

**For Senior Corporate
& HR Executives**

THE HAY REPORT

***Compensation & Benefits
Strategies for the Future***

***Gaining Competitive
Advantage Through Strategic
Reward Programs***

INSIDE THE HAY REPORT:

Major findings on changing compensation practices, including:

Hay Forecasts for the year ahead

Emerging Trends in salary, total cash & incentives; salary administration; benefits; & executive compensation

Industry Benchmarks including pay levels for executives, managers, & professionals; & budget plans for nonexempt & exempt workers & executives

PLUS results of special research on:

- Linking reward programs to competitive advantage & superior customer service
- Reward strategies for supporting mergers, acquisitions, & strategic alliances

HayGroup

Hayes Annual Strategic Report for Senior Corporate and HR Executives...

How do you get from strategy to results? What is the true key to competitive advantage?

In recent years, many companies have fallen into the trap of trying to achieve competitive advantage through downsizing alone. Some have come to realize, however, that it's not so much getting rid of people; it's getting more out of people and aligning reward practice with the other major processes in the organization that produce the best results.

In this annual strategic report for senior corporate and human resource management, we examine the changing role of reward and recognition practice in North America today, along with key market trends and benchmarks for:

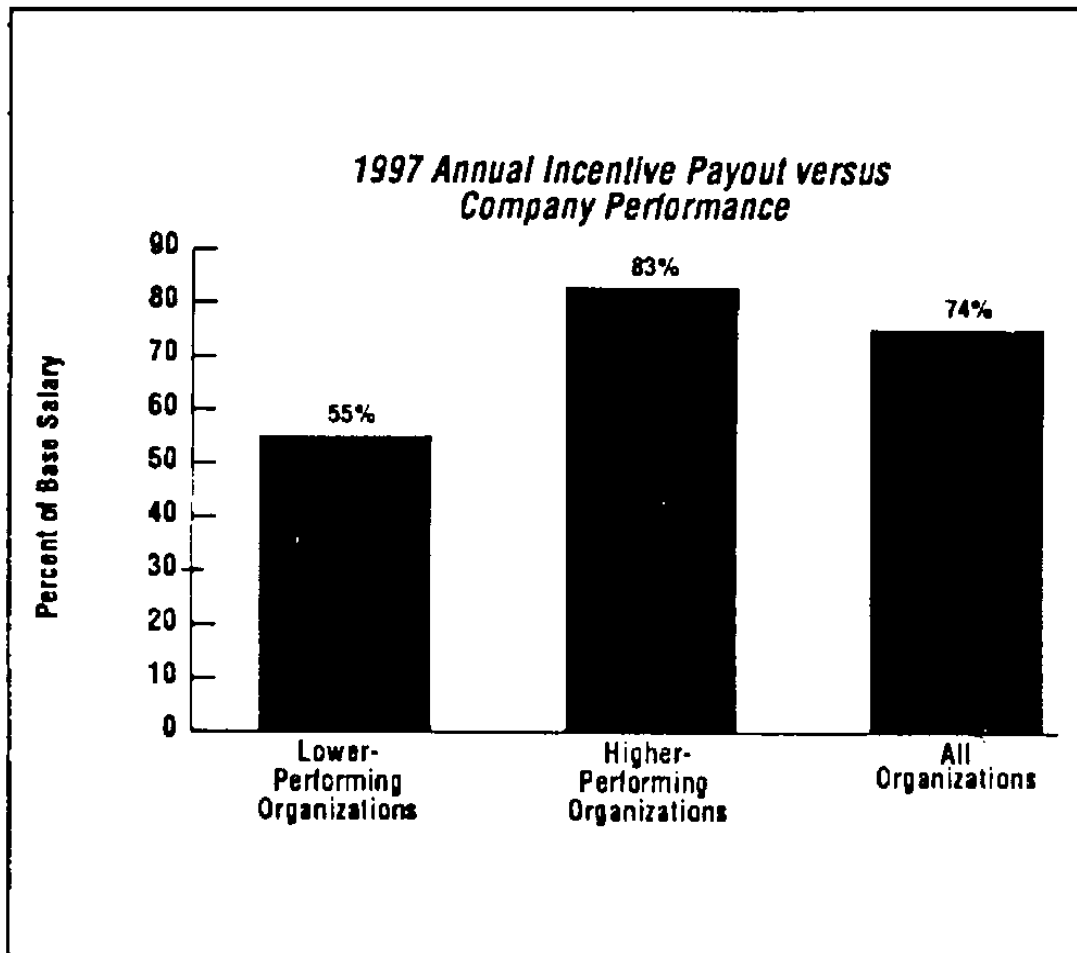
- salary, total cash, & innovative incentives
- salary administration
- executive compensation, and
- benefits practice.

Drawn from Hay's exhaustive *Hay Compensation Report*, *The Hay Benefits Report*, and the Hay Reward Practice conference series, **The Hay Report: Compensation and Benefits Strategies**, provides you with access to valuable findings on reward trends for executive, exempt, and non-exempt employees that have the most significant impact in corporations today.

Strategic Reports

In its 200 pages **The Hay Report** also provides important benchmark data for comparing your own reward practices with others. Findings are presented by job level and role and represent the practices of thousands of organizations. Included are Hay's forecasts of increases and changes you can expect to see in the year ahead in base salary and total cash compensation, as well as:

- findings on the top priorities of human resource and compensation departments nationwide;
- insights on new directions in compensation and HR strategies;
- changing worldwide compensation and pay level practices for global employers.



Why You Should Use This Report

This annual update on compensation, benefits, and salary administration practices is both a strategic management tool and a benchmarking resource, prepared for senior corporate and human resources executives and compensation and benefits managers.

It has been designed to help corporations remain up to date on: emerging industry pay standards; changing salary levels for senior management, middle managers, journey professionals and entry-level professionals; what other companies are doing when it comes to new incentive programs; and what employees think about current pay and performance practices.

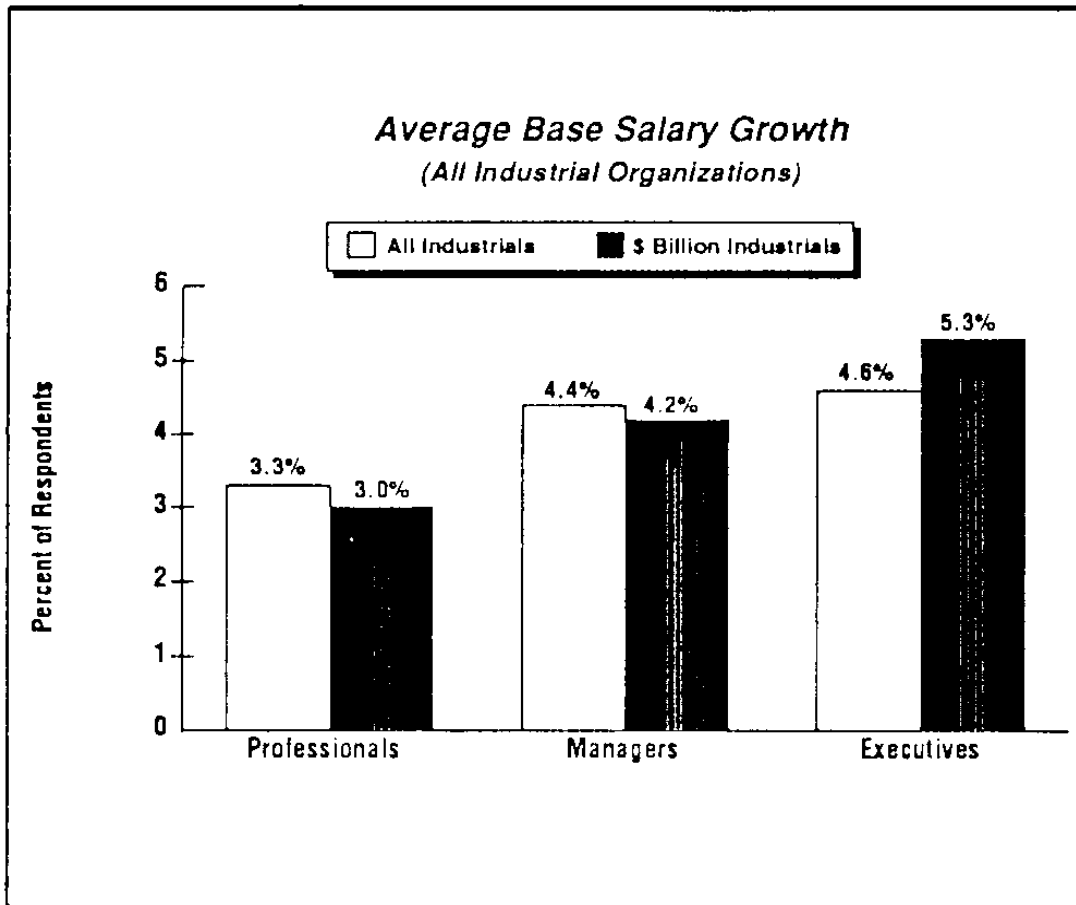
It also highlights changing trends in the tactics of using compensation to support efforts to achieve competitive advantage.

Highlighting New and Emerging Trends, Benchmarks and Forecasts for the Year Ahead

The **1998 Hay Report** offers a comprehensive picture of the state of compensation and benefits practice, as well as comparative benchmarks and key forecasts of important changes you can anticipate in the near future. In this management planning document, you will learn about a long list of trends, strategies, and tactics to use.

Compensation Trends, Strategies, Tactics

- Up-to-date Hay forecasts of growth trends in base salary, total cash compensation, and real economic growth for the year ahead.
- What other compensation executives rate as their most important strategic reward programs, as well as the external business issues that most directly affect their organizations.
- Projected median salary structure increases for the months ahead for nonexempt, exempt and executive employee groups.
- Trends in • cash compensation through variable pay • employee retention • globalization's impact on compensation • executive pay • and HR and the Internet.



Compensation Trends, Strategies, Tactics

- Prevalence of practice changes in innovative incentives, including which programs are being linked to larger change efforts.
- Emerging trends in key areas of general benefits practice.
- Compensation benchmarks for over 40 top executive positions.
- Trends in executive salary and total cash compensation.
- Tactics for competitive advantage, as well as a model for aligning rewards with the way work is evolving in your organization.
- Redesigning and implementing compensation programs following acquisitions, mergers, and strategic alliances.

Compensation Trends, Strategies, Tactics

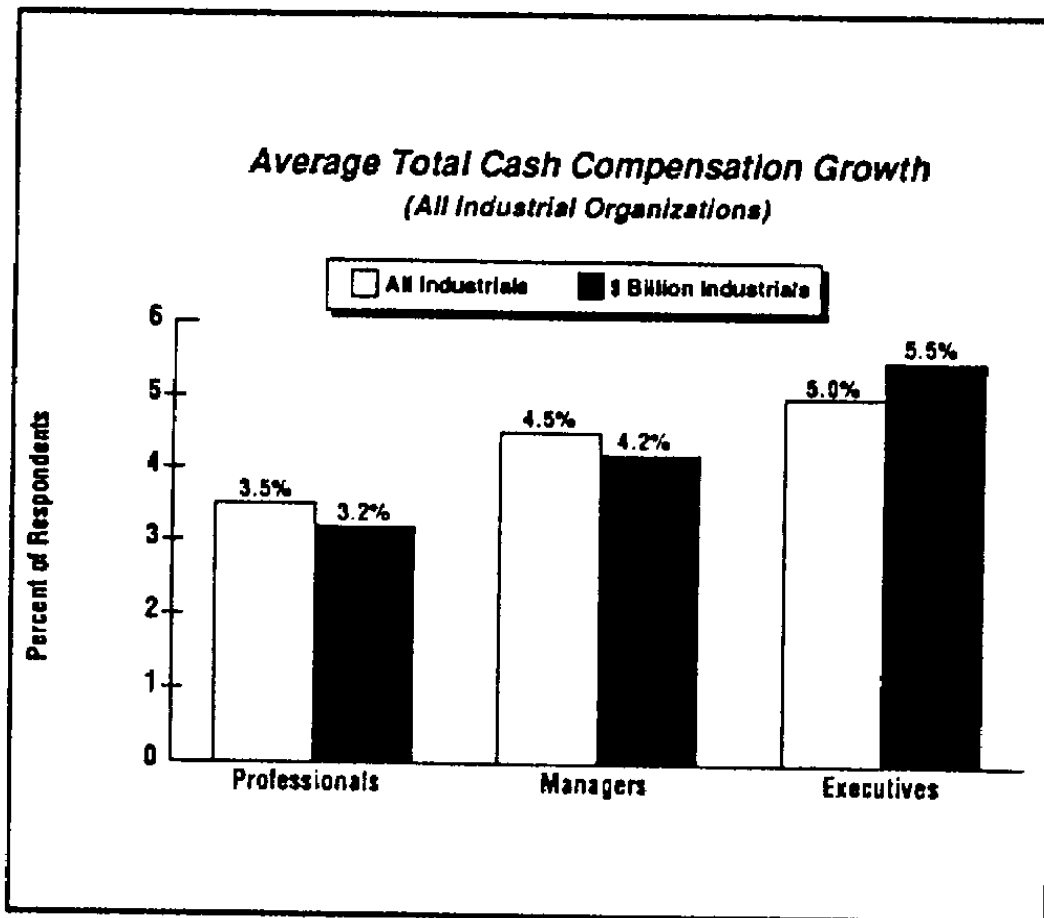
- Identifying and overcoming barriers to HR department agility and effectiveness.
- The best ways to use pay to support a corporate strategy of building focus on the customers.
- What organizations across the country rate as their “hottest jobs”--those which are in extremely high demand, hard to fill, and hard to price.
- How HR will be affected by the Taxpayer Relief Acts
- Results of special Hay research into the links between organization and reward change.

Report Contents

I. EXECUTIVE STRATEGIC OVERVIEW

Strategic Reward Programs and Competitive Advantage

This summary of new Hay research capsulizes emerging compensation, benefits, executive compensation, and salary administration trends and examines the shifting strategic environment in pay and benefits. It also highlights our current work on identifying the major processes and programs that help you sustain a high-productivity organization, as well as provides information on current prevalence for specific strategic reward programs.



II. SALARY, TOTAL CASH, & INNOVATIVE INCENTIVE TRENDS AND BENCHMARKS

Salary & Total Cash Trends

New benchmark research from the *Hay Compensation Report* survey of employee groups in hundreds of U.S. organizations showing total cash growth trends and current pay levels for executives, managers, and professionals. What the research also shows about changes in target total cash compensation (TCC) and performance-based variable pay plans. Data on total compensation is included for manufacturing, consumer products, petroleum, chemical, insurance, and utility sectors at selected job levels.

Innovative Incentive Trends

Results of a survey of over 300 organizations in the U.S. and Canada of current and planned shifts in variable pay practices, including the increasing use of distinct types of variable pay arrangements. Shows prevalence of practice changes for such compensation approaches as pay for competencies, pay for quality, team-based pay, gainsharing, group incentives, spot awards, lump-sum payments, and more. Plus:

- Which programs have been more popular with employees.
- Which have helped improve performance.
- Which were linked most frequently to larger change efforts.

Includes data on incentive eligibility at executive, managerial, professional (seasoned), and professional (entry) levels, and average incentive payouts by base salary and performance levels, as well as average incentive payouts versus targets in lower and higher performing organizations.

III. SALARY ADMINISTRATION TRENDS AND BENCHMARKS

Salary Structure and Budget Increases

What a survey of over 400 industrial organizations showed about coming changes in base salary, salary budgets, and salary structures for three employee groups, including executives, exempt, and nonexempt employees. Results include anticipated average base salary growth ranges at professional, managerial and executive levels.

IV. MARKET TRENDS AND BENCHMARKS

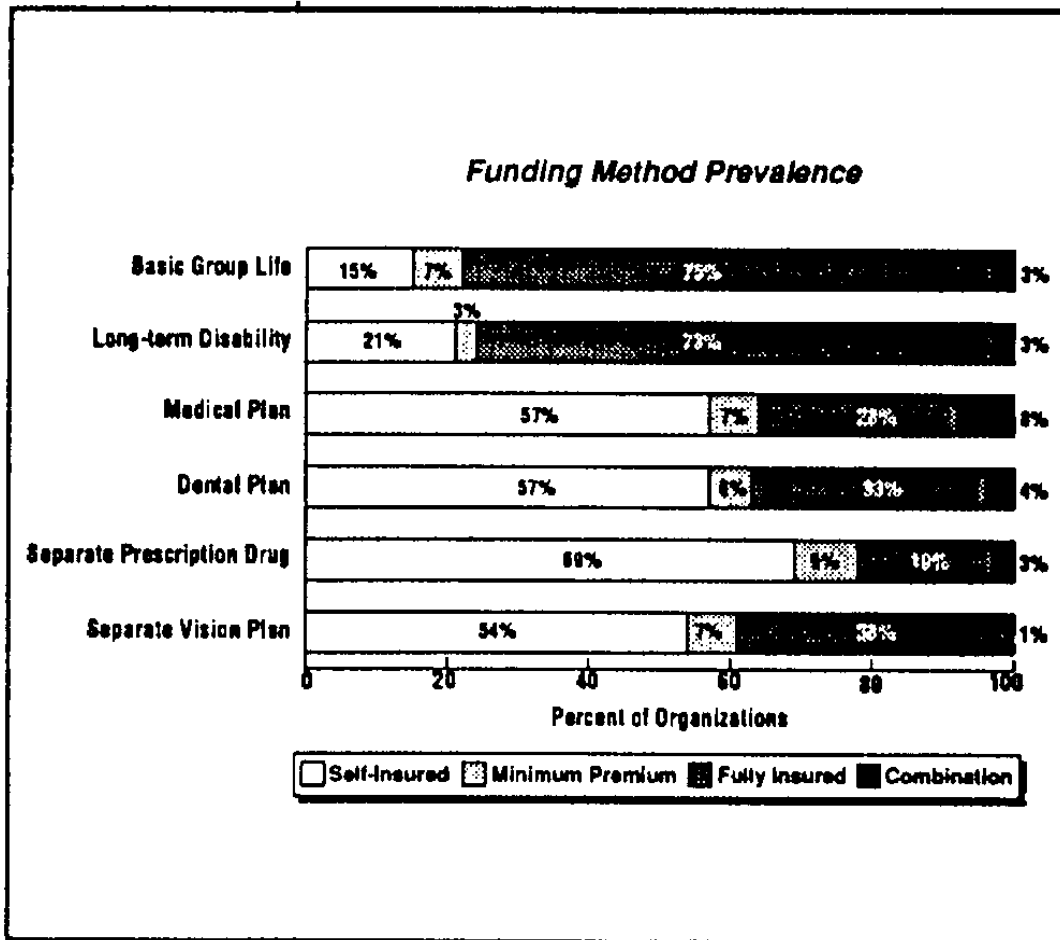
Market Trends and Traps

An analysis of current key HR trends and the potential problems each may cause you in the near future. What you should know about: **1. The changing mix of cash compensation through variable pay** and projected incentive plan changes for professionals, managers, and executives. Three characteristics your variable pay plan must have in order to work. **2. Retention of key employees** and how companies today are starting to use such old tools as retention bonuses, worklife, and homelife strategies in new ways. **3. Globalization of pay** and the problems you will face over the next decade as global talent markets cause pay levels and components to blend to the point where country differences no longer exist. **4. Executive pay** and why it has reached current levels. **5.** HR processes and the Internet, and how the Internet will cause you to reexamine the way you do work, deliver services, and handle employee communications.

General Practice Trends

Detailed prevalence of practice findings from the latest *Hay Benefits Report* summarizing emerging trends in key areas of corporate benefits, including:

- Total benefits costs
- Holiday and vacation policies
- Personnel policies
- Sickness and disability benefits
- Executive benefits and perquisites
- Flexible benefits programs
- Capital accumulation plans
- Health care plans
- Group life coverages
- Defined benefit pension plans



V. EXECUTIVE COMPENSATION TRENDS AND BENCHMARKS

Executive Compensation Overview

Highlights from a *Hay Executive Compensation Report* survey of nearly 8,000 executives in more than 550 organization operating units that provide an analysis of compensation trends for CEOs and other selected executives.

Salary and Total Cash Compensation

A comprehensive compensation analysis you can use to compare your pay program with current industry standards for over 40 executive positions. Compensation components detailed include base salary, annual incentives, total cash compensation, long-term incentives, and total direct compensation.

Long-Term Incentives

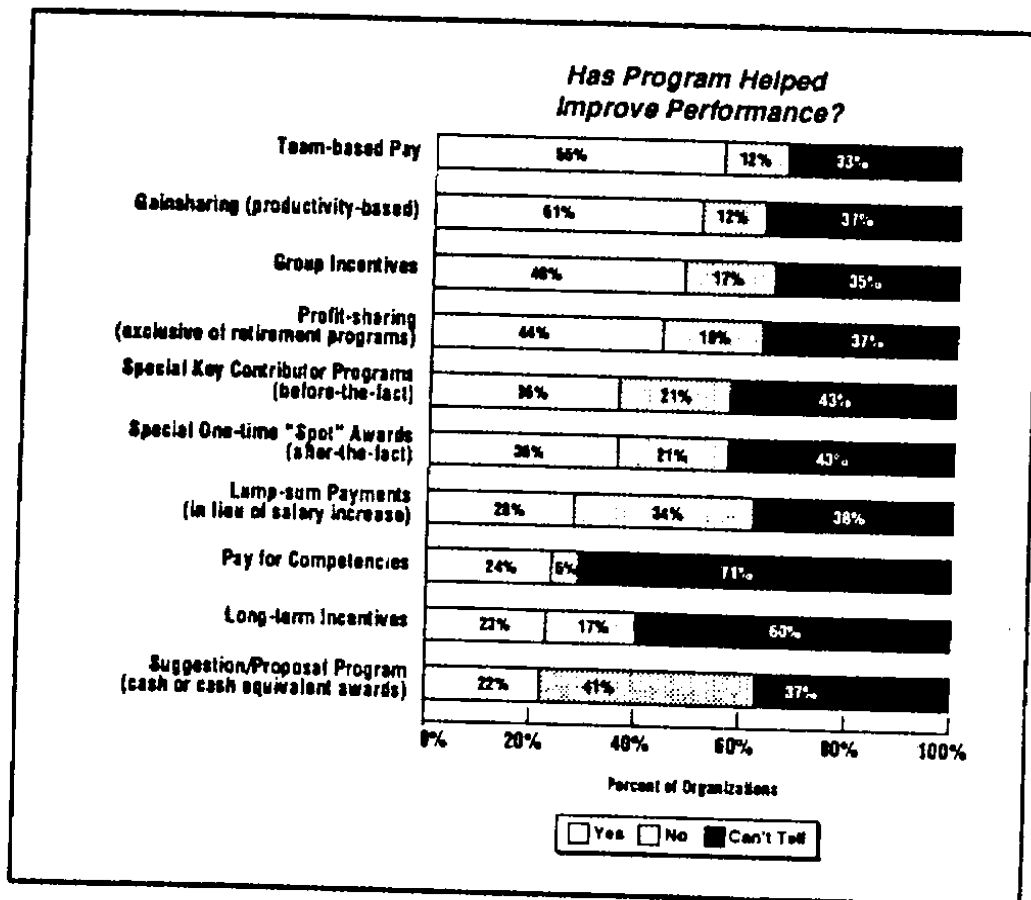
Long-term incentives are shown both at their grant values and present values. Eligibility is detailed by long-term incentive vehicles.

VI. HAY FORECASTS: 1998 AND BEYOND

Annual Salary Forecast

What changes we anticipate in general economic conditions, including real economic growth and how they are likely to influence compensation trends. As you begin to examine your own compensation policies for the year ahead, what you should know about Hay forecasts for:

- **Base Salary** growth trends for professional, managerial, and executive level employees.
- **Total Cash Compensation** growth trends and impact that likely overall profit growth will have on incentive payouts.



VII. NEW DIRECTIONS IN COMPENSATION AND HR STRATEGIES

Tactics of Competitive Advantage

What does it take to motivate, develop, and focus a work force to gain true competitive advantage? How do you start to put together a complete organization that can compete effectively? How do you use reward and recognition programs to most effectively support corporate strategy? What are the seven prime areas you need to focus on to achieve competitive advantage?

VII. NEW DIRECTIONS IN COMPENSATION AND HR STRATEGIES

Implementing New Reward Systems in Acquisitions, Mergers, and Strategic Alliances

How compensation planning can be used to overcome barriers in a merger or acquisition. What steps senior HR management can take to identify barriers to implementing the merged organization's total remuneration pay philosophy. How to use compensation and benefits to change people's behavior and support the mergers goals and strategies.

VII. NEW DIRECTIONS IN COMPENSATION AND HR STRATEGIES

Achieving Competitive Advantage through Agility

What can you do to make the organization more agile and able to respond more quickly to market needs? How can you overcome the four barriers to the HR department's own agility and position HR as a business partner and internal consultant? Why it's important to make information more effective and to develop more flexible reward tools.

VII. NEW DIRECTIONS IN COMPENSATION AND HR STRATEGIES

Achieving Competitive Advantage through Customer Intimacy

How to align reward programs to support an organization that wants to become customer focused. What are the pay vehicles and reward programs which best reinforce this strategy? Can you tie pay to changing the behaviors of all levels of employees in the organization?

Hot Jobs Survey

The results of Hayes “hot jobs” survey, including the types of jobs which are in extremely high demand and whether internal equity appears to be an issue across different job levels. What programs are being considered for addressing this concern.

International Compensation

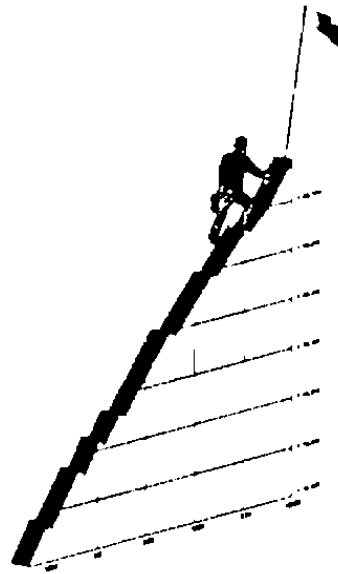
A concise overview of compensation worldwide which examines current pay levels for local nationals; allowances and benefits provided by employers and governments abroad. The report includes selected comparisons against U.S. data.

Organization and Reward Change Survey

What a survey of over 200 organizations discovered about links between organization change and reward change. What were the most common principles guiding reward change?

Successful Organizations Will:

- Align Work Processes
- Hire, Retain and Develop Employees
- Link Compensation to:
 - Business Goals,
 - Performance &
 - Competencies
- Pay Globally!



About The Hay Group

The Hay Group--serving more than 7,000 clients through over 35 countries in over 75 office networks--is a leader in helping organizations achieve their strategy through people. Operating around the world, Hay works with clients to solve their critical business and HR issues. (See services below.)

To order **The Hay Report: Compensation and Benefits Strategies:**

Susan Hale, Report Coordinator
Center for Management Research
55 William Street
Wellesley MA 02181
or call (781)239-1111

FAX: (781) 239-1546

The complete report costs around \$500.

HayGroup

How can you avoid being trapped in reward programs that could undercut your organization's effectiveness?

As a senior executive, what should you know now about emerging compensation trends--and potential problems--in variable pay, employee retention, and globalization of pay?

What can you learn from successful companies about using compensation to sustain a high productivity environment and create competitive advantage for your organization? Why is it crucial that you begin to align your rewards practice with the organization's other major processes and programs?

These are among the issues we address in **The Hay Report: Compensation and Benefits Strategies**. This annual strategic update for senior human resource management examines reward practice trends and traps, as well as the shifting strategic environment in pay and benefits. Drawn from proprietary research encompassing thousands of companies and hundreds of individual compensation plans, this 200-page analysis provides you with a comprehensive benchmark of pay and benefits across U.S. business and industry.

The Hay Report Features:

- up-to-date salary and incentive data by job level and role;
- forecasts for the year ahead of base salary and total cash compensation percentage increases;
- current Hay research on the top priorities and concerns of HR and compensation departments nationwide;
- the results of Hay's "hot jobs" survey on hard-to-fill, hard-to-price positions and the pay equity issues they raise;
- salary administration, executive compensation, and long-term incentive research showing key trends and changes;
- special sections on global compensation practices, compensation trends in Canada, and the Taxpayer Relief Act of 1997.

The Hay Report also provides analyses for senior management which identify new directions in compensation and HR strategies, including:

- compensation and the tactics of competitive advantage;
- effective reward systems in acquisitions, mergers, and strategic alliances;
- achieving competitive advantage through organizational agility and customer intimacy.

This unique source of new ideas and comparative data should prove invaluable as you plan your compensation and HR programs for the year ahead.