

EMPLOYEE COMPENSATION IN CONNECTICUT

The Newsletter Supplement to the CTHRR Loose-Leaf Service: *Employee Compensation in Connecticut*

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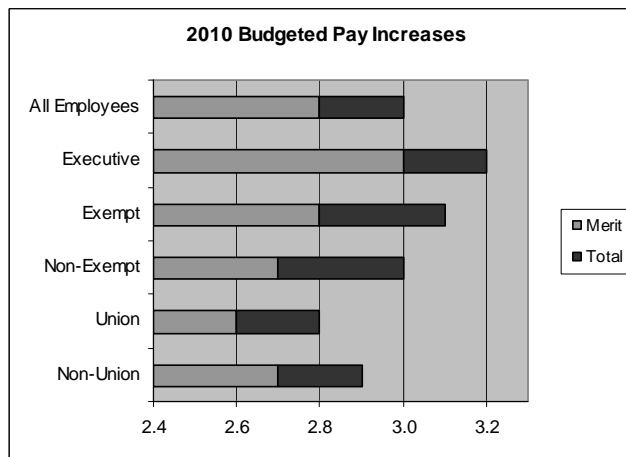
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• 2010 CTHRR SALARY BUDGET FORECAST

No Surprise: Budgets Down

CTHRR has just completed its 28th annual survey of merit and total increase budgets and rate-range adjustments—this time, for calendar year 2010. The forecast is down considerably from employers' forecasts for 2009—no surprise with our current economic situation.

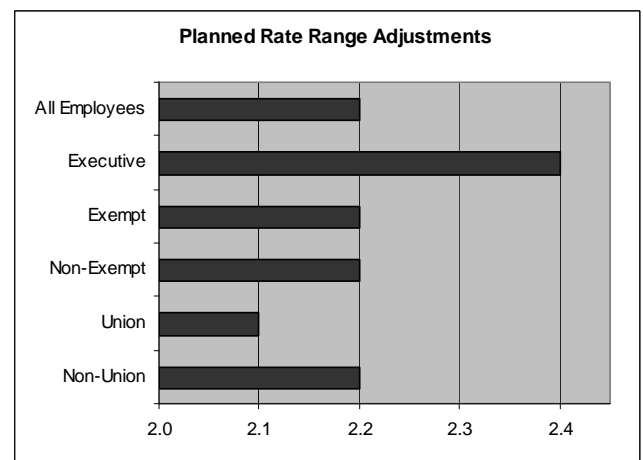
The 127 participating CT employers say they plan merit budgets of 2.8% for 2010—last year's forecast was 3.2%—and total increases of 3.0% (3.7% a year ago). "Total" increases are the average budgeted by employers providing only merit increases, only general (across-the-board) increases, and those giving both merit and general increases. Summary:



“Zero” Increases? These figures are for only those firms that are planning to grant increases; 30% of respondents indicated they plan no increases—merit or general—in 2010. This is way, way up from the forecast last year at this time (2%), but better than the 41% who actually

did not increase their '09 budgets once the economy turned south in late 2008.

This next chart shows the average planned rate range adjustment for 2010:



Here's the way the data break out for each of the major groupings of employees surveyed:

Top executives: Top executives should expect merit increases of 3.0% (3.3% at this time last year) and total increases of 3.2% (down from 3.8%); rate ranges will rise 2.4%—3.8% a year ago.

Exempt employees: The average merit budget for exempt personnel, other than top executives, is 2.8%, down from 3.2% last year; the total budget is 3.1%—down from 3.7% last year. The planned rate-range adjustment is 2.2% (3.3% a year ago).

Nonexempt office employees: For office workers, the average merit budget is 2.7% (3.1% a year ago); the total budget is 3.0% (down from 3.7%); and the rate-range adjustment is 2.2% (3.1% last year).

Plant/blue-collar workers: Merit increases for unionized plant/blue-collar workers are planned at 2.6%, down from 3.2% last year; total increases are 2.8% (3.5% last year). Non-union employees will see merit budgets of 2.7% (3.1% last year), and total increases, including general raises, will be 2.9% (3.4% last year). Planned rate-range adjustments are 2.1% for unionized and 2.2% for non-union blue-collar workers (2.6% and 2.8% respectively last year).

increase budget for all respondents in Connecticut—for this year and the past several years. It also shows the “actual” figures resulting from follow-up surveys we conduct each spring to see how employers’ actual practices have compared to the forecasts. The pattern over the past few years has been for the actual amount budgeted to vary a few tenths of a percent from the forecast, depending on the direction of the economy:

The next table shows the average reported

<u>Statewide</u>	<u>Executive</u>		<u>Exempt</u>		<u>Non-Exempt</u>		<u>Union-Plant</u>		<u>NonUnion-Plant</u>	
	Merit	Total	Merit	Total	Merit	Total	Merit	Total	Merit	Total
'10 Forecast	3.0%	3.2%	2.8%	3.1%	2.7%	3.0%	2.6%	2.8%	2.7%	2.9%
'09 Actual	3.2	3.4	3.1	3.2	3.0	3.1	2.6	3.0	3.1	3.2
'09 Forecast	3.3	3.8	3.2	3.7	3.1	3.7	3.2	3.5	3.1	3.4
'08 Actual	3.9	4.1	3.8	3.9	3.7	3.8	3.0	3.1	3.7	3.7
'08 Forecast	3.6	3.7	3.5	3.6	3.4	3.5	3.1	3.2	3.4	3.5
'07 Actual	3.9	4.1	3.9	4.0	3.8	3.9	3.2	3.3	3.5	3.6
'07 Forecast	3.9	4.2	3.7	4.0	3.5	3.8	3.0	3.0	3.4	3.6
'06 Actual	3.8	4.1	3.6	3.9	3.5	3.9	3.0	3.0	3.3	3.4
'06 Forecast	3.6	3.7	3.3	3.6	3.3	3.5	3.1	3.2	3.3	3.5
'05 Actual	3.9	4.0	3.5	3.6	3.4	3.5	3.3	3.4	3.3	3.4
'05 Forecast	4.3	4.8	3.6	3.8	3.5	3.7	3.5	3.6	3.7	3.8
'04 Actual	4.0	4.2	3.4	3.6	3.3	3.5	3.0	3.1	3.3	3.5
'04 Forecast	3.3	3.3	3.1	3.2	3.2	3.3	3.2	3.2	3.0	3.1

Rate Ranges: Table 2 shows planned rate range adjustments for the past six years:

<u>Statewide</u>	<u>Executive</u>	<u>Exempt</u>	<u>Non-Exempt</u>	<u>Union-Plant</u>	<u>NonUnion-Plant</u>
'10 Forecast	2.4%	2.2%	2.2%	2.1%	2.2%
'09 Forecast	3.8	3.3	3.1	2.6	2.8
'08 Forecast	3.2	3.1	3.0	2.9	2.9
'07 Forecast	3.3	3.2	3.1	3.0	3.1
'06 Forecast	3.9	3.5	3.4	2.8	2.9
'05 Forecast	3.5	3.1	3.0	2.7	3.0
'04 Forecast	2.8	2.8	2.8	2.9	2.9

Economic Indicators

In addition to the data contained in this survey, here are some important statistics to consider when planning your 2010 budgets:

- The rate of increase in the national Consumer Price Index (CPI-U) has fallen from plus 5% to minus 2.1% in the last 12 months. However, the latest forecast from the National Association of Business Economists said inflation would reach plus 0.4% for 2009 and

plus 1.8% for '10. That forecast was issued in May and may be significantly modified when a new one is issued.

- First-year increases in collective bargaining contracts are averaging 2.6% so far this year, down from 3.6% last year.

- The increase in wages as measured by the Employment Cost Index (Wages only, Civilian Workers) is 1.8% for the past 12 months.

• The BLS says average hourly rates in the U.S. have risen 2.5% in the last year (see “This Month’s Statistics” on page 4 of this newsletter for still more data).

What to Do?

The survey indicates that merit increase budgets for white collar employees (including top executives) are running from 2.6% to 3.0% statewide; total increases, including general raises, are at 2.8% to 3.2%. Rate ranges will rise

2.2% to 2.4%. This means a budget in the low 3’s is necessary to maintain your current position relative to your labor market. For blue collar workers a budget a few tenths of a percent below that should suffice. Such increases will possibly not keep your employees’ pay protected from the inroads of inflation; however, the results of our survey indicate that most employers may not be able to do much about that.

Final Summary

The table below summarizes the results of our survey for 2010. Note that the “maximum” column reports the largest percentage increase (on average) that an individual can receive:

<u>Employee group</u>	<u>Merit</u>	<u>Total</u>	<u>Maximum</u>	<u>Rate Range</u>
All Employees	2.8%	3.0%	3.5%	2.2%
Executives	3.0	3.2	4.0	2.4
Exempts	2.8	3.1	3.5	2.2
Non-Exempt Office	2.7	3.0	3.4	2.2
Union Plant	2.6	2.8	3.0	2.1
NonUnion Plant	2.7	2.9	3.4	2.2

• Year-End Bonuses in Connecticut

A CTHRR survey of 127 Connecticut employers’ plans for holiday/year-end bonuses

shows that year-end bonuses will be awarded by 18% of respondents, down from 25% last year:

Table #1: Percent of Employers Offering Year-End Bonuses, by Employee Group

	<u>All</u>	<u>Exec</u>	<u>Exempt</u>	<u>Office</u>	<u>Plant</u>
2009	18%	23%	22%	17%	13%
2008	25	28	27	25	23
2007	33	36	33	31	30
2006	38	40	38	39	37
2005	34	36	31	37	34
2004	28	23	27	29	35
2003	40	42	44	38	34
2002	40	41	41	39	38
2001	42	45	45	40	36
2000	48	48	53	48	34

Eighty-eight percent of employers who gave bonuses last year are doing so again in 2009. Of respondents who are giving a bonus this season—and who also gave one last year at this time—1% are giving a larger bonus this year, 34% a smaller one, and 65% are giving the same amount.

Of those employers *not giving* a bonus this season, 48% have never awarded one, 12% gave one last year, while 18% gave a bonus two years ago; the remaining 22% last gave a bonus three or more years ago.

Table #2 shows the average amount of annual salary the bonus represents for those employers that award bonuses on a percent-of-salary basis:

Table #2: Year-End Bonus: Percent of Salary Basis

<u>Table #2</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Executive	12%	12%	8%	17%	19%	25%	28%	23%
Exempt	6	8	4	9	11	8	15	11
Office Nonexempt	3	5	3	5	6	5	7	5
Plant/Blue-Collar	3	4	2	4	3	4	6	5