase in 2011 compared to 2010. For those who gave an increase the average pay increase of 3.0% is slightly above the increase of 2.9% in 2010, but still below the 3.5% increase of 2008. Counting those that did not give pay increases, the average pay increase is 2.4%. The results, reported by nearly 500 MRA members, indicate that the 2011 and 2012 outlook is better than 2010 with pay freezes thawing, pay reductions disappearing, and drastic cost cutting measures ending. In addition, bonuses and 401(k) contributions are being reinstated.

Companies have a more positive outlook on sales / revenue levels. Seventy-one percent of companies reported increased sales / revenue in 2011 compared to 2010. Even more companies, 77 percent, predict 2012 will look better than 2011. It's not a bounce back, but a long, slow, and at times, uncertain recovery.

As companies emerge from what may be the worst of the recession, many strategies that were put on the back burner are now being brought to the forefront as companies are concerned about attracting, retaining, and rewarding employees. Specifically, the survey found that 47 percent of the companies reported they are reviewing their compensation structure which may have languished during the recession. Their goal is to be sure they are competitive in the market now. There is also an increased emphasis on performance management by 39% of the companies. This emphasis is reflected in the largest differential between the pay increases for top performers and average performers than has ever been seen in previous surveys. Paying for performance encourages employee engagement which is a concern with employee engagement at historic lows for employees stressed out and fatigued by the recession.

MRA's Pay Trends and Economic Outlook Survey of 497 companies in Wisconsin, Illinois and Iowa was conducted in August 2011, and serves as a follow-up to MRA's 2009 and 2010 Economic Outlook and Business Strategy Surveys.

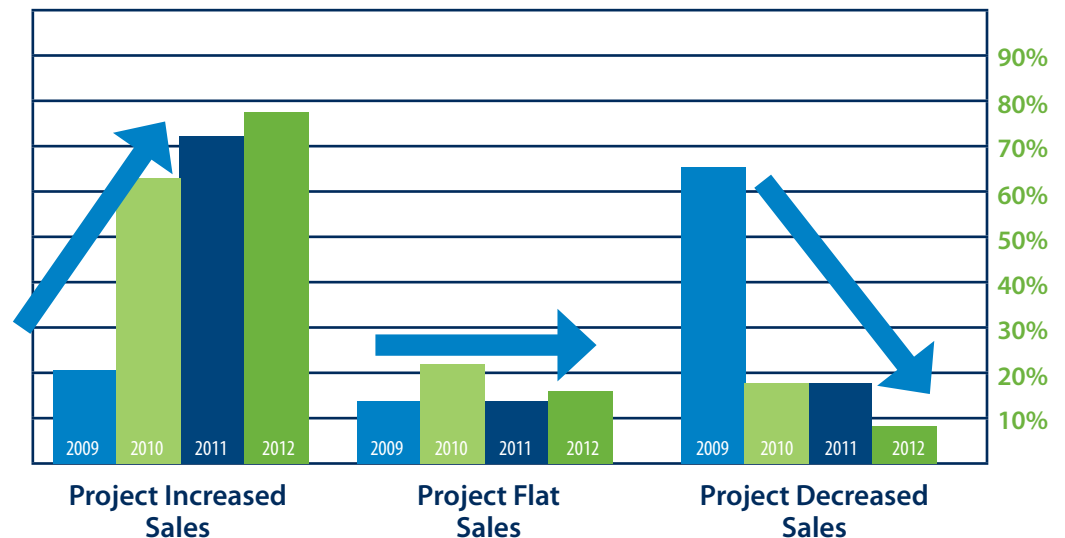
- MRA members can access the full, detailed survey report on MRA's website. [Click here to login](#). Then go to the "Survey/Research" tab then click on "Survey Results".
- Nonmembers can order the report by [clicking here](#).

Business Outlook Stable with Slow, Steady Increase in Sales

Most companies reported that their business outlook was showing a slight to significant increase in sales / revenue in 2011 compared to 2010. The four year trend in the graph below shows that after the shock of 2009 compared to 2008, most companies are reporting a fairly stable year-to-year pattern in 2010 and 2011.

Most companies are anticipating that this growth will continue in 2012. When projecting 2012 compared to 2011 sales / revenue, 77% project a slight to significant increase, 16% predict flat sales, and 7% predict sales will decrease in 2012 compared to 2011.

4 YEAR TREND IN ANTICIPATED SALES PERFORMANCE – 2008-2011





Hiring Ramps Up

Overall, 55% of companies hired or planned to hire new employees or recall laid-off employees in 2011. Recalling layoffs took place in 1st and 2nd quarters, while hiring new employees peaked in the 2nd and 3rd quarters. About 43% of hiring continues to focus on temporary or contract workers as companies continue to be uncertain about the stability of economic conditions.

2011 HIRING

Hiring	55%
Maintaining staff size	40%
Reducing staff size	5%

Pay Reductions End & Pay Restoration Begins

Only 1% of the companies reported using pay reductions in 2011 across the board for all employees. A significant number of those who cut pay during the recession are restoring pay.

Freezes Thaw: Most Employees Receive Pay Increases

The number of employees receiving an increase in 2011 was similar for all levels of employees with 83% of Production, 81% of Office, Technical, & Service, and 80% of Managerial, Supervisory & Professional receiving an increase. This is a whopping change from MRA's 2010 survey when most companies (58%) froze or reduced pay in response to the recession. The positive outlook continues looking forward to 2012 with most companies planning on giving pay increases or they are uncertain about the percent at this time. Almost no companies are projecting a freeze in 2012.

Drastic Cost-Cutting Over

For both payroll and benefits

Cost-cutting actions peaked in 2009. There has been a significant reduction in strategies that directly lower payroll by reducing staff. In 2009, the top four cost cutting measures were furloughs, layoffs, reducing or eliminating bonuses/profit sharing, and hiring freezes. Between 41 percent and 51 percent

of companies used these strategies in 2009. In sharp contrast, in 2011 only 8 percent to 13 percent used these strategies. In the area of benefits, companies reported they are reinstating bonuses and profit sharing which 44% cut back or reduced in 2009. Only 13% are cutting back in 2011. Health care cost is the only area that shows a slight increase in cost cutting. Four percent more companies are shifting a larger share of health care costs to employees since 2009.

3 YEAR TREND IN COST CUTTING MEASURES

	2009	2011
Reduce work hours/furloughs	51%	13 %
Layoffs	47%	8%
Reduce/eliminate bonuses & profit sharing	44%	13%
Hiring freezes	41%	10%
Reduce/suspend 401(k) match	31%	12%
Shift larger share health care costs to employees	17%	21%
Company shutdown (beyond regularly scheduled)	14%	3%

On the positive side, companies are continuing to use or implement lean process initiatives in the search of positive ways to affect the bottom line.



2011 Actual Pay Trends

Increases Return Albeit Below 2008 Levels

Substantially more companies gave pay increases to select or all employees in 2011 (81%) compared to 2010 (65%) and the lowest point in 2009 (41%). The average increase of 3.0% has been hovering slightly below or slightly above this level for the last three years. However, this is well below the 3.3% and 3.5% levels seen prior to the recession. When the remainder of the companies who did not give an increase is added in (“with zeros”), the 2011 overall pay increase drops to 2.4%. This is a full 1% above the 1.4% of 2010 demonstrating the significant increase in the number of companies giving pay increases.

Historical Trends for Actual Pay Increases

All Companies	
2005 – 3.3%	
2006 – 3.4%	
2007 – 3.4%	
2008 – 3.5%	
ONLY Co's Giving Increases	
2009 – 1.8%	3.2%
2010 – 1.4%	2.9%
2011 – 2.4%	3.0%

Prior to the recession, pay increases were typically more sharply tiered across employee classifications. This is the second year in a row that companies are giving similar increases to all employees, which indicates an effort to retain talent at all levels of the organization.

Employees at all levels of the organization received a similar increase. Increases by employee classification are shown below.

2011 MIDWEST REGION ACTUAL INCREASES

Employee Classification	Includes “Zeros”	Only Those Giving Increases
Production (Non-Union)	2.4%	2.9%
Production (Union)	2.0%	2.4%
Office & Technical	2.3%	2.9%
Supervisory, Managerial & Professional	2.4%	3.1%
Executive	2.4%	3.5%
Overall Increase	2.4%	3.0%

2012 Projected Pay Trends

Increases Equal to or Above 2011

The trend toward returning pay increases continues into 2012. Even when adding in those who do not plan an increase, the 2012 projections (2.6% with “zeros”) are still above the 2011 actual increases (2.4% with “zeros”). When only those who are giving increases are considered, the 2011 actual increase of 3.0% and the 2012 projected increase of 2.9% are similar.

2012 MIDWEST REGION PROJECTED INCREASES

Employee Classification	Includes “Zeros”	Only Those Giving Increases <i>(Projected)</i>
Production (Non-Union)	2.7%	2.7%
Production (Union)	1.9%	2.3%
Office & Technical	2.7%	2.9%
Supervisory, Managerial & Professional	2.9%	3.1%
Executive	3.0%	3.4%
Overall Increase	2.6%	2.9%



Greater Rewards for High Performers

Above Average performers always have employment options in good and bad times. These are the individuals a company can least afford to lose. A critical strategy for companies is to retain its high performers. The 2011 survey shows that companies increased the pay differential between their average and high performers. This trend is expected to continue as companies focus on performance management for all employees.

PAY INCREASES FOR ABOVE AVERAGE PERFORMERS

2010 Actual	2011 Actual
High Performer 4.3% - 4.6%	High Performer 5.0% - 5.1%
Average Performer 2.9%	Average Performer 3.0%

The reasons companies are increasing their emphasis on pay for performance are to:

1. Attract, retain, reward talented employees
2. Drive specific behaviors or results
3. Encourage employee engagement

Moving Pay & Employee Engagement to the Forefront

During the recession many companies moved pay and employee engagement to the backburner and are now concerned about attracting, engaging, and retaining stressed out employees. MRA's survey showed that nearly half the companies (47%) reported they are now actively adjusting their pay / wage salary structure to market in 2011 and 2012. Another trend is an increased emphasis on performance management with 43% of the companies planning to use this strategy in 2012 as a way to reward those high performers who are essential to the company's growth. Performance management also increases engagement as employees see visible differences in pay. No longer can lower performing employees slide by with the same increase as average or higher performing employees. Several national studies showing that employee satisfaction and engagement is at an all-time low as a result of the recession, cutbacks, uncertainty, and workload. Disengagement is costly. It wears down employees' spirits. It eats away at the bottom line. It leads to less than stellar productivity and customer service. As a result, companies are taking steps to measure the level of their employees' engagement and to implement actions to re-engage and heighten employee performance and employee engagement.

Survey Information

MRA's Pay Trends and Economic Outlook data reflects Wisconsin, Illinois, and Iowa conditions. MRA surveyed 497 companies; 57% were from manufacturing and 43% from service, financial, health and other industries. The survey also represents all sizes of companies, from 1-99 employees (52%), 100-499 (41%) and 500+ (8%).

The full, detailed survey report can be accessed by all MRA members on our website by logging in as a member or purchased by non-members by calling the survey department directly at 262.696.3508 or emailing surveys@mranet.org.

MRA helps member companies maximize the performance of their employees and organizations through talent, tools, and training. Founded in 1901, MRA is a not-for-profit employers association that today serves 3000 employers covering close to a half million employees. MRA's HR and business professionals provide expertise in the areas of compliance, recruitment, retention, surveys, safety, outplacement, and training and organizational development. MRA provides nearly 1000 training events each year.

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