

Preliminary
Do not quote

Employee Pay and Firm Characteristics

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Preliminary Results

Table 1
Sample Averages for 1998 ACA Salary Budget Survey

	"Matched" Corporations	Other Respondents
Total Number of Entities	849	1,912
Average employees per entity	6,430	2,526
% of employees receiving pay increases	90.7%	90.5%
% of firms offering variable pay	71.3%	55.3%
% of firms offering stock-based pay	73.5%	24.2%
Indirect pay (benefits) as % of total payroll	30.0%	29.4%

Table 2
Sample Averages for 735 Publicly Traded Corporations in 1998 Survey,
by Employee Group

	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Officer and Executives
Number of employees	4,363	1,728	3,147	159
Base Salary increase for 1997				
COLA	0.6%	0.1%	0.1%	0.1%
Merit	3.4%	4.0%	4.1%	4.4%
Other	0.2%	0.2%	0.3%	0.2%
Total	4.1%	4.3%	4.5%	4.8%
Projected increases for 1998				
COLA	0.5%	0.2%	0.1%	0.2%
Merit	3.5%	4.0%	4.1%	4.3%
Other	0.2%	0.2%	0.2%	0.2%
Total	4.2%	4.3%	4.5%	4.6%
Variable Pay				
% of payroll (budgeted)	2.2%	2.9%	5.7%	
% of payroll (paid)	2.1%	2.8%	5.9%	
% of employees receiving	36.2%	45.0%	46.1%	
Stock-Based Awards				
Stock Purchase Program	31.7%	29.9%	41.5%	41.4%
Stock Option Program	10.3%	11.7%	45.3%	67.6%
Stock Grant Program	2.9%	3.3%	12.2%	30.2%
Phantom Stock Program	0.4%	0.4%	1.8%	7.6%
Stock through 401K	36.9%	40.4%	50.3%	48.3%
Does stock offset other pay?	1.2%	0.4%	6.0%	13.5%

Table 3
Total Pay 1997 Increases for 735 Matched Firms, by Employee Group

	Number of Firms	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Officer and Executives
Industry					
Old Economy	343	4.1%	4.3%	4.4%	4.7%
New Economy	100	4.6%	5.1%	5.4%	5.6%
Financial Services	95	4.3%	4.3%	4.5%	4.5%
Utilities	55	3.6%	3.7%	3.9%	4.4%
Company Revenues					
< \$500 mil	178	4.4%	4.6%	4.9%	5.0%
\$500m to \$1.5b	182	4.1%	4.5%	4.6%	4.8%
\$1.5b to \$5b	185	3.9%	4.0%	4.1%	4.7%
Over \$5 billion	181	4.2%	4.2%	4.5%	4.5%
3-Year Avg. Stock-Price Performance					
< 10%	147	4.1%	4.3%	4.5%	4.8%
10% to 25%	195	3.9%	4.2%	4.4%	4.7%
25% to 40%	164	4.1%	4.2%	4.4%	4.6%
Over 40%	191	4.4%	4.6%	4.7%	5.0%
3-Year Avg. Return on Assets					
< 1%	138	4.1%	4.3%	4.5%	4.9%
1% to 5%	274	4.1%	4.1%	4.3%	4.5%
5% to 7.5%	138	4.1%	4.3%	4.6%	5.1%
Over 7.5%	184	4.4%	4.5%	4.8%	4.9%

Table 4A
Percentage of Payroll Budgeted as Variable Pay During 1997

	All Firms (n=735)			Firms with Variable Plans (n=539)		
	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees
Industry						
Old Economy	2.4%	3.0%	5.4%	4.7%	5.4%	9.1%
New Economy	2.2%	3.6%	6.6%	3.8%	5.5%	9.4%
Finance	1.3%	2.0%	4.9%	2.5%	3.3%	6.7%
Utilities	4.1%	4.2%	6.1%	5.4%	5.4%	7.6%
Company Revenues						
< \$500 mil	1.9%	2.5%	5.4%	3.9%	5.0%	8.7%
\$500m to \$1.5b	1.9%	2.0%	5.0%	4.0%	4.1%	8.4%
\$1.5b to \$5b	2.7%	3.5%	6.2%	4.6%	5.8%	9.9%
Over \$5 billion	2.1%	3.4%	6.1%	3.9%	5.2%	9.0%
3-Year Avg. Stock-Price Performance						
< 10%	1.9%	2.4%	5.8%	4.0%	4.9%	9.5%
10% to 25%	2.6%	3.3%	5.7%	4.5%	5.3%	8.4%
25% to 40%	2.1%	2.9%	6.2%	3.9%	4.9%	9.7%
Over 40%	2.1%	2.8%	5.2%	4.5%	5.2%	9.0%
3-Year Avg. Return on Assets						
< 1%	1.7%	2.9%	6.0%	3.0%	4.5%	8.8%
1% to 5%	2.5%	2.9%	6.0%	4.3%	5.0%	9.0%
5% to 7.5%	1.6%	2.8%	5.4%	3.3%	5.5%	8.9%
Over 7.5%	2.6%	2.9%	5.5%	5.3%	5.3%	9.4%

Table 4B
Percentage of Payroll Awarded as Variable Pay During 1997

	All Firms (n=735)			Firms with Variable Plans (n=539)		
	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees
Industry						
Old Economy	2.0%	3.0%	5.4%	3.8%	5.1%	8.8%
New Economy	2.5%	3.4%	7.0%	4.3%	5.2%	9.8%
Finance	2.2%	2.4%	6.9%	3.8%	3.6%	9.2%
Utilities	3.4%	3.0%	5.1%	3.9%	3.7%	6.1%
Company Revenues						
< \$500 mil	2.0%	1.7%	5.3%	4.1%	3.3%	8.5%
\$500m to \$1.5b	2.4%	1.8%	5.3%	4.4%	3.4%	8.4%
\$1.5b to \$5b	2.1%	3.6%	6.4%	3.5%	5.6%	9.8%
Over \$5 billion	2.0%	3.6%	6.2%	3.6%	5.4%	9.0%
3-Year Avg. Stock-Price Performance						
< 10%	1.5%	2.1%	5.4%	3.2%	4.2%	8.9%
10% to 25%	2.2%	3.0%	5.4%	3.8%	4.7%	7.6%
25% to 40%	2.1%	3.1%	6.6%	3.5%	4.9%	10.0%
Over 40%	2.3%	2.6%	5.9%	4.4%	4.4%	9.7%
3-Year Avg. Return on Assets						
< 1%	1.9%	2.7%	6.3%	3.6%	4.0%	9.3%
1% to 5%	2.2%	2.5%	5.7%	3.6%	4.0%	8.2%
5% to 7.5%	1.7%	3.0%	5.7%	3.2%	5.4%	8.9%
Over 7.5%	2.5%	3.1%	6.0%	4.8%	5.4%	10.0%

Table 4C
Percentage of Employees Receiving Variable Pay During 1997

	All Firms (n=735)			Firms with Variable Plans (n=539)		
	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees
Industry						
Old Economy	35.8%	42.5%	42.9%	69.0%	70.2%	67.0%
New Economy	38.7%	51.9%	49.3%	69.9%	79.9%	65.3%
Finance	26.6%	43.9%	49.5%	38.5%	57.9%	59.3%
Utilities	68.6%	68.1%	68.5%	82.6%	86.4%	82.2%
Company Revenues						
< \$500 mil	24.6%	30.5%	34.8%	48.8%	56.5%	53.4%
\$500m to \$1.5b	39.0%	39.6%	42.3%	66.8%	73.6%	63.0%
\$1.5b to \$5b	41.6%	49.4%	49.0%	66.6%	73.4%	70.0%
Over \$5 billion	41.9%	55.4%	57.0%	70.6%	76.5%	75.7%
3-Year Avg. Stock-Price Performance						
< 10%	28.9%	36.4%	39.1%	57.2%	65.1%	57.9%
10% to 25%	42.0%	50.2%	51.1%	69.6%	76.9%	71.5%
25% to 40%	36.2%	46.7%	48.8%	62.2%	67.4%	68.2%
Over 40%	33.0%	42.3%	41.6%	59.5%	71.2%	63.3%
3-Year Avg. Return on Assets						
< 1%	24.9%	48.7%	40.9%	48.5%	72.2%	57.1%
1% to 5%	40.2%	42.6%	48.2%	64.1%	67.1%	67.8%
5% to 7.5%	35.7%	47.1%	46.6%	64.7%	80.2%	67.5%
Over 7.5%	40.2%	44.3%	46.9%	70.1%	71.3%	70.4%

Table 5
Stock Option Plans for 735 Matched Firms, by Employee Group

	Number of Firms	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Officer and Executives
Industry					
Old Economy	343	10.2%	12.5%	45.5%	66.5%
New Economy	100	22.0%	22.0%	67.0%	73.0%
Financial Services	95	5.3%	8.4%	33.7%	72.6%
Utilities	55	3.6%	5.5%	21.8%	50.9%
Company Revenues					
< \$500 mil	178	13.5%	15.7%	46.6%	62.9%
\$500m to \$1.5b	182	9.3%	9.3%	43.4%	74.7%
\$1.5b to \$5b	185	5.9%	9.2%	43.8%	68.6%
Over \$5 billion	181	13.3%	13.3%	48.1%	64.6%
3-Year Avg. Stock-Price Performance					
< 10%	147	10.9%	10.2%	44.2%	70.1%
10% to 25%	195	8.7%	13.3%	43.1%	62.6%
25% to 40%	164	9.8%	12.2%	48.8%	73.2%
Over 40%	191	13.1%	12.0%	48.2%	70.7%
3-Year Avg. Return on Assets					
< 1%	138	17.4%	15.2%	53.6%	67.4%
1% to 5%	274	6.9%	8.4%	40.5%	64.2%
5% to 7.5%	138	9.4%	9.4%	39.1%	64.5%
Over 7.5%	184	10.9%	15.8%	50.5%	75.0%

Table 6
Stock-Based Plans for 735 Matched Firms, by Employee Group

	Number of Firms	Non-exempt Hourly Employees	Non-exempt Salaried Employees	Exempt Salaried Employees	Officer and Executives
Industry					
Old Economy	343	48.1%	57.4%	68.8%	72.3%
New Economy	100	51.0%	47.0%	75.0%	75.0%
Financial Services	95	53.7%	52.6%	71.6%	77.9%
Utilities	55	54.5%	56.4%	72.7%	72.7%
Company Revenues					
< \$500 mil	178	50.0%	46.1%	66.9%	70.2%
\$500m to \$1.5b	182	54.4%	55.5%	78.0%	83.0%
\$1.5b to \$5b	185	47.0%	51.4%	68.1%	74.1%
Over \$5 billion	181	51.9%	53.6%	70.7%	70.2%
3-Year Avg. Stock-Price Performance					
< 10%	147	41.5%	46.9%	68.7%	74.1%
10% to 25%	195	53.8%	55.9%	71.8%	74.4%
25% to 40%	164	53.7%	59.8%	74.4%	76.2%
Over 40%	191	56.0%	45.0%	70.7%	74.3%
3-Year Avg. Return on Assets					
< 1%	138	52.2%	44.2%	70.3%	72.5%
1% to 5%	274	47.4%	48.5%	69.3%	73.0%
5% to 7.5%	138	49.3%	50.7%	66.7%	71.7%
Over 7.5%	184	56.0%	62.0%	76.6%	79.3%

Stock-based plan includes stock purchase plan, stock options, stock grants, phantom stock, or company stock in 401K plans.

Appendix: 1997/1998 Survey Questionnaire

1999/2000 TOTAL SALARY INCREASE BUDGET SURVEY

PLEASE RETURN QUESTIONNAIRE NO LATER THAN MAY 21, 1999.



1. Using the new "NAICS Code" listing, enter your three-digit industry code. If your firm is multi-industry or if pay practices differ among different divisions, business units or subsidiaries, make a photocopy of the form and fill out completely for each. Please indicate the particular division, unit or subsidiary name as appropriate in the space provided for the firm name on the back of the survey. **Sample:** Mark like this: ●

North American Industry Classification System (NAICS Code)

2. Please enter brief description of organizational unit being reported:

(e.g., Headquarters, Division, Government Agency, Hospital)

3. What region covers the majority of your employees reported below? If your firm is located in more than one region and pay practices are different by region, make a photocopy of the form and fill out completely for each region. If the pay practices are the same for all regions, mark the regions that apply.

- Eastern United States** - Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Eastern Pennsylvania, Rhode Island, Vermont, Virginia, Washington, D.C., West Virginia
- Central United States** - Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Western Pennsylvania, South Dakota, Wisconsin
- Southern United States** - Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas
- Western United States** - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

Instructions for Completing Questions

- * If your firm is on a fiscal-year basis, please use the fiscal year closest to the corresponding calendar year and make an adjustment, as necessary, to reflect the calendar-year data requested.
- * Fill in the blocks carefully. Do not use dashes. Fill in "0" if there is no increase planned; if not applicable (e.g., General increase/COLA)leave blank. Be sure to fill in the space for "Total Salary Increase."
- * Use figures rounded to the nearest tenth (e.g., 2.1%).
- * Reasonable estimates may be used if exact data are unavailable.
- * Do not include promotional increases in your responses to Questions 4, 5, 6 & 7 as they are covered separately in Question 8.

4. What is your base salary increase program for 1999?

Number of Covered Employees		Number of Months Between Increases	General Increase/ COLA	Merit Increase	Other Increase (Not Promotional Increases)	Total Salary Increase
<input type="text"/>	Nonexempt Hourly Nonunion	<input type="text"/>	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="text"/>	Nonexempt Salaried	<input type="text"/>	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="text"/>	Exempt Salaried	<input type="text"/>	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="text"/>	Officer/Executive	<input type="text"/>	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="text"/>	← Total					

(a.) If you have included an increase in the column titled "Other Increase," please explain the nature of this increase (e.g., equity increases).

Appendix-1997/1998 Survey (Page 2)

5. What are your base salary budget plans or estimates for 2000?

	Number of Months Between Increases	General Increase/ COLA	Merit Increase	Other Increase (Not Promotional Increases)	Total Salary Increase
Nonexempt Hourly Nonunion	_____	_____ %	_____ %	_____ %	_____ %
Nonexempt Salaried	_____	_____ %	_____ %	_____ %	_____ %
Exempt Salaried	_____	_____ %	_____ %	_____ %	_____ %
Officer/Executive	_____	_____ %	_____ %	_____ %	_____ %

(a.) If you have included an increase in the column titled "Other Increase," please explain the nature of this increase: _____

6. (a.) If you use a salary range structure, by what percentage did you increase the salary range structure in 1999?

Nonexempt Hourly Nonunion _____ % Nonexempt Salaried _____ %
 Exempt Salaried _____ % Officer/Executive _____ %

(b.) By what percentage do you plan to increase the salary range structure for 2000?

Nonexempt Hourly Nonunion _____ % Nonexempt Salaried _____ %
 Exempt Salaried _____ % Officer/Executive _____ %

7. (a.) What percentage of your employees will be receiving a base salary increase (general, COLA, merit or other) this year?

_____ %

(b.) Does the percentage of employees receiving a base salary increase reflect a change from the previous year?

Increase Decrease No Change

(c.) Is this change (mark all that apply):

Business related Market related Due to incentive plans Other

Please explain: _____

8. (a.) Are promotional increases identifiable as a separate budget item for your company? Yes No

(b.) Budgeted promotional increases for 1999 will equal _____ % of total base salaries.

(c.) In 1999, _____ % of the total employee population will receive promotional increases.

9. Variable pay is the amount established by management as a percentage of payroll to be granted for performance-based cash rewards during the year. Included in this calculation are:

Individual Incentive Awards: Provided under a formal plan (not discretionary) for employees' performance in designated jobs.

Group/Team Awards: Provided under a formal plan (not discretionary) for a plant, division, work unit or team results (e.g., gainsharing; covers only a segment of organization).

Special Individual Recognition Awards: Given by discretion to key contributors; performance related, not for length of service or equity.

Organizationwide Awards: Provided under a formal plan (not discretionary) based on the success of the whole organization (e.g., cash profit sharing - exclude retirement plans).

Exclude any awards intended only for officer/executive-level employees.

(a.) Does your company use variable pay? Yes No

If no, is your company considering instituting variable pay in the next year? Yes No

Appendix-1997/1998 Survey (Page 3)

(b.) What percentage of payroll was budgeted/awarded as variable pay during the last calendar year?

	<u>Budgeted</u>	<u>Awarded</u>
Nonexempt Hourly Nonunion	_____ %	_____ %
Nonexempt Salaried	_____ %	_____ %
Exempt Salaried	_____ %	_____ %



(c.) If your company uses variable pay, how has it impacted your base salary increase budget?

- No change
 Fully offset merit increase budget
 Partially offset merit increase budget

If partially offset, by what percentage was your merit increase budget reduced? _____ %

(d.) What percentage of employees in each category received a form of variable pay during the last 12 months?

Nonexempt Hourly Nonunion _____ %
 Nonexempt Salaried _____ %
 Exempt Salaried _____ %

10. (a.) Is your company publicly traded? Yes No

(b.) If no, please answer items for "Phantom Stock" if applicable, otherwise continue on to question #11.

(c.) Does your company have a stock-based plan for compensation purposes? Yes No

If yes, please complete the following:

	Stock Purchase Program	Stock Option Program	Stock Grant Program	Phantom Stock (SAR)	Company Stock through 401(k)
Nonexempt Hourly Nonunion	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No
Nonexempt Salaried	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No
Exempt Salaried	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No
Officer/Executive	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No

(d.) Do stock programs offset other components of the compensation package? Yes No

If yes, for which employee groups (mark all that apply):

- Nonexempt Hourly Nonunion
 Nonexempt Salaried
 Exempt Salaried
 Officer/Executive

(e.) Does your company anticipate changes in the grants or awards of stock? Yes No

Anticipated changes:

- Given as spot awards
 Grant size
 Grant options further down the organization
 Other

If other, please explain: _____



Appendix-1997/1998 Survey (Page 4)

11. Indirect compensation is all forms of indirect (e.g., noncash) compensation provided to employees in exchange for their contribution to an organization. Often referred to as the employee benefits program, this usually is stated as services, perquisites, pay-for-time-not-worked, and income protection programs.

(a.) Do you consider benefits a part of the total rewards package for the following categories? (mark all that apply):

- Nonexempt Hourly Nonunion, Nonexempt Salaried, Exempt Salaried, Officer/Executive

(b.) Does indirect compensation offset other components of the rewards package? Yes No

Please explain:

(c.) What percentage of your total payroll budget is indirect compensation? %

12. Is your company experiencing a shift in the strategic direction of traditional merit pay programs to:

Table with 2 columns: Variable Pay, Benefits Changes. Rows: Nonexempt Hourly Nonunion, Nonexempt Salaried, Exempt Salaried, Officer/Executive.

IMPORTANT AUTHORIZATION FOR USE OF DATA IN CUSTOM REPORTS

I understand that unless I have marked the box below, ACA may use our company data in custom-designed salary budget reports. I further understand that the confidentiality of our company data will be maintained by ACA and that our data would never be included in custom reports with fewer than 10 companies.

X Signature required Date

I do NOT authorize ACA to use our company data in custom-designed salary budget reports.

Please return questionnaire no later than May 21, 1999.

NO FACSIMILES PLEASE

Return to: American Compensation Association, 14040 N. Northsight Blvd, Scottsdale, AZ 85260

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Note corrections below:

First Name, Last Name, Title, Firm Name, Address, Ste No, City, State, ZIP

KEVIN J MURPHY, PhD PROFESSOR UNIVERSITY OF SOUTHERN CALIFORNIA MARSHALL SCHOOL OF BUSINESS LOS ANGELES CA 90089-1421

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