

MICHIGAN MANUFACTURERS ASSOCIATION

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TRANSFORMING MICHIGAN'S BUSINESS CLIMATE

SPLIT HOUSE MAY BENEFIT BUSINESS AGENDA

*Co-Speakers Paul Hillegonds
R-Holland (left) and Curtis
Hertel D-Detroit, (right)
during the opening day of
session of the Michigan
House of Representatives.*

Exclusive Interview With Governor Engler

1992 MMA Cash Compensation Survey Results

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The results of the 1992 MMA Cash Compensation Survey were released in December. The 1992 survey report covers 83 jobs, ranging from clerical to middle management, and is the most comprehensive single volume report of its type in the state. The data represents compensation provided to more than 20,000 employees of the 200 plus participating companies.

Changes to the report and the survey itself has enhanced the value of the data for participants, and provides users with new ways to compare their pay levels to those of the general market and their competitors. The new survey also includes information about several individual durable goods industries, in addition to the "typical categories of durable goods, nondurable goods and non-manufacturing." There is also a separate category that includes data for automotive suppliers regardless of their individual industry.

More than a third of the participants in the survey are "small employers" with less than 50 employees. The large number of small participants makes the MMA survey a unique source of information for employers in this group.

Findings Support Commonly Held Notions About Pay

It will come as no surprise to most employers that, for the most part, large employers pay more than small employers. For example, companies with over 1,200 employees paid an average of \$11.24 to production assemblers; companies with less than 50 employees paid \$8.87 per hour for this job. While this general proposition holds true for many jobs, it is not an accurate global statement. Users of the survey will note that for some jobs, particularly at the management level, smaller firms actually pay more than larger firms. This may occur where individuals at smaller firms have additional responsibilities beyond those traditionally associated with a job title. This may be even more pronounced for jobs such as plant manager, which is likely to be an executive job in a small company, but will be well down the organization chart in a large firm.

There also appears to be a relationship between pay levels by geographic location, although this relationship may be less significant than generally assumed. The rate for a production assembler in the southeastern part of the state is \$8.89/hour, just over 12 percent higher than the \$7.91/hour rate in northern Michigan. However, this average does not account for the fact that the average employer in southeastern Michigan is much larger than those participants from the northern part of the state.

New Feature in the 1992 Study — Total Cash Compensation

As the number of organizations putting part of the total pay package "at risk" (through individual, team or company incentives or bonuses) grows, it is no longer simply enough to look at base pay alone. This year's study provides users with information on "total cash compensation," the sum of base pay and annual incentive or bonus payments.

Employees receiving bonus or incentive payments include a tenth of the employees in nearly every surveyed job. Cash programs other than base salary provided additional cash for nearly 30 percent of the employees in some jobs. While the number of incentive or bonus programs is on the rise, payouts remain relatively small. These extra payments made up less than 10 percent of the total pay package for even the most senior managers in the study.

Economy Plays a Part in Using Survey Data

Survey users should keep in mind that factors other than size, geography and industry come into play when looking at the data in the 1992 Report. A major result of the state's economic condition has been downsizing and layoffs — because more senior (and higher paid) employees tend to survive many layoffs, survey participants may report what seems to be a higher average rate than in prior years.

This "higher rate" is not all the result of pay increases, of course, but comes about because of the elimination of lower paid employees whose pay would reduce the

average. While the survey results cannot prove the point, it stands to reason that rates would appear to increase more in areas or industries hardest hit by layoffs.

Pay Increases Continue To Be Modest

Increases to current employees averaged 4 percent in 1992, and are projected at that level for 1993 as well. This rate is consistent with nationwide increases, which have hovered around 4 percent for the past several years. Average increases were higher among companies using merit pay systems than those giving across-the-board increases. Those companies that adjust pay to reflect inflation provided an average increase of 2.5 percent, consistent with the changes in the cost of living as computed by the Consumer Price Index (CPI).

Future Surveys to Continue Quality

1993 will be a year of continuing change in MMA's survey program. Management Resource Center, Inc., a management consulting firm with offices in Detroit and Lansing, will be managing the survey program. Members will be able to contact MRC directly for information concerning the surveys, and to request special reports from the survey database.

The MMA Executive Compensation Survey will become an annual study beginning this year; questionnaires will be distributed in February. The MMA Benefit Practices Survey, a bi-annual study, will be conducted this June. The MMA Cash Compensation Survey will be moved up a month, so that participants can have data available in October, in time for year-end planning.

For more information about the 1992 Cash Compensation Survey, contact the MMA Service Corporation at (517) 372-5900.