

Promotional Guidelines

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research



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Introduction & Methodology

This report summarizes the results of an August 2012 survey of WorldatWork members to update information about current trends in promotional guidelines. This information previously was gathered in 2006 and 2010. This survey focuses on a variety of practices and policies, including what employers consider to be promotions as well as the standard pay increases that often accompany promotions.

On Aug. 15, 2012, survey invitations were sent electronically to 5,685 WorldatWork members. Members invited to participate were randomly selected from those who indicated responsibility for compensation or compensation and benefits. Though the WorldatWork membership largely represents professionals located in the United States, members with responsibility for programs outside the United States were encouraged to participate. The survey closed on Aug. 31, 2012, with 873 responses, a 15% response rate.

To provide the most accurate data possible, data was cleaned and analyzed using statistical software. Where possible, comparisons to findings from the 2010 and 2006 surveys are shown in this report. Due to differences in questions over the years, some comparisons are not available.

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%.

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Executive Summary

Introduction

WorldatWork has monitored the guidelines that organizations use to promote employees since 2006. Since then, some of these guidelines have changed — likely as a result of the 2009 recession — but most show signs of improvement.

Promotional practices tend to vary from one organization to another. However, there are some points of consistency. For example, most organizations define a promotion by the increase in pay (or a related element) and/or the increase in level of responsibility. Many organizations also say that about 8% of their employee population receives a promotion in a typical year, and those employees receive a 7% to 10% promotional pay increase, depending on employee category. However, there is a lot of variety in how organizations fund promotional increases.

WorldatWork will continue to monitor these programs, but the key findings addressed in this report shed light on some current trends.

Definition of Promotion

- Consistent with findings from 2010, the top two criteria that define a promotion in participating organizations are: an increase in pay, band, grade or level (81%), or the addition of higher level responsibilities (76%). (See Figure 1.)
- Just over one-third of organizations (36%) require that the employee receive a new title — likely in combination with the aforementioned top criteria — for the move to be considered a promotion.

Size & Determination of Promotional Increases

- Like most discretionary pay programs, the size of promotional increases during the recession, as recorded in the 2010 edition of this survey, shrank. However, in 2012 the average promotional increase for all employee categories increased, although not quite to the average increases reported in 2006. (See Figure 2.)
- The average (mean) promotional increase awarded to nonexempt (hourly) employees in 2012 was 7.4%, up from 7.1% in 2010.
- In 2012, exempt (salaried) employees received an average pay increase of 8.7% when promoted, compared to the average of 8.3% in 2010.
- Officers/executives continue to receive the largest average promotional increase at 10.2%, also up from a low of 9.5% in 2010.

Number of Promotions

- The average percentage of employees at participating organizations who received a promotion in 2011 (or last fiscal year) was 8.4%, indicating this was a fairly typical year. (See Figure 4.)
- In 2009, the number of promotions given contracted to just 7.0%, down from 10.5% in 2005. The rise to 8.4% in 2011 shows that while there is still a great deal of economic insecurity around the world, organizations are finding more opportunities for employees to advance.

Funding of Promotional Increases

- Of all promotional practices, the way in which promotional increases are funded reflects the greatest degree of variety among organizations. (See Figure 5.)
- 43% of organizations budget for promotional increases separate from other pay increase budgets. This is the most common method of funding.
- Trading the second and third spots in 2012 are “budgeting within the merit budget” and “paying for these increases with vacancy savings.” The latter was more common in 2012, in use at 28% of organizations, up from 22% in 2010. Only 18% of organizations are budgeting for promotional increases as part of their merit budget in 2012, down from 24% in 2010.
- The remaining funding options have remained fairly consistent. 17% pay for increases with salary savings; 12% budget for these increases as part of another budget, but not the merit or other increase budget; 16% pay for increases out of the merit budget but do *not* inflate the merit budget to account for anticipated promotions; and 7% pay for promotional increases out of another budget (not merit or other increase budget), but the budget is *not* inflated to cover anticipated promotions.

Effect of Promotions on Merit Increases and Variable Pay Awards

- 43% of organizations awarded a prorated merit increase following a promotion. (See Figure 12.)
- Nearly half of participating organizations (46%) prorated the old and new rates of pay when determining bonuses or incentives after a promotion. 29% determined the bonus and/or incentive based on the new rate of pay and/or new bonus rate. (See Figure 16.)

Communicating Promotional Guidelines

- One area of dramatic change in 2012 relates to the approach of promotional guideline or policy communications. In 2010, two-thirds of responding organizations said guidelines generally are for HR and management and are only shared with employees

when requested. Only 6% of organizations said they communicate with employees who are involved in a promotion (regardless of whether they ask). In 2012, the results switched, such that nearly three-fourths (72%) now communicate the guidelines or policies with employees when involved in a promotion, and just 13% use them primarily to guide HR and management and are shared with employees only when requested. (See Figure 8.)

Lateral Position Movement

- At the majority of organizations (57%), employees typically are not eligible for promotional increases if the move to a new position is lateral.
- However, 35% of respondents say the employee's eligibility for a promotional increase when making a lateral move depends on the position. (See Figure 11.)

Timing & Frequency

- While most organizations have some time requirements from the date of hire until the employee is eligible for a promotion, a very large portion for each employee group does allow promotions right away. Nonexempt employees are eligible immediately at 43% of participating organizations, and exempt employees are eligible immediately at 46% of organizations. Officers/executives experience the least restriction, with 60% of organizations allowing this senior level to be eligible for a promotion immediately upon hire. (See Figure 14.)
- Below the executive level, about half of organizations allow for a promotion after 6 to 12 months of service. For officers/executives, only about 35% fall within this category.

Results and Analysis

Figure 1: “Which of the following best describes how your organization defines an employee promotion?” Please select all criteria that are REQUIRED to be considered a promotion.

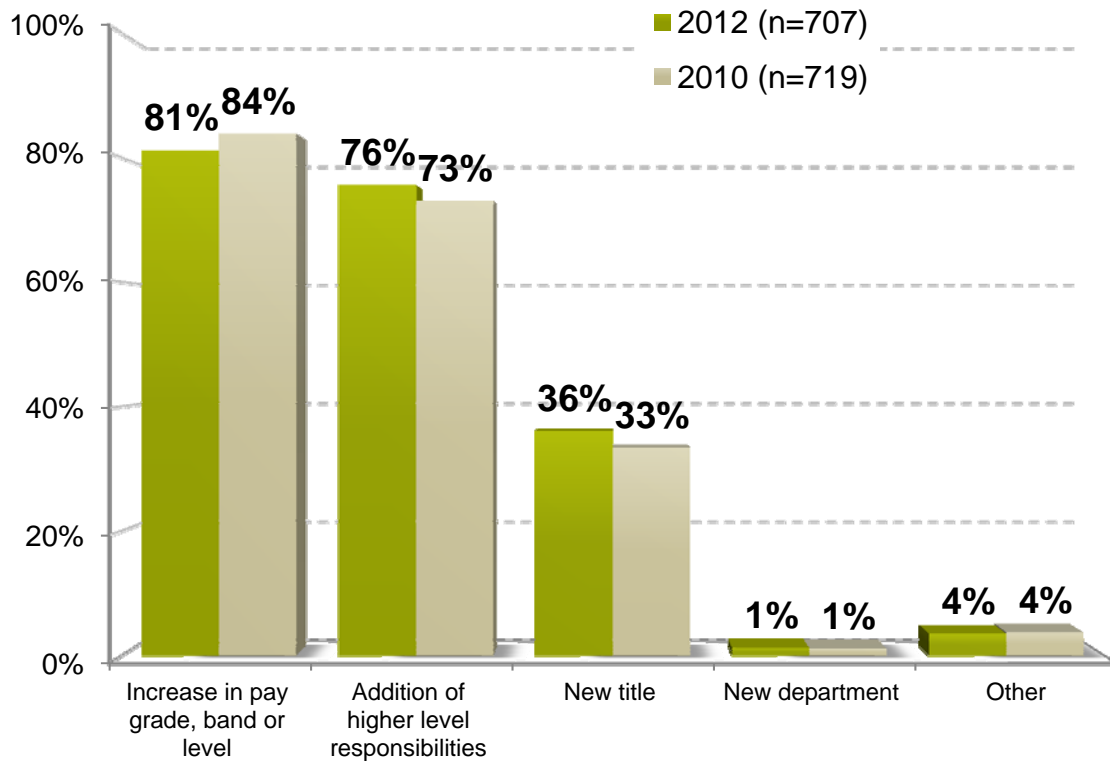


Figure 2: “In 2012 (or current fiscal year), what has been the average promotional increase, expressed as a percentage, for each employee class in your organization? Please specify a percentage for each employee category. If the employee category is not applicable for your organization, please leave it blank.”

Employee Type	2012 Average	2010 Average	2006 Average
Nonexempt (hourly) (n=505)	7.4%	7.1%	7.7%
Exempt (salaried) (n=578)	8.7%	8.3%	8.9%
Officers/Executives (n=383)	10.2%	9.5%	11.4%

Figure 3: “During 2012, what has been the most influential factor(s) in determining rates of promotional increase? (Please select up to 3 factors.)”

Factors	2012 (n=689)	2010 (n=684)
Pay range for the new position	69%	66%
Rates paid to other employees similarly situated within the organization	60%	60%
External pay data, if available	38%	36%
Performance level of the individual being promoted	28%	29%
Qualifications of the individual, compared to the qualifications of other employees in the same job within the organization	27%	30%
A fixed percentage increase for most promotional increases	21%	21%
Number of pay grades between the old position and the new position	16%	19%
Whether the promotion involves a change from nonexempt to exempt classification	8%	8%

Figure 4: Percentage of employees promoted in 2011 versus the percentage of employees promoted in a typical year.

“What percentage of employees was promoted in 2011 (or last fiscal year)? Please specify as a percentage of the number of total employees.”

“What percentage of employees does your organization usually promote on an annual basis? Please specify as a percentage of the number of total employees.”

Percent of Employees Promoted	2012 Average (n=621)	2010 Average (n=477)	2006 Average (n=826)
2011 or last fiscal year from survey date	8.4%	7.0%	10.5%
Typical year	8.3%	8.1%	10.5%

Figure 5: “How does your organization fund promotional increases? (Check all that apply.)”

Funding Source	2012 (n=587)	2010 (n=600)
We budget for promotional increases separate from other pay increase budgets.	43%	44%
We pay for promotional increases with vacancy savings (savings from vacant positions or during recruitment).	28%	22%
We budget for promotional increases as part of our merit budget.	18%	24%
We pay for promotional increases with salary savings (hiring at a lower rate than previous incumbent).	17%	16%
We pay for promotional increases out of merit budget, but merit budget is not inflated to cover promotional increases.	16%	13%
We budget for promotional increases as part of another budget. Please specify budget:	12%	13%
We pay for promotional increases out of another budget, but the other budget is not inflated to cover promotional increases.	7%	8%

Figure 6: “Does your organization limit the size of some or all promotional increases?”

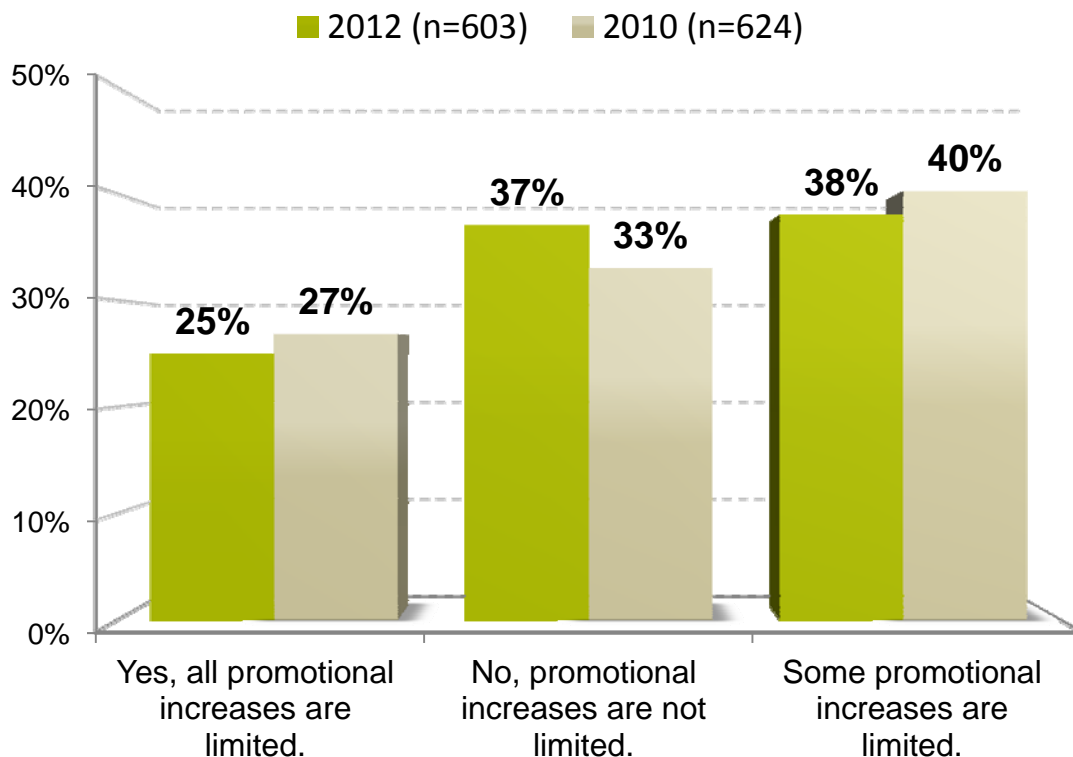


Figure 7: “What is the maximum amount employees are eligible for as a promotional increase? Please choose the most accurate response for each employee category.” Only participants who answered “yes” in Figure 6 received this question.

Employee Type	Less than 10%	11%-20%	21%-30%	31%-40%	41%-50%	More than 50%	No limit for this type of employee
Nonexempt (hourly) (n=134)	51%	34%	5%	0%	0%	1%	10%
Exempt (salaried) (n=151)	43%	42%	5%	1%	0%	0%	10%
Officers/Executives (n=130)	22%	45%	5%	1%	0%	1%	28%

Figure 8: “What is your organization’s approach to the communication of promotional guidelines or policies?”

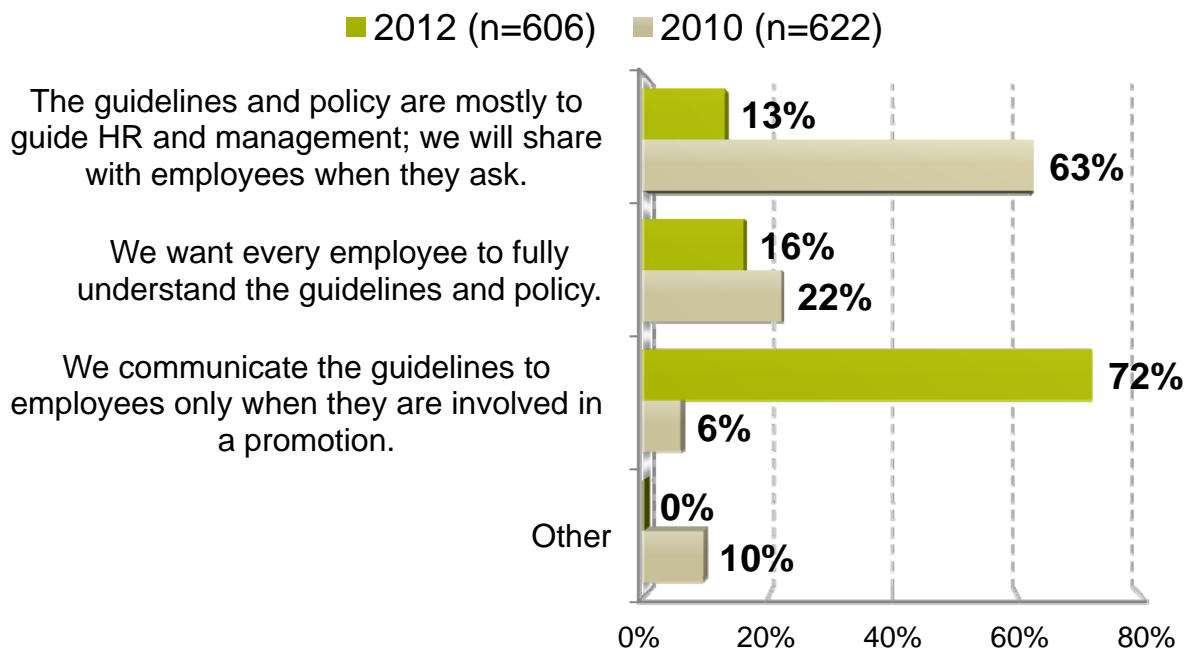


Figure 9: “Does your organization set a limit for how many grades, bands or levels employees are permitted to move in a single promotion?”

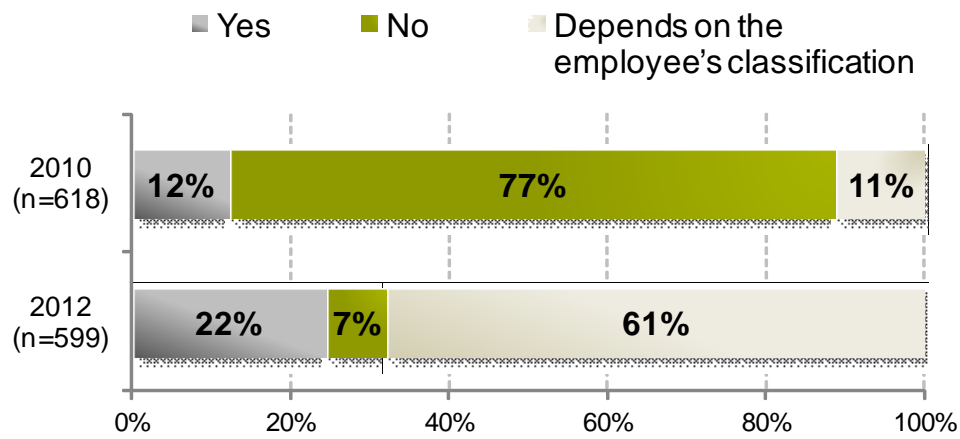


Figure 10: “How many grades, bands or levels are employees permitted to move in one promotion?” Only participants who answered "yes" in Figure 9 received this question.

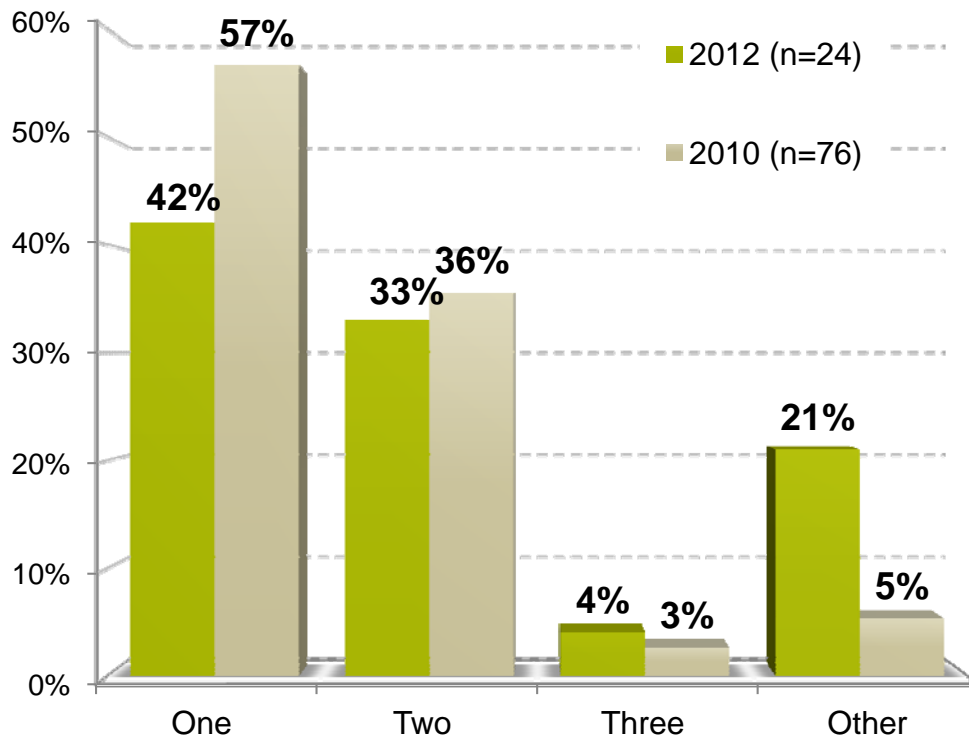


Figure 11: “Are employees typically eligible for a promotional increase when moving laterally?”

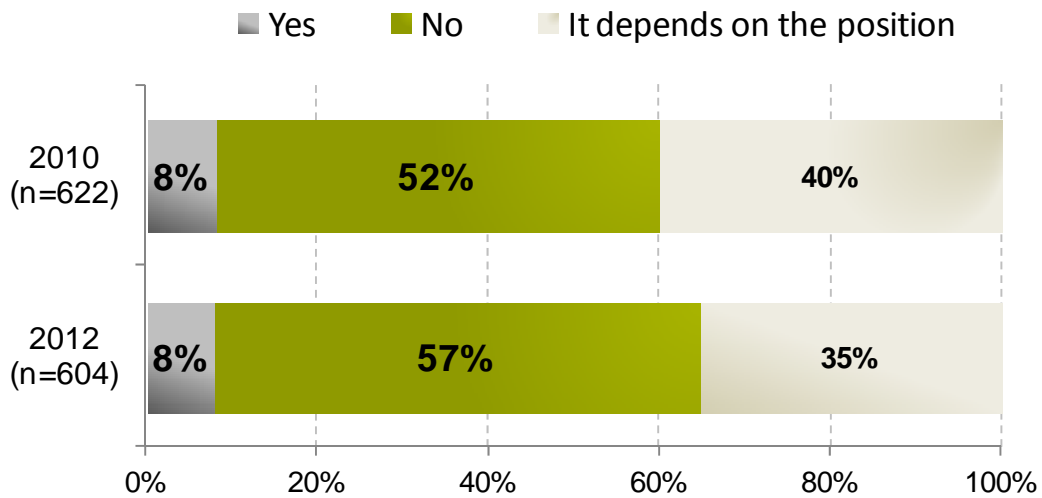


Figure 12: “How are merit increases managed for promoted employees?”

Impact on Merit Increases	2012 (n=601)	2010 (n=620)
Promoted employees are eligible for nearest merit increase.	19%	46%
Merit increase is included in promotional increase.	7%	17%
Promoted employees are eligible for a prorated merit increase.	43%	16%
Promoted employees are ineligible for a merit increase until next cycle.	12%	7%
Other	19%	15%

About two-thirds of participants who selected ‘Other’ specified that merit increases for promoted employees are managed on a case-by-case basis or depend on the timing of the promotion.

Figure 13: “When do most promotions in your organization occur?”

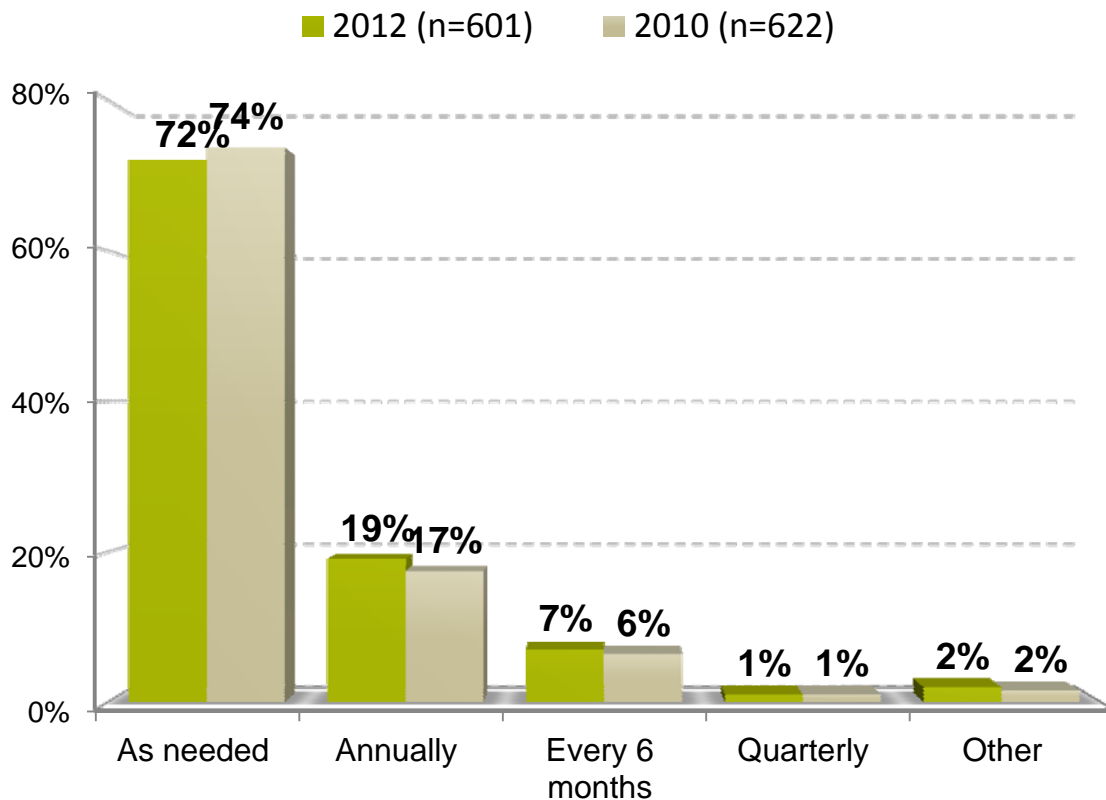


Figure 14: “How soon after hire are employees eligible for a promotion? Please choose an answer for each employee category.”

Employee Type	No minimum; immediate if necessary	No promotions within first...			
		...3 months of service	...6 months of service	...12 months of service	Other specific days or months
Nonexempt (hourly) (n=556)	43%	7%	25%	23%	2%
Exempt (salaried) (n=595)	46%	4%	22%	27%	1%
Officers/Executives (n=537)	60%	3%	13%	22%	2%

Figure 15: “How often are employees eligible for promotion?”

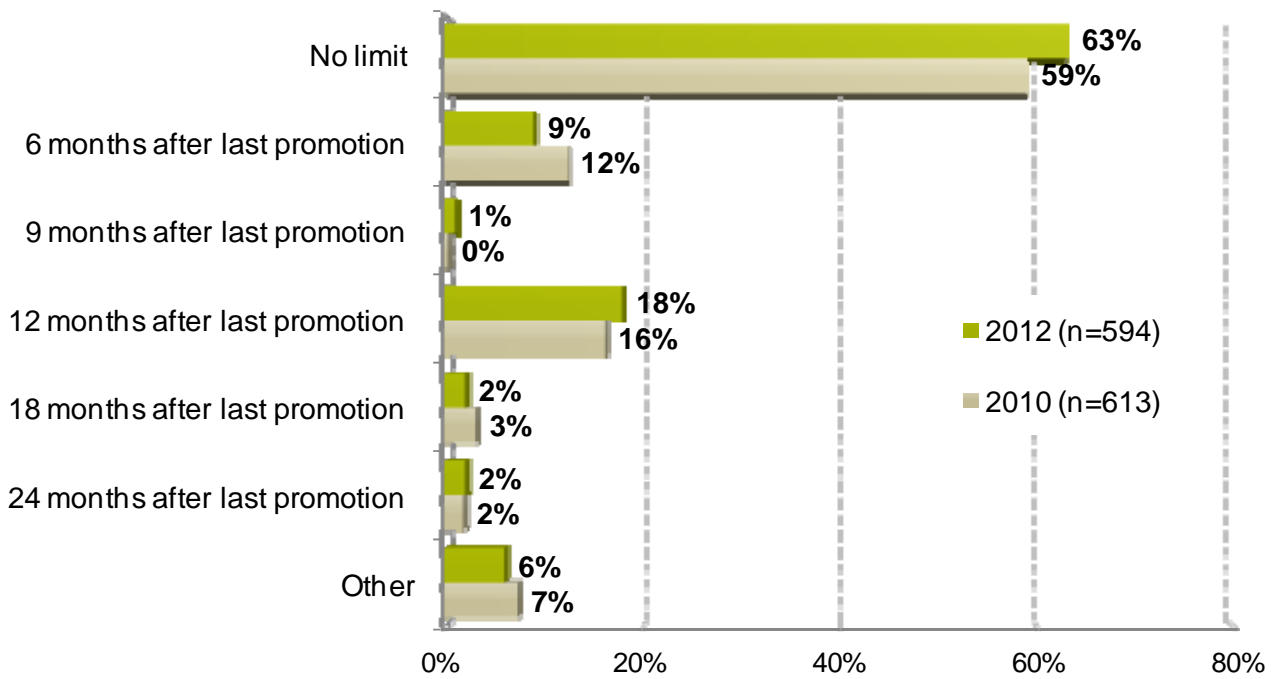


Figure 16: “How are bonus or incentive payouts calculated for employees who have received a promotional increase?”

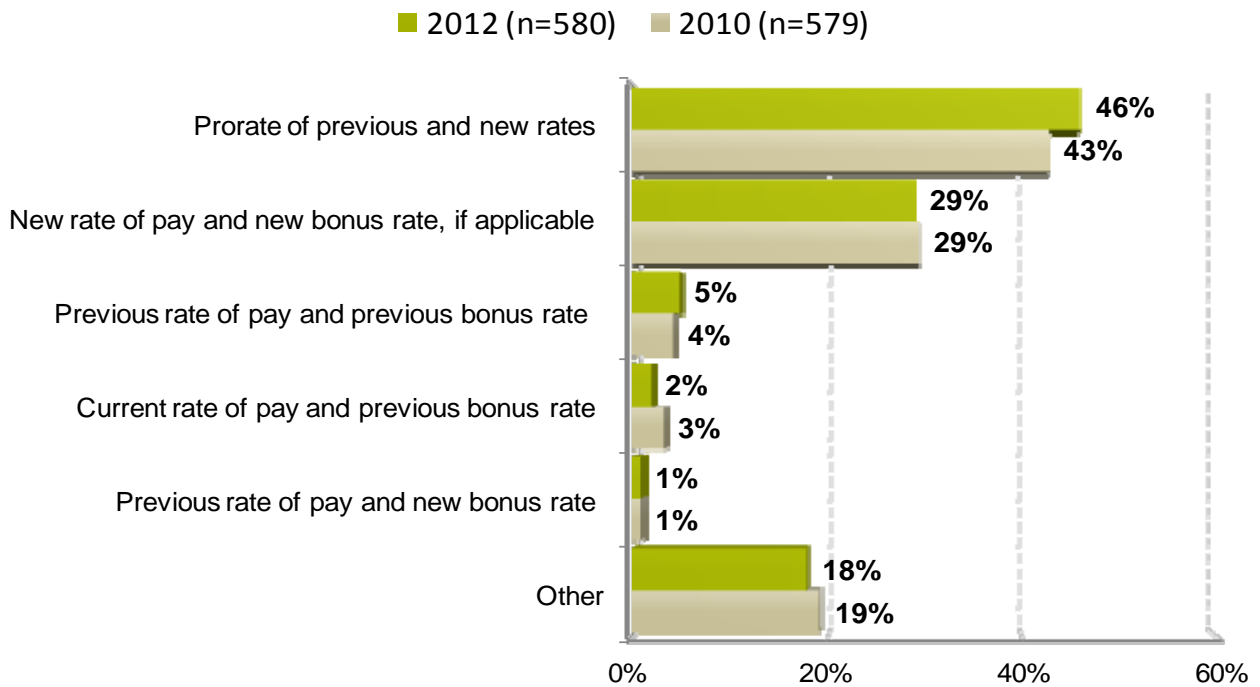


Figure 17: “Does your organization feature or market the promotional opportunities (or activities) as a key employee benefit when attempting to attract new employees?” (n= 614)

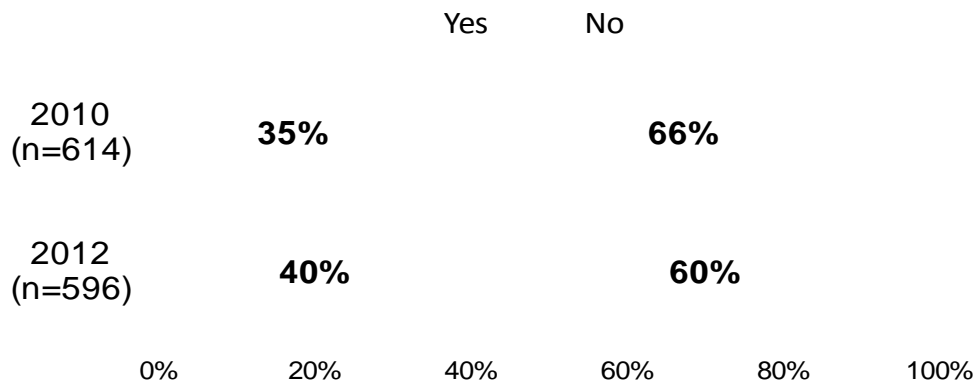
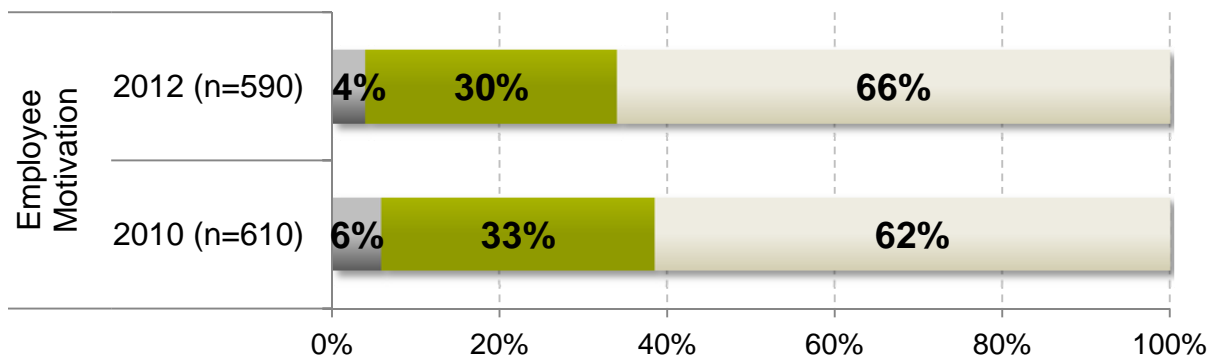
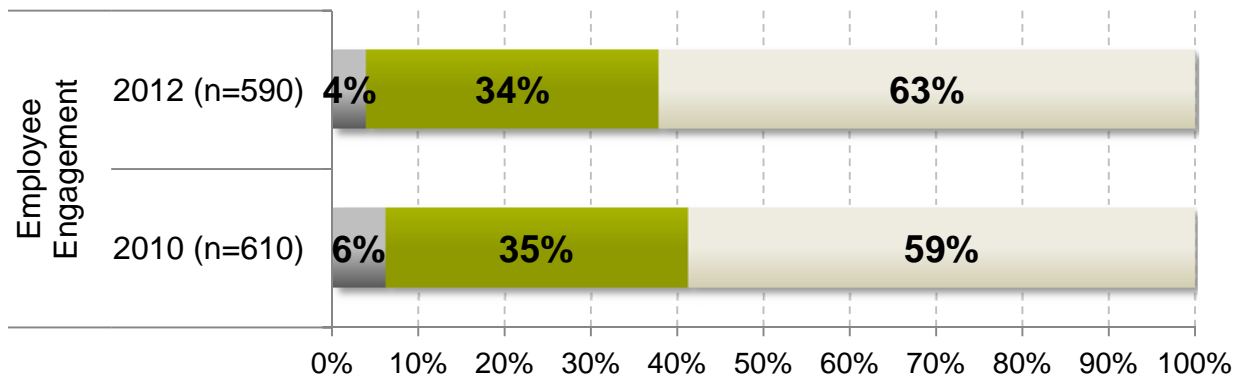


Figure 18: “What would your workforce say is the effect of your organization’s promotional opportunities (or activities) on...”

■ Extremely negative /negative effect ■ No effect or neutral ■ Extremely positive/positive effect



Demographics

Figure 19: “Your organization is:” (n=621)

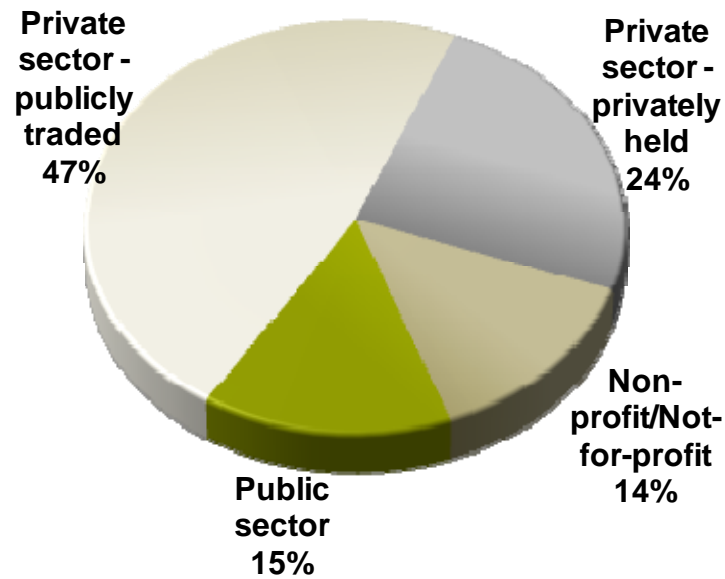


Figure 20: “Please choose the total number of full-time employees (FTEs) your organization employs worldwide:” (n=621)

Number of FTEs	Percent
Less than 100 employees	1%
100 to 499	4%
500 to 999	5%
1,000 to 2,499	16%
2,500 to 4,999	19%
5,000 to 9,999	14%
10,000 to 19,999	14%
20,000 to 39,999	11%
40,000 to 99,999	9%
100,000 or more	6%

Figure 21: “Please choose one category that best describes the industry in which your organization operates:” (n=616)

Option	Percent
Finance & Insurance	15%
All Other Manufacturing	11%
Health Care & Social Assistance	9%
Utilities, Oil & Gas	7%
Consulting, Professional, Scientific & Technical Services	5%
Information (e.g., Publishing, IT Technologies)	4%
Computer and Electronic Manufacturing	4%
Retail Trade	3%
Other Services (except Public Administration)	3%
Pharmaceuticals	3%
Public Administration	3%
Educational Services	3%
Transportation	3%
Arts, Entertainment & Recreation	2%
Accommodations & Food Services	2%
Mining	1%
Real Estate & Rental & Leasing	1%
Other	19%