

ENTERPRISE

News magazine for Members of the Michigan Manufacturers Association

November 1999

Automotive Supplier **Consolidation Trends**

**CASH COMPENSATION
SURVEY RESULTS** p. 3

**CONSISTENCY IN
MARKETING** p. 6

**LEGISLATIVE
ROUND-UP** p. 8

**WORKFORCE
DEVELOPMENT** p. 14

**Several Factors
Fuel Automotive
Supplier Mergers** p. 10



A Tight Labor Market Continues to Impact Michigan's Compensation Levels

By Ed Ura

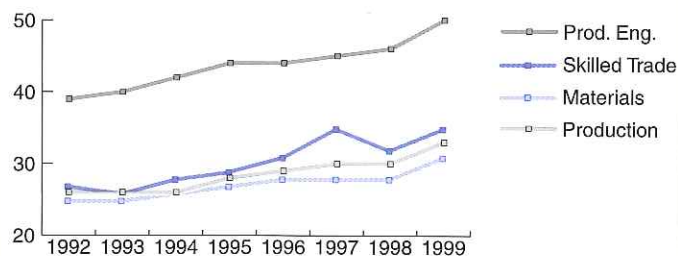
Employee compensation increased sharply in 1999, reflecting a higher level of competition for an ever-dwindling population of skilled workers at all levels of organizations. The trend, confirmed by government wage statistics, is expected to continue as long as the economy remains healthy. Specific information concerning compensation levels and trends in Michigan is now available to MMA members in the recently released 1999 MMA Cash Compensation Survey Report.

The MMA Cash Compensation Survey results found that base pay increased more than eight percent over levels reported in the 1998 study. This one-year change is the largest increase in pay levels in Michigan during the 1990s. Leading the increases were office clerical jobs, up nearly 15 percent from last year. The cost of secretarial help at all levels increased dramatically, with statewide median pay for secretaries increasing to \$26,000, and median pay for executive secretaries nearing \$35,000. Pay for skilled trades and plant technician jobs also increased sharply, with both job families increasing nearly 10 percent. Notably, the jobs in these three categories have much in common. All demand technical skills not typically acquired in college degree programs and often require independent thinking and decision making skills.

Exhibits I and II illustrate the movement in pay for job families in the office/administrative and manufacturing

environments. In all eight studies, the pay level for each job family is the average of the rates for all jobs in the family.

Exhibit 2

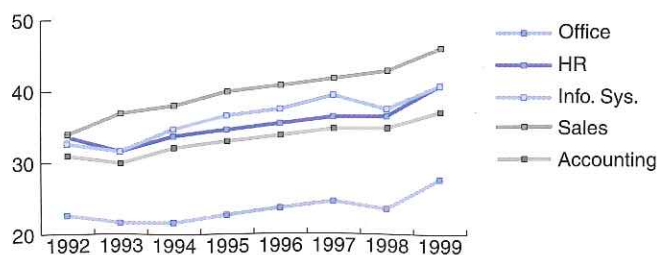


Sharp increases also occurred in individual management jobs, led by administrative functional heads such as Office (21%), Human Resources (17%) and Sales (12%), and manufacturing management, including Plant Managers and Superintendents (both up 11%), Quality (12%) and Product Engineering (8%).

Incentive Practices

Incentive practices among Michigan manufacturers remained consistent with prior years. About one-fifth of the employees studied participate in incentive plans, which typically yield payments of about 2.5 percent of base pay. Importantly, the survey noted a slow increase in incentive use. This finding is not surprising since the average

Exhibit 1



employer tends to be relatively conservative in the use of alternative compensation practices. It is, however, a sharp contrast to what both management and employees glean from news media.

Published news stories on incentive practices rarely reflect an appropriate point of comparison for all employers. For example, in a recent article in a national news publication, it was indicated that nearly two-thirds of all

A problem faced by nearly every employer is that they simply cannot find people with the abilities and dedication that they have recently defined as "essential."

employees participate in some type of stock ownership plan. Following calls from concerned employers, it was discovered that the report followed from a study of the 300 largest publicly traded companies, which collectively employ a very small percentage of the American workforce. In fact, most studies that find their way into the media—including those conducted by the Bureau of Labor Statistics—reflect the practices of "medium" and "large" employers (those with more than 500 employees). While medium and large organizations do employ nearly half the workforce, they comprise only one percent of all employing organizations. Thus, it is essential that employers also consider information that reflects their segment of the market.

Factors Affecting Increased Pay Levels

Organizational change and restructuring are partially to blame for the increased cost of labor. Management theory and popular literature have put a premium on a skill set that is in dwindling supply. This creates a labor market

Management theory and popular literature have put a premium on a skill set that is in dwindling supply.

situation that simply cannot be reversed, barring a major policy change in immigration or in birth rates. Neither, unfortunately, would be of much help for 18 to 20 years.

The moves toward workforce reduction, broadening responsibilities throughout the organization and employee "empowerment" have resulted in an increase in demand for not just technical skills, but—simply put—the ability to think and act in accordance with company principles and good business sense. In manufacturing firms, administrative and even professional responsibilities have been shifted from management to individuals whose prior roles were essentially clerical.

A problem faced by nearly every employer is that they simply cannot find people with the abilities and dedication that they have recently defined as "essential." The simple fact is that high schools often do not teach the very skills

that employers want in their entry-level employees. And there has been a major shift in the attitudes displayed by younger workers—they have a focus that is not in concert with "put the company first" which is the cornerstone of much of today's popular empowerment theory.

A second, and much more problematic situation, is that these new responsibilities are being foisted on the part of the population that is the least available to employers—the 18 to 24-year-olds. A tremendous amount of pressure is being put on a group that comprises only about 10 percent of the working age population in the United States.

In the state of Michigan, the "entry-level" population (18 to 24-year-olds) will increase slightly over the next five years and then begin a decline. This group's population will be lower in 2020 than it was in 1995. The Bureau of Labor Statistics estimates that in the decade of 1996 to 2006, employment needs in America will increase 14 percent, while the population in the workforce is only expected to increase about 10 percent. While the differential may appear small, one need only look at the hiring efforts of employers in counties such as Livingston and Washtenaw. Both have unemployment rates so low (about 2%) that there are virtually no employable individuals available.

This trend translates to a "sellers" market for employees. Already paid competitively—and taught to never leave a good job for less than a 20 to 25 percent pay increase—employees place companies in a difficult position. Much of a business' new hire compensation is above the pay levels of current employees, and in many cases, reaches or exceeds the maximum established pay ranges.

Despite the rapid rate of pay increases in the past year, many firms that do budget in the traditional manner are planning for smaller increases in the year 2000 than in 1999.

Planning for the Year 2000

Many organizations have moved away from the traditional pay planning approach, which generally amounts to reading projected pay increase budgets of other companies and following suit. Despite the rapid rate of pay increases in the past year, many firms that do budget in the traditional manner are planning for smaller increases in the year 2000 than in 1999. The following table illustrates total pay increase budgets for 1999 and 2000:

Employee Group	Actual 1999 Budget	Projected 2000 Budget
Professional/Management	4.3	4.1
Clerical/Support	4.2	3.9
Hourly/Production	3.9	3.7

Survey Enhancements for 1999

The format of the survey and report remain the same as in previous years; some changes in job classifications were made to provide a higher degree of accuracy. Two jobs were


added in the sales area—senior sales representative and national/major accounts manager. Senior professional levels were also added in the accounting, purchasing and quality functions, and management jobs were added in field service and laboratory areas.

***Knowledge is Power:
Those with information will know
how to react to changing conditions
and will be able to anticipate
problems likely to occur in
the coming year.***

Knowledge is Power

The MMA Human Resource Survey provides Michigan manufacturing employers with the most comprehensive source of information concerning labor market details and trends. It is often said that "knowledge is power," and in human resource planning it is a fundamental truth. Those with information will know how to react to changing conditions and will be able to anticipate problems likely to occur in the coming year. As previously noted, most major publications cite studies that are simply not relevant to the majority of employers. While it may be interesting to know the emerging creative approaches to employing corporate attorneys in Fortune 500 companies, it will be of little help to a tool and die shop in Alpena searching for an administrative assistant.

Companies should examine survey data to determine whether their pay is competitive in the various demographic groups that are relevant to them. The Cash Compensation Survey provides information on 103 jobs ranging from entry-level clerical to middle management. Data is provided in eight different revenue groups, eight regions, three major industry groups and seven specific industry groupings. Instruction on using the data is provided in the introductory materials provided.

The data in MMA's surveys is useful because of member companies' high participation level. Whether your company plans on purchasing a copy of the report or not, participation increases the value of the database to the entire membership, as well as the competitiveness of the Michigan manufacturing community. To order your reports, call Management Resource Center, Inc., at 248-362-6745. 



Ed Ura is president of Management Resource Center, Inc. (MRC), in Troy, Michigan. MRC is an independent consulting firm offering business and compensation strategy, along with planning, research services and management consulting. For more information, call 248-362-6746.

How Competitive is Your Company?

For more than seven years, MMA has partnered with Management Resource Center, Inc. to track the compensation and benefit trends occurring in Michigan manufacturing. By surveying manufacturers of various sizes throughout the state, the following reports provide a comprehensive and reliable measure of what is happening in the area of cash compensation, incentive plan participation, benefit options and human resources policies.

■ **1999 MMA Cash Compensation Report**

Contains the most sought-after information about compensation in Michigan's manufacturing industry.

■ **1998 MMA Employee Benefits Survey**

Contains information about employee benefit practices, including data on the cost of health insurance coverage and new benefit options in Michigan's manufacturing industry.

■ **1999 MMA Executive Compensation Survey**

Includes data on base salary and total cash compensation levels, incentive plan participation, supplemental benefit programs and executive perquisites for various executive positions.

■ **MMA Human Resources Policies and Practices Survey**

Reports on the current trends, practices and issues faced by human resource professionals in manufacturing.

■ **1999 MMA H.R. InfoSeries**

Includes the cash compensation, executive compensation, and H.R. policies and practices reports.

Each report is available individually at a cost of \$80, or the entire *1999 MMA H.R. InfoSeries* can be purchased for \$200.

For more information, or to purchase a copy of any of these reports, contact Daniel L. Fisher of the Management Resource Center, Inc., at 248-362-6745, or via e-mail at dlfisher@mrc-consulting.com.