

Charting a Course to Total Rewards

2003 Pre-Conference Survey Report
April 2003

Introduction and Methodology

This report summarizes the second annual pre-conference survey, conducted with 2003 WorldatWork Annual Conference member registrants. The survey was meant to identify issues, concerns and trends in the profession among those who will be in San Diego, May 11-14, 2003.

In April 2003, surveys were sent electronically to 1,247 members registered to attend the 2003 Annual Conference. A total of 413 responses were received, a 33% response rate. The demographics of those responding to the survey closely match those of all conference attendees, and therefore, can be considered statistically representative of all registered attendees.



Key Findings

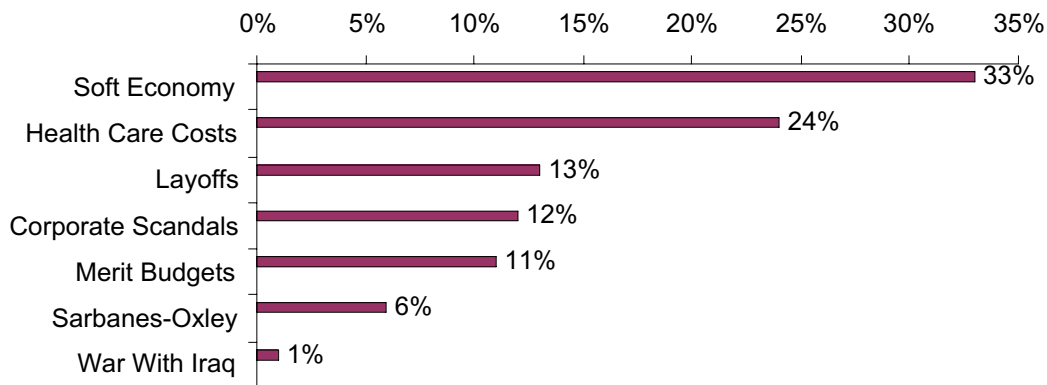
- The economy is the biggest issue the rewards profession faced during the past year and will face during the next year, according to those surveyed. Health care costs are second.
- One in three respondents are “very optimistic” about their organization’s economic health in the next year. Far less are “very optimistic” about the overall economy (1%), however.
- Health care premium increases during the past year have ranged from 6% to 20% for most organizations. One-third have passed at least some of the increase onto employees.
- Respondents note hiring freezes as the most common work force cost reduction program currently in use (29%), with pay freezes second at 17%, and pay cuts and unpaid leave programs currently in place at less than 6% of responding companies.
- Nearly half of all respondents (48%) claim that HR has “earned a place at the table” with top management in their organization.
- Among the respondents whose organizations grant stock options and are willing to offer an opinion, many believe pending stock option expensing legislation will have no effect on their organization’s practices (28%). Others say they will shift to more performance-based options (22%) and smaller stock option grant sizes (22%).

Detailed Findings

General Perceptions

Respondents were mixed when asked what the biggest issue in the past 12 months was in the total rewards profession. The soft economy (33%) generated the most concern, with health care cost increases (24%) second. Other issues, such as layoffs (13%), corporate scandals (12%) and merit budget pressures (11%), rounded out the responses.

Figure 1. “What do you think was the single biggest issue for the total rewards profession in the past 12 months?”



The survey also asked respondents to look ahead to what they believe will be the main issues for the profession during the next 12 months. The economic recovery is the main concern of 29% of respondents, followed by health care cost increases (21%), FLSA changes (16%), the soft economy (13%) and stock option expensing (11%). Many did not see layoffs, merit budgets and the Iraq conflict as issues going forward.

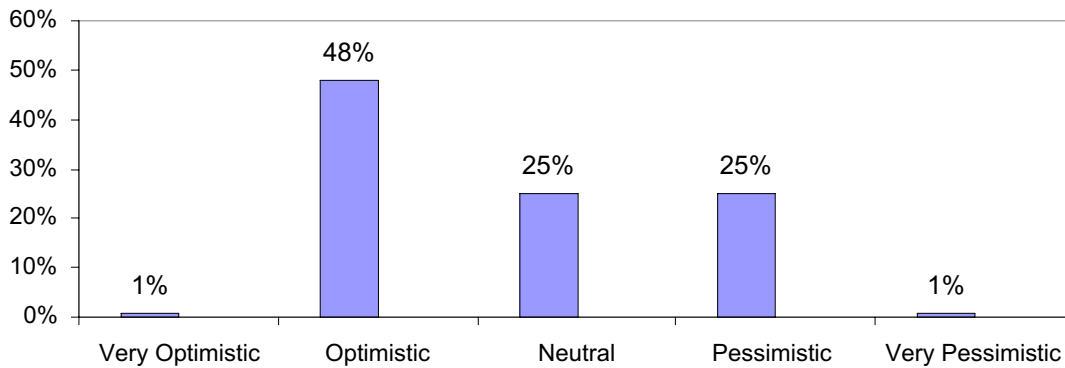
Figure 2. “What do you think will be the single biggest issue for the total rewards profession in the next 12 months?”

Issue	Percentage
Economic Recovery	29
Health Care Costs	21
FLSA Changes	16
Soft Economy	13
Stock Option Expensing	11
Other	10

Dealing With the Economy

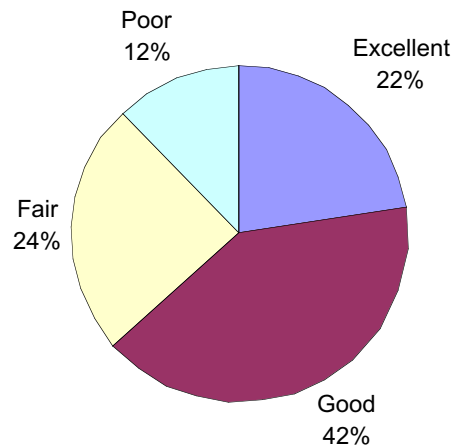
When asked about the economy, most respondents tended toward the positive, optimistic side. Only 2% were either very optimistic or very pessimistic about the economy in the next year, with the rest being somewhere in the middle.

Figure 3. “What is your view of general economic trends in the next 12 months?”



Many respondents felt “good” or “excellent” about their organizations’ fiscal health. Asked to characterize the past 12 months, 22% rated it excellent, 42% rated good, 24% rated fair, and 12% said poor.

Figure 4. “Financially, how would you characterize the year your company/organization had in the previous year?”



The soft economy may force only a few organizations to reduce work force costs. A number of respondents have either considered or currently have in place a hiring freeze, a pay freeze, pay cuts or mandatory unpaid leave. Additionally,

some companies (28%) either have considered or implemented changes to their 401(k) programs.

Figure 5. “Please indicate where your organization currently stands on the following issues for either some or all employees.”

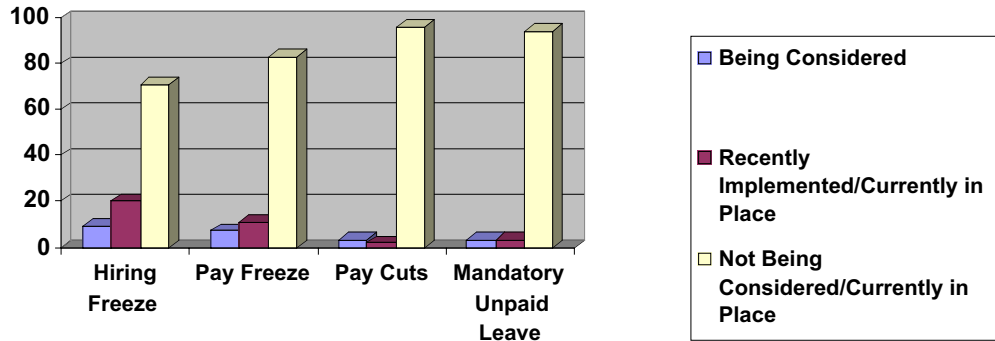
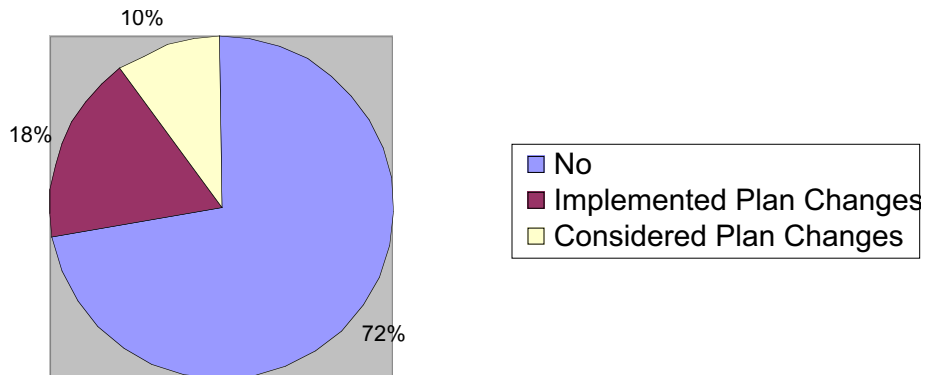
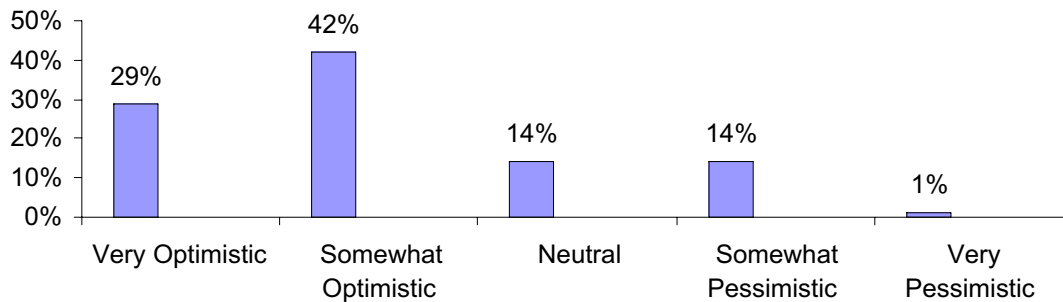


Figure 6. “In light of events in the past several years (stock market performance, corporate scandals, etc.) has your organization either considered or taken action to change any policies or rules regarding your 401k program?”



However, the survey revealed that most respondents (85%) are either positive or neutral about their organization’s economic health in the next year and 74% are either optimistic or neutral about the economy in the next year.

Figure 7. “How optimistic are you about the economic health of your company/organization in the next 12 months?”



Health Care Costs

Besides the economy, exploding health care costs have caused concern in the past 12 months and will continue to cause concern in the next twelve months. Premium increases for 2003 are a major concern for total rewards professionals.

Figure 8. “By what percentage did your organization’s health care premiums increase for 2003?”

Percentage Increase	Percent Responding
No increase	6%
1-5%	8%
6-10%	25%
11-14%	22%
15-20%	22%
> 20%	10%
N/A	7%

Companies have been forced to confront rising health care costs through various offsets. The respondents to the survey indicated their organizations are doing the following to offset health care cost increases:

- Passing some of the cost to employees 33%
- Passing all of the cost to employees 1%
- Restructuring employee health plans 8%
- Shopping for new providers 2%
- Combination of above items 49%
- Nothing – absorbing the increase 7%

Inside the HR Office

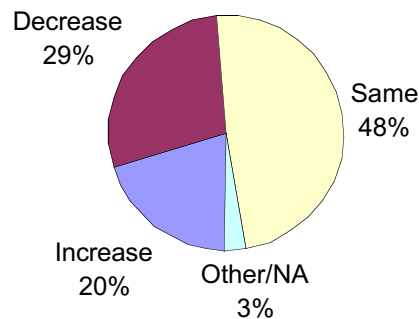
While some total rewards professionals have seen some changes related to their job functions, things are stable for the most part. Respondents were asked questions ranging from their organization’s trend toward outsourcing HR functions (25% were doing or considering more outsourcing) to the HR role within their organization.

Figure 9. “During the previous year, what has been the trend in your organization regarding the outsourcing of HR functions?”

<i>Response</i>	<i>Percent</i>
Exploring/doing more outsourcing	25
Reducing outsourcing	3
Same as 2002	52
Not applicable	20

Regarding headcount among HR staff, 68% of respondents saw their numbers stay the same or increase, while 29% saw a decrease in headcount. Both of these trends are nearly identical to 2002 pre-conference survey data.

Figure 10. “Which of the following best describes what has happened to headcount in the HR department in your organization during the past 12 months?”



The effort of HR to gain a seat at the top decision-making tables in the organization has garnered mixed results from organization to organization, according to respondents. While almost half claim that HR has earned a place at the table with top management (48%), a large percentage say top management is only beginning to view HR as an important partner (40%), and a few say that HR in their organizations is still considered an administrative function, with little or no input on business decisions (12%).

Respondents were also asked about the change in their job status within the past year. The vast majority, 85%, saw no change or a promotion with more responsibility within their company, but 8% took a new job in a new organization and new industry. The remainder was split between lateral moves in their organization (4%), a new job in a new organization (2%), or a demotion (1%).

Eye on Washington

Respondents gave their opinions on how certain proposals floating in Congress and proposed new 541 rules promulgated by the Department of Labor may affect their organizations.

With regard to stock option expensing, the highest percentage (45%) indicated that it was too soon or difficult to tell the effect expensing would have on their organization. The other respondents were mainly divided among shifting to performance-based options, smaller option grants, granting only to executives, or no effect on their organization.

Figure 11. “If legislation or regulatory action in the near future requires the full expensing of employee stock options, what effect will this have on your organization’s practice of granting stock options?”

Response	Percent
Too soon or difficult to tell	45
No effect	15
Shift to performance based options	12
Smaller option grants	12
Options only to highest executives	12
No more options at all	3
Less frequent grants	1

Forty percent said they favor the option of compensatory time off for their employees, while 40% indicated they were neutral or didn't know. Only 20% opposed comp time legislation. 48% said they favor the recently published 541 rule changes, but 49% either didn't know or were neutral about it. Only 3% said they opposed the rule changes.

Figure 12. “Legislation pending in the U.S. Congress would allow comp time in the private sector, and employees would have the ability to choose either paid time off or overtime pay, both at a rate of time and a half. What is your opinion of this proposal?”

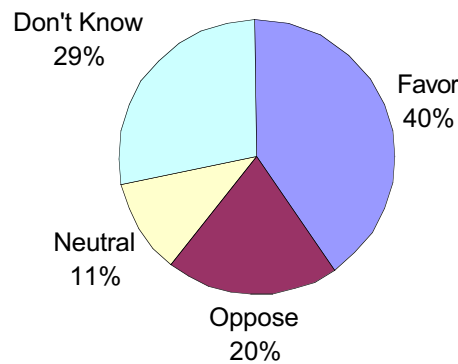
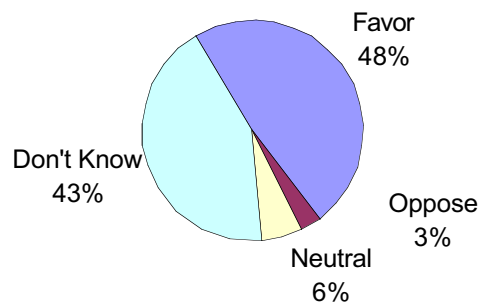


Figure 13. “The U.S. Department of Labor recently issued new 541 rules that would modify and update the FLSA exemption tests. What is your opinion of this proposal?”

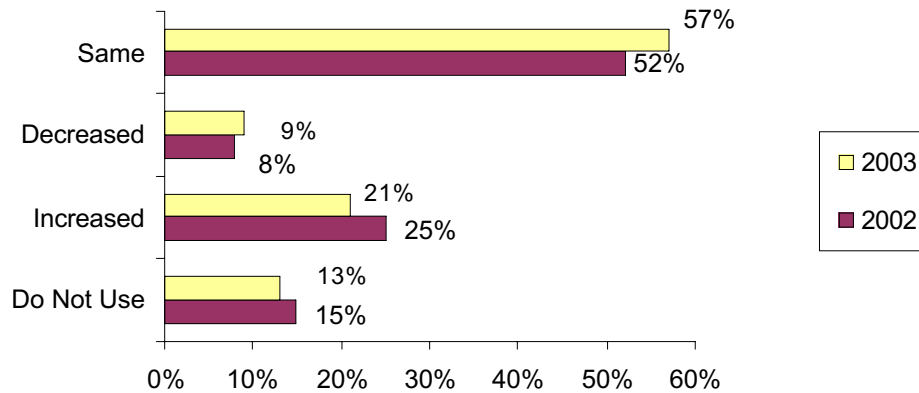


Total Rewards Trends

Respondents also were asked about specific employee rewards trends within their organizations. Specifically, respondents addressed variable pay, tying performance to rewards, and whether their organization measures group or individual performance.

Respondents were almost perfectly split on how well their organization does at tying performance to rewards, with 49% saying they do a good job and 51% saying they do not do a good job of tying performance to rewards. Most respondents (57%) indicate using variable pay in 2003. This is close to the 2002 pre-conference data where 52% indicated using variable pay.

Figure 14. “How has your organization’s use of variable pay changed in the past 12 months?”



The vast majority of respondents say their organization lets each person know their performance will be measured (85%). Some say the only measurement used is the bottom line (8%), others believe measuring performance creates resentment (5%), and a few believe only top management needs to know about measurement (2%).

Finally, respondents were asked about ethical dilemmas during their careers in the compensation, benefits and human resources field. Specifically, were they ever asked by a supervisor to do something they considered unethical? Thirty-five percent said yes and 65% said no.

An electronic version of these results is available on the WorldatWork Web site (www.worldatwork.org). Under “Library,” click on “Research and Surveys” to peruse the 2003 survey briefs.

Respondent Demographics

Industry *	
Manufacturing	15%
Finance/Banking	10%
Healthcare	10%
High Tech	10%
Insurance	9%
Business Services	6%
Utilities	6%
Government	5%
Wholesale/Retail Trade	3%
Transportation	3%
Communications	3%
Oil/Gas/Natural Resources	2%
Service - Non Profit	1%
Publishing/Newspaper	1%
Other	15%

Level of Responsibility*	
Manager/assistant director	35%
Sr analyst/analyst	31%
Sr executive/director/VP	24%
Supervisor	4%
Consultant	4%
Other	4%

Organization Size*	
Less than 100	3%
100-499	8%
500-999	8%
1,000-2,499	14%
2,500-4,999	14%
5,000-9,999	15%
10,000-19,999	11%
20,000+	27%

* May not total 100% due to rounding.

* May not total 100% due to rounding.

About WorldatWork®

WorldatWork is the world's leading nonprofit association dedicated to compensation, benefits, total rewards and HR professionals. Founded in 1955, WorldatWork serves professionals who focus their work on attracting, retaining and motivating employees. In addition to providing professional affiliation, WorldatWork offers highly acclaimed certifications (CCP®, CBP™ and GRP®) and education programs, workspan® magazine, online information resources, surveys, publications, conferences, research and networking opportunities.