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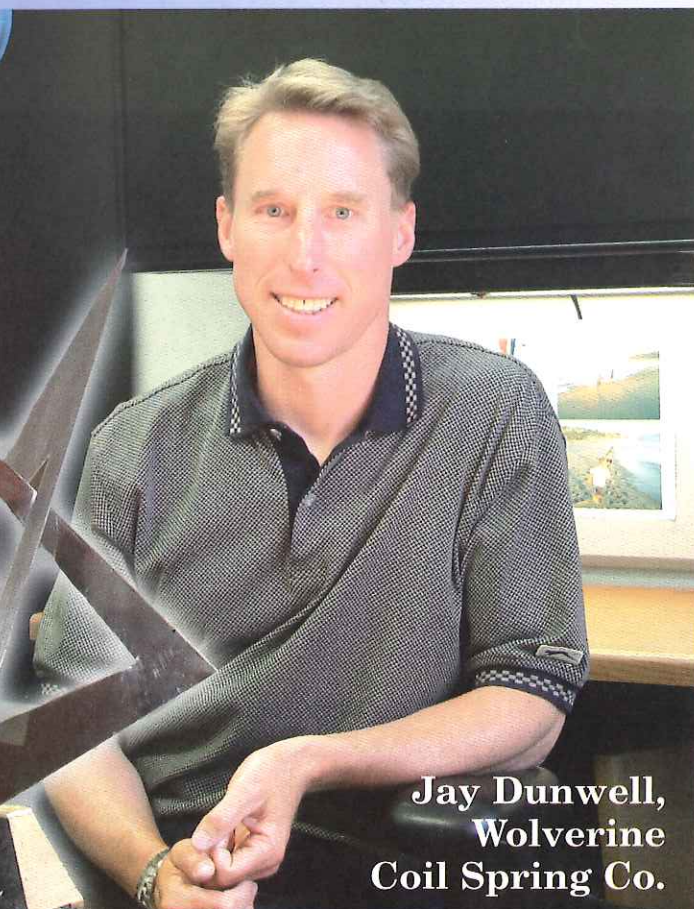
Newsmagazine for Members of the Michigan Manufacturers Association

July/August 2004

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New Survey Introduced; Compensation Rates Increasing

By Edmund B. Ura

More jobs, more data and a new schedule — these are three of the features of the new MMA compensation survey: *Compensation in Michigan Manufacturing™* released in May. Management Resource Center, Inc. (MRC), which conducts the survey, introduced numerous changes in the survey program for 2004, designed to further enhance the value of this crucial management tool.

The changes in the program, as well as the shift in data collection times from the fall to spring, make summarizing changes in the labor market from 2003 to 2004 difficult. With this in mind, the 2004 survey indicates an increase in overall pay rates among Michigan manufacturers to be about 3.3 percent from the last survey. Projecting this to a full year suggests that pay increases among Michigan manufacturers have returned to a more typical annual rate, and that there may be some “catch-up” taking place to make up for several years of no to slow growth.

Combining the reports — the mechanics

The new survey program combines the two compensation reports published since 1991 — the *Executive Compensation Survey Report*, which had been conducted in the spring, and the *Cash Compensation Survey Report*, formerly published in the fall.

The combined report gives users the best “shelf life” of the many surveys available. Data is collected immediately following the most common time of year for pay adjustments (January 1) and is

published early enough in the year that it remains current for use both in on-going decision making and pay planning for the following year.

The combination of the compensation surveys serves two other major purposes: efficiency and accuracy.

A significant change is the simplification of the participation process itself, moving from two data collection periods to one. In the early years of the program, there was little overlap in companies participating in the two surveys and questionnaires were usually completed by different individuals.

In recent years, however, more and more companies have been participating in both surveys, and with the professionalism of the human resource function, executive pay information is now often available to the same person who completes surveys for the general employee population.

The *Employee Benefits Survey* and *Human Resources Policies and Practices Survey* reports are also being combined in a single report, the *Benefits and HR Policies in Michigan Manufacturing Survey Report*. Questionnaires for this survey will be sent to MMA members and other potential participants during this summer, for publication in the fall.

Better data collection and better results

Accuracy in compensation surveys is dependent on two key factors: the number of jobs surveyed and the job descriptions provided. Too few job categories result in more participation but less distinction and usefulness; too

many jobs and there is not enough information for analysis.

The new *Compensation in Michigan Manufacturing Survey Report* expands the amount of information available to users while maintaining data analysis quality standards. It retains the jobs traditionally appearing in smaller manufacturing, while giving larger companies the opportunity to focus on the job classifications and descriptions in their organizations.

Number of job classifications more than doubles

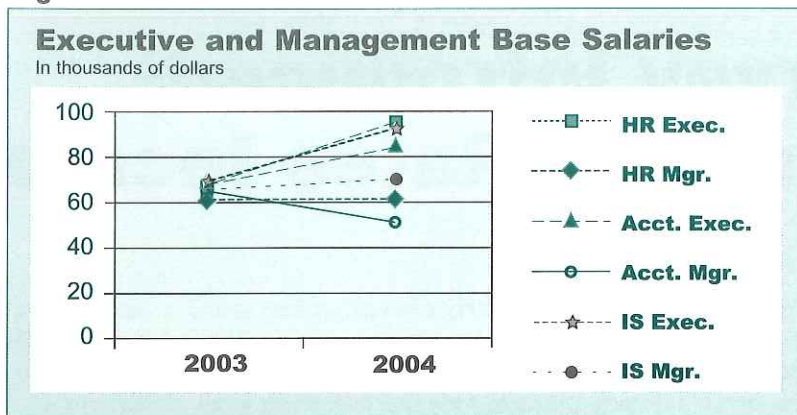
Data was collected on 279 different jobs for the new *Compensation in Michigan Manufacturing Survey*, including 49 jobs unique to manufacturing environments. In 2003, the two compensation surveys included 128 total jobs, with 34 specific to manufacturing. This increase comes from two sources: job families and levels of jobs.

First, the number of job families has been expanded. For example, a new section including 18 marketing jobs has been added. In the manufacturing arena, the former “production” and “assembly” categories have been split out into separate groups so that users can see the compensation differences between the two processes.

Second, many jobs have been divided into multiple levels. Nearly every professional level position now has a “senior” level, as do many clerical positions, so that users can determine the appropriate compensation for employees performing more complex tasks or for those with greater responsibility. ►

Management responsibilities have also been defined more clearly — users can see the compensation difference between those management employees with “supervisory,” “management” and “executive” responsibility side-by-side.

Figure 1



The results for the management jobs showed low growth and even a decrease for the accounting position; this is not a result of a change in the market, but the fact that “executive” level individuals were not reported as “managers.”

The survey provides assistance to employers

Forcing choices yields better results

Participants in the 2004 survey were faced with new decisions, ranging from whether a job was “executive” or “management” in nature, to the specific type of engineering specialty, to whether an office manager was in a “large” or “small” office environment. These decisions, and participants’ efforts, provide all users with more accurate and relevant information.

A much higher degree of accuracy in upper management reporting is a major advantage of the survey combination. With all possible positions laid out in the same questionnaire, participants must choose between considering a job as either an “executive” or “manager” position.

In prior years, many participants would report the same job in both surveys — the net result was that pay levels in management jobs could appear higher than expected and pay for executive jobs was lower than expected. This becomes critical to those making, and justifying, compensation decisions, particularly when determining how much more to pay an individual who is expected to contribute to the organization on a strategic level.

The effect of “forced reporting” can be

clearly seen in the results of the 2004 survey. Figure 1 displays median base salaries for companies with revenues between \$10 and \$50 million. Shown are the results, for 2003 and 2004, for the executive and management leadership of three common functions, human resources, accounting and information systems.

The effect is dramatic. In 2003, participants reported virtually no (less than five percent) difference between pay levels for the executive and management levels of the three functional areas. In 2004, there is an average difference of more than 45 percent between management and executive levels, a result much more in line with expectations.

Data for the executive jobs became much more realistic as participants were able to look at two (or sometimes three) different descriptions and make a better decision as to which job was a better fit for their company.

trying to answer many of the more perplexing questions in compensation planning. For example, one of the most common positions found in office environments is the “office manager.” In prior years, participation levels only allowed data to be collected on one job; a second was added this year.

A 2003 survey user would have seen the middle 50 percent of base pay levels ranging from \$29,000 to \$53,000, a range of more than 80 percent. While the range of pay for the “large office” manager is similar in 2004, those within a small office will find a much narrower range of pay — from \$31,000 to \$42,000.

Sales management represents another problematic area from compensation planning. The prior survey program included only one sales management position. The 2004 version includes five jobs. (See Figure 2.) While the change in the general sales manager position shows a slight increase due to market conditions, the result of

adding the four additional jobs illustrates just how different pay can be based on the sales responsibility level.

Figure 2

Sales Management Pay			
	25 th Percentile	Median	75 th Percentile
2003 Survey			
Sales Director/Manager	\$60.0	\$80.0	\$95.3
2004 Survey			
Sales Director/Manager	65.0	80.6	99.9
Sales Manager – Product Line	53.0	72.0	92.4
Sales Manager – National	49.5	85.0	100.0
Sales Manager – Regional	57.6	77.5	82.5
Sales Manager – District	44.0	55.5	76.1

2003 to 2004 Trends

The increase in the number of jobs makes it difficult to provide the “trend” information typically provided in this annual article. The

trend information reported represents changes from July to January only. The fact that the most common compensation adjustment time is January 1 suggests, however, that a good deal of the increases that would normally take place during the twelve-month period between surveys have probably already been made.

Overall, reported pay increased just more than 3.3 percent from the 2003 to 2004 surveys. By contrast, increases in the last full, twelve-month period were just under 3.1 percent indicating that a full year projection of more than four percent is likely.

As is typical, the range of increases varies by job families. Quality jobs were the only family to continue increases at a higher than average rate, with a second consecutive year of more than eight percent growth. Jobs in the information systems family increased at just more than 11 percent; however, this follows two years of slow

growth and suggests that this is only a correction. Rates for all engineering jobs continued slow growth of just over one percent for the second year in a row.

More about the survey program

Access to more data

MMA members now have access to two additional surveys that are part of MRC's HRInfoSeries™ program. The *Compensation in Michigan Service Industry Survey Report* provides data for jobs specific to the non-manufacturing sector, including finance, health care, non-profits and business services. With more than 250 jobs and 150 participants, this report provides a unique source of information for non-manufacturers.

The all-industry *Compensation in Michigan Survey Report* provides data on all 450 jobs in the survey program. This report, with more than 300 participants, allows users to compare across industries, as

well as providing a broader participant base both statewide and in the eight geographic areas of the state.

Prices and Ordering

The price of the new *Compensation in Michigan Manufacturing Survey Report* for MMA members is \$120 for participants and \$240 for non-participants; a 33 percent reduction for companies purchasing the two, formerly separate reports in the past.

Prices for the Service Industry edition are the same as the Manufacturing volume; the all industry report is available for \$275 for participants and \$450 for non-participants. ^{MMA}



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