

Plateau Compensation™

People. Performance. Results.

The current global recession is expected to result in profound, lasting changes in corporate decision-making. Companies and organizations – and this cuts across all sectors: for-profit, non-profit, government – have been very proactive in managing fixed costs in this volatile environment. Industry experts believe they may choose not to restore salaries to their previous levels when the economy turns around. These organizations will emerge from the recession with a lower cost structure and well positioned to competitively price their goods and services.



Which country pays the highest wages in the world, and what is the U.S. rank?

- Trivia Question from the
2009 Pocket World in
Figures

What does this mean for compensation trends going forward, and the future of Plateau Compensation? Here are six trends that will likely play prevalent roles in the upcoming years.

1. Overhauling Pay for Performance

There is increasing urgency for companies to tighten up their pay-for performance programs. In the current recessionary environment, employees have been asked to take on more, with no change in compensation, as workforces have downsized. As business recovers and more employment opportunities emerge, increasing employee turnover rates will make it even more critical that companies recognize and reward their high potentials and top performers. Most companies' today **claim** they pay for performance, but without the appropriate tools, it is likely that they are not highly effective at delivering on this goal.

2. Challenge in Differentiating Top Performers

Base pay programs will no longer be the primary vehicle for paying for performance. Merit pay increases are likely to remain in the low single digits for the foreseeable future, resulting in small merit budget pools. This makes it increasingly difficult to financially differentiate top performers from average contributors.

3. Shifting of Entitlement Programs

Companies will use the current economic climate to eliminate profit-sharing and gain-sharing programs. It is generally believed that these programs do not influence employee behavior in the workplace, and thus have little correlation with financial results. These types of entitlement programs are either being moved to 401(k) programs or eliminated.

4. Broadening Variable Pay Programs

Employee eligibility for variable pay programs will continue to broaden globally; eligibility is likely to be extended to contractors and part-time employees. Variable pay programs refers to bonus programs tied to company financial results, and special purpose plans such as patents, spot awards, and project completion bonuses.

5. More Formulaic and Complex Bonus Plans

Bonus plans will become more formulaic and complex. Metrics will be aligned top to bottom in the organization, and will no longer pay on dollar one. Plan measures will include a threshold, below which no bonus will be paid. For instance, a bonus plan tied to operating margin may not trigger a bonus until operating margin reaches 10%.

6. Increased Scrutiny of Compensation Decisions

Compensation Committees of the Board of Directors and shareholders are becoming increasingly involved in compensation decisions. Since compensation comprises 50% or more of most companies' operating expenses; senior management will be under increasing scrutiny to show that salary dollars are being spent strategically.

What does this mean for Plateau Compensation?

- Increased participation in bonuses and special purpose incentive plans = greater administrative burden on HR staff; and these staffs were likely downsized as a result of the current downturn.

- Bonus plans will stretch the limits of excel worksheets with more complex plan designs that include thresholds, caps, accelerators, and multiple financial measurement points.
- HR staffs spend a disproportionate amount of time administering special purpose reward programs such as project completion bonuses, retention bonuses, employee referral bonuses, sign-on bonuses, patent awards, and spot awards. As these programs gain in popularity, it will become increasingly urgent to deploy a business process tool to manage them.
- Compensation planning tools that can be configured to reflect the organization's desired variable pay plan designs **within the tool** will reduce administrative workload, increase the accuracy of payouts, and have the most compelling value proposition in the marketplace.
- As a result of increased Board and shareholder scrutiny, senior management will be more likely to understand and embrace the return on investment of compensation planning tools.

Plateau Compensation has variable bonus planning capability that is the best in the industry.



Norway averages the highest pay per worker at \$39.12 USD per hour. The **U.S.** is ranked 14th at \$25.26 USD per hour.

For more information, please contact us or request a demonstration at:

Phone: +1.866.4PLATEAU (U.S. & Canada), +44 (0) 203.1788.409 (International)
info@plateau.com | www.plateau.com

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