



September 26, 2017

HEC Releases 2017 Salary Adjustment Survey

Hawaii Employers Council is pleased to release the results of its 2017 Salary Adjustment Survey. The survey was conducted between July and September 2017. A total of one hundred ninety-seven (197) organizations shaped the results of this year's Survey Report. Participating organizations provided actual data that reflected the previous 12-month period (7/1/2016 to 6/30/2017) and the next projected 12-month period (7/1/17 to 6/30/2018) by various employee groups,

- Executives
- Exempt
- Office & Technical (non-union)
- Office & Technical (union)
- Production & Service (non-union) and
- Production & Service (union).

Average Pay Adjustments

Survey participants reported that the **average 2017 actual increase** in Hawaii is 2.9% percent for all employee groups. The median reporting at 2.9%, is slightly lower than the U.S. median which is at 3.0%.

The **average 2018 salary adjustment projection** for all employee groups is 2.4%, with the median reporting at 3.0%, which matches the U.S. median. This is the third year where salary adjustment median projections for Hawaii are aligned with the U.S.

COMPENSATION HIGHLIGHTS

In addition to reporting data on salary adjustment, participants were requested to provide responses to questions focused around employee recruitment and retention, workforce classification, benefit cost impacts, compensation practices and programs.

• **Employee Recruitment and Retention**

Attracting and retaining key talent is top of mind for all organizations, including survey participants. The top four tools participants utilized to recruit and retain workers are:

- Market adjustments / increase to base salary
- Employee referral bonus
- Noncash recognition and rewards
- Exempt overtime pay or time off

Recruitment/Retention Tools	%
Market adj./increase to base salary	35.0%
Employee referral bonus	28.9%
Noncash recognition and rewards	23.9%
Exempt overtime pay or time off	16.2%
Spot bonus (individual)	15.7%
Paying above market	15.2%
Sign-on/hiring bonus	14.7%
Special cash bonus/group incentives	12.2%
Retention/stay bonus	9.6%
Project milestone/completion bonus	8.1%
Larger merit increase budgets	7.1%
Separate salary structures	7.1%
Stock grant programs	3.0%
Stock option program	1.0%

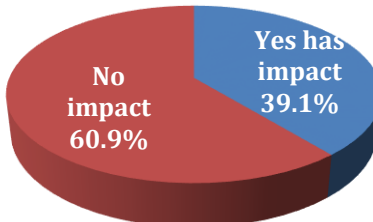
• **Salaried Non Exempt Jobs**

Over one third, 35.5% of the organizations that participated have jobs and/or employees classified as Salaried Non Exempt. Of these Salaried Non Exempt jobs, 71.4% are compensated based on annual salary and the remaining 28.6% are compensated based on an hourly rate.

• **Effects of Healthcare Cost**

Although rising health-care costs continue to be of concern, a majority of participating organizations report that health-care costs will not impact base salary budget recommendations.

Healthcare Cost Impact on Salary Budget Recommendations



COMPENSATION PRACTICES

- **Lump Sum Payments**

The data indicates the use of lump sum payments in lieu of salary adjustments is not a prevalent practice in Hawaii. Only 12.7% of participating organizations reported that they use this practice. The median lump sum payment calculated at 2.5%.

- **Promotional Increase**

Promotional increase data was provided by 39.1% of survey participants. The median promotional increase calculates at 3.0% for the current actual and projected periods.

- **Base Pay Increase Type and Dates**

The most prevalent base pay program continues to be "Performance-Based/Merit" for all job categories. The most prevalent practice for when salary adjustments are granted continues to be "Common Date for All Employees" for all job categories.

- **Base Pay Target Levels**

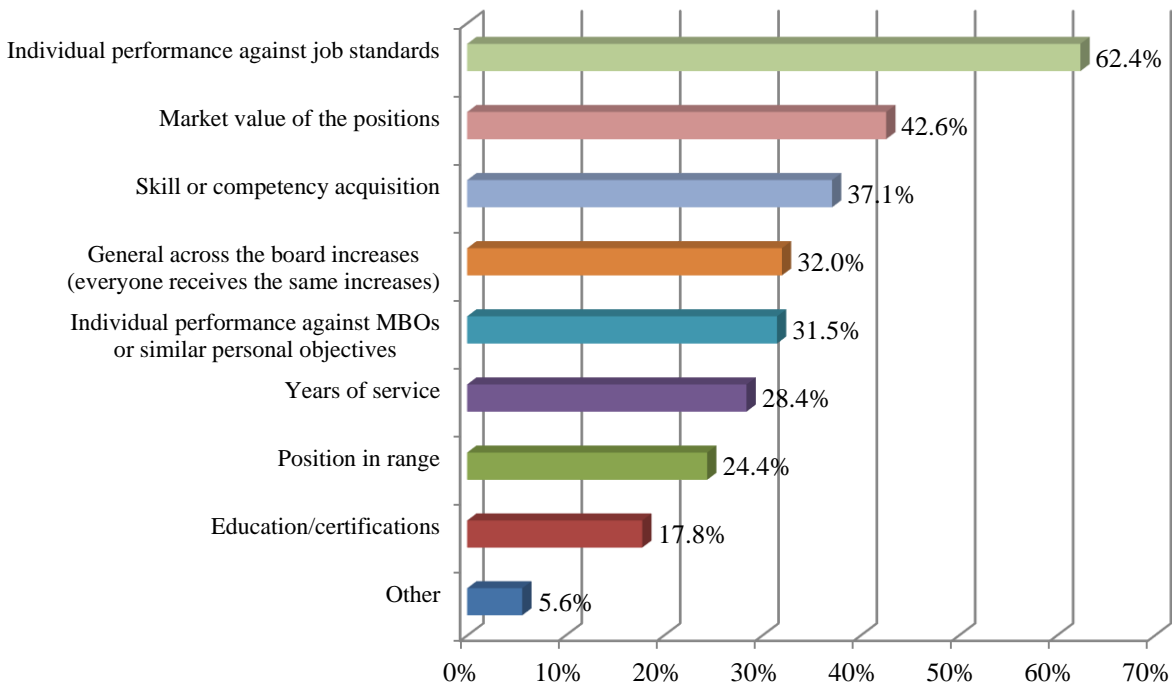
Participants were asked to share benchmark points where organizations use to target base pay levels in comparison to the market. The data indicates that for most organizations that have a base pay practice, most benchmark at the median (or 50th percentile). As a reference point, according to a WorldatWork Survey, most organizations pay between the 40th and 60th percentile of the market.

- **Salary Adjustments**

The top three methods for determining base salary adjustments used among the one hundred ninety seven participating organizations are:

- Individual performance against job standards
- Market value of the positions
- Skill or competency acquisition

Determining Factors for Base Salary Adjustments

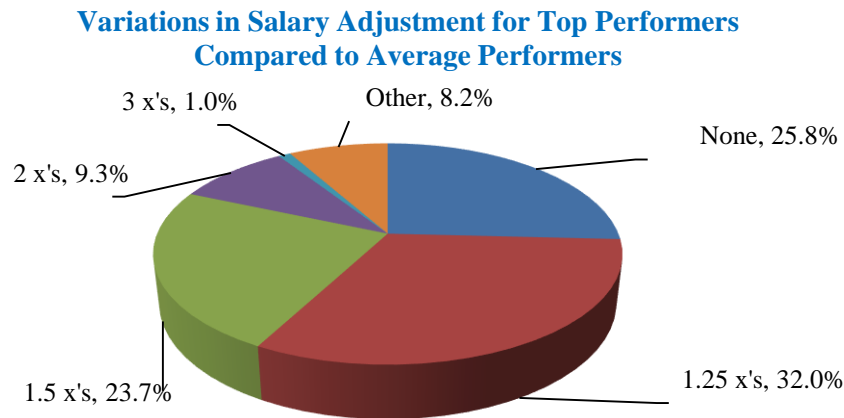


- **Salary Adjustment Variations**

Some organization have a practice of varying salary adjustments depending on the performance level of their workers. For organizations that reported having variations in their salary adjustment based on performance, the top three variations were reported offered to top performers compared to average performers were reported as:

- 1.25 times
- 1.5 times
- 2.0 time

A quarter of survey respondents (25.8%) reported having no variation and pay approximately the same adjustment for all employees.



COMPENSATION PROGRAMS

- Performance Incentive Plans**

The data shows that 38.1% of the organizations have a formal performance incentive plan for their Exempt employees, followed by 32.5% for their Executives and 21.8% for their Office & Technical Non-Union employees.

The median percent incentive award paid out between 7/1/16 to 6/30/17 was 11.8% for Executives, 6.7% for Exempt and 4.5% for Office and Technical Non-Union employees. Incentive plans which are paid out annually are the most prevalent for all work group categories.

- Performance Management Program**

80.7% of the participants reported that they have a formal performance management program within their organization and 19.3% reported that they do not formally assess performance.

Of the organizations that have a formal program, 63.5% share the performance rating results with their employees.

Performance Management Program	%
We have a formal program with a performance rating that is shared with the employee	63.5%
We formally assess performance, but do not assign a performance rating	13.2%
We have a formal program to assess performance, however we are considering the elimination of performance reviews	3.0%
We have a formal program with a performance rating, but the rating is not shared with the employee	1.0%
No, we do not formally assess performance	19.3%

- Employee Ranking**

Most organizations (68.6%), do not rank their employees as part of their performance management program.

Of the organizations that use performance ranking, 23.1% of the managers rank their own employees and do not integrate their rankings with other managers' teams/units.

The remaining 8.4% integrate their rankings with others managers' rankings or with all employees of the organization.

Employee Ranking	%
Managers rank their own employees, but rankings are not integrated with other managers' teams/units	23.1%
Employees are ranked, and those ranking are integrated with ranking of employees of other managers or the entire department/division	5.8%
Employees are ranked, and those ranking are integrated with rankings of all employees of the organization	2.6%
No, we do not rank employees	68.6%



• **Performance Rating**

A little more than half (51.9%) of organizations reported that salary adjustments are tied to the employee's performance rating.

Salary Adjustment Tied to Performance Rating or Ranking	%
Salary adjustments are tied to the employee's performance rating	51.9%
No, salary adjustments are not tied to the performance rating or ranking	37.8%
Salary adjustments are influenced by each employees' ranking	10.3%

Having three to five levels of Performance Ratings is the common practice for most participating organizations.

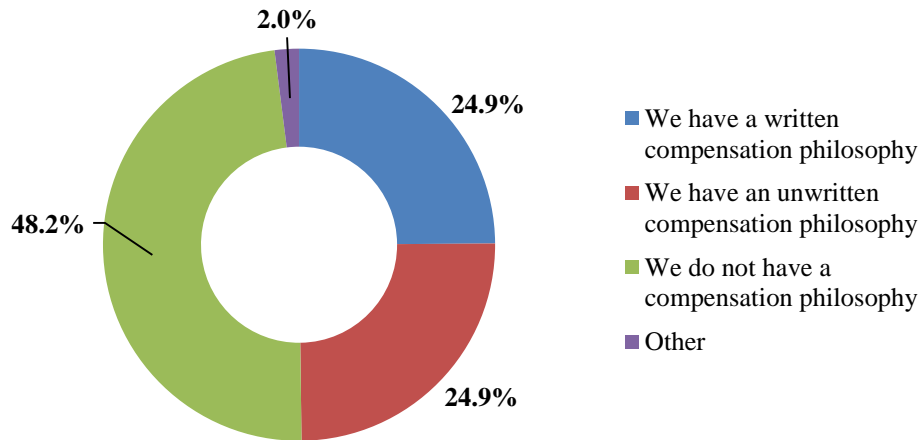
Levels of Performance Ratings	%
Five	38.2%
Three	26.5%
Four	16.9%
Six or more	11.8%
Two	6.6%

• **Compensation Philosophy**

An organization's compensation philosophy is management's understanding of where base pay fits within the organization's business strategy and culture. It identifies who is the organization's market and how competitive the organization wants to be.

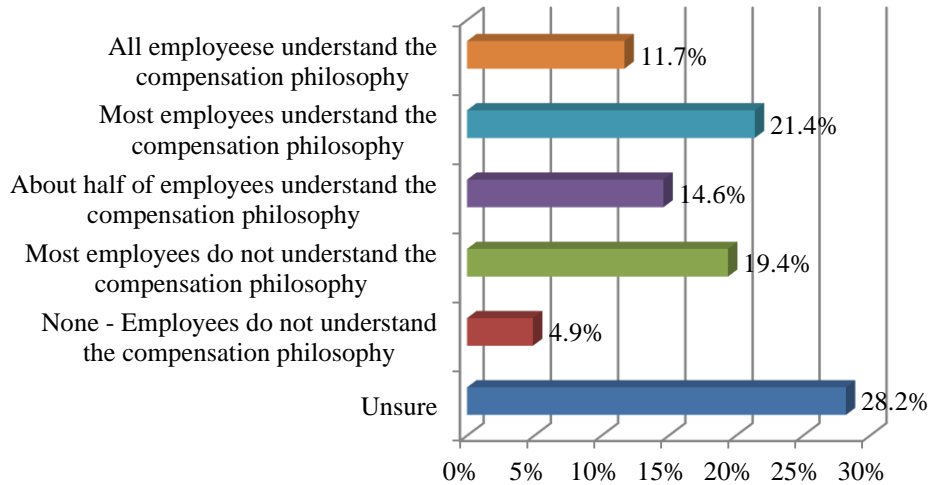
Nearly half of survey respondents indicated that their organization has some form of compensation philosophy, with 24.9% indicating it is in writing and 24.9% indicating that their compensation philosophy is unwritten.

Organization's Compensation Philosophy



Of the organizations that have a compensation philosophy, many are unsure of their employees' understanding of that philosophy.

Extent of Employee's Understanding of the Compensation Philosophy



- Formal Pay Structure**

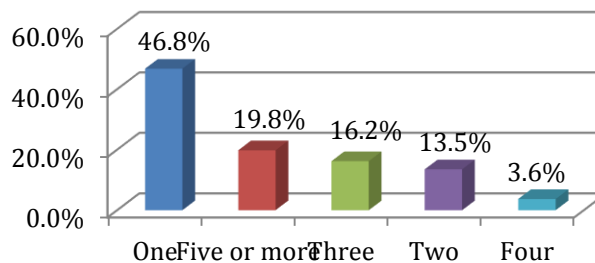
An organization's salary structure is a hierarchy of pay ranges with established minimum and maximums. Organizations identify control points (often the mid-point) within each salary range. As a general rule, a percent increase is generally applied to the control points to adjust the salary structure. The data outcomes indicate medium to large sized organizations typically have a formal pay structure in place as a guiding tool to manage base pay levels.

Employee Count	%
1,000+ employees	91.3%
500 to 999 employees	100.0%
100 to 499 employees	70.6%
Less than 100 employees	38.9%

In this year's survey, 56.3% of the organizations utilizing a formal salary structure reported a 1.9% average and 2.0% median increase to their structures. The National WorldatWork 2017-2018 Salary Budget Survey Report indicates a national average and median increase of 2.0%.

Of those organizations with formal pay structures, 46.8% have one formal pay structure, while the remaining 53.2% have more than one formal pay structures.

Number of Formal Pay Structures



- **Relative Value of Jobs**

Survey respondents indicated that the top three methods to determine relative value of jobs within an organization are Market Pricing, Classification and Ranking.

Methods to Determine Job Value	%
Market pricing	62.9%
Classification	45.2%
Ranking	17.8%
Unsure	11.7%
Other method	10.7%
No method in place	10.7%
Point factor	6.1%

HEC conducts a variety of compensation and benefits surveys to provide data useful in developing and administering compensation and benefit plans, and personnel policies. Custom snapshots and comparison reports from our compensation surveys are available, along with customized, proprietary surveys conducted on your behalf. Our Survey & Compensation experts can also work with members on employee opinion surveys to identify gaps between being an employer of choice and being merely an employer. For more information, please contact Cathy Keaulani, Survey & Compensation Services Manager (ckeaulani@hecouncil.org), or Susan Amuro, Survey & Compensation Analyst (samuro@hecouncil.org).