

ERI UPDATE



ECONOMIC RESEARCH INSTITUTE NOTES TO SUBSCRIBERS

BROADBANDING

During the past year, ERI researchers have addressed audiences at dozens of HR association meetings, many sponsored by ACA's Group Partnership Network. (ERI always pays its own expenses as we find these 30 - 45 minute presentations the most effective way to describe our research activities and meet subscribers.)

Topics common to 1995 meetings have included:

- Trends seen from collected surveys
- Salary budget increases for 1996 (*with/without variable pay*)
- Retaining key employees & maintaining competitiveness
- Glass Ceiling and Reasonable Compensation litigation
- Using the Internet, MSN, and research data availability

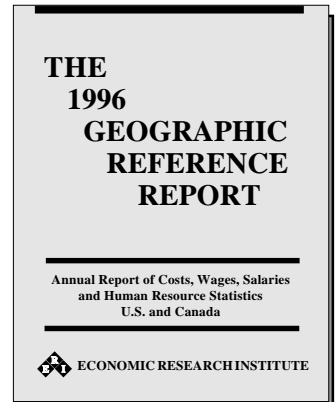
Common questions from the audience always include several related to "broadbanding". And while ERI doesn't provide consulting, our research is affected by this new trend. (Reported ranges are becoming so broad in surveys as to be meaningless and have caused us to now use standard error in the **Salary Assessor** to assist with minimum & maximum estimates.)

What is "broadbanding"? At its simplest, it's taking the 30 to 40 salary grades used in an organization and expanding their ranges so that the numbers of grades are decreased dramatically.

For past years' subscribers who have not yet renewed for 1996, a Second Renewal Offer for next year accompanies this Update. To conserve cost, ERI sends out the next year's offer with the last two editions of each year's subscription.

THE 1996 GEOGRAPHIC REFERENCE

Annual Report of Costs, Wages, Salaries & Human Resource Statistics U.S. and Canada



A report covering 298 U.S. and Canadian cities is scheduled for release 10/15/95. Local salary medians for 88 positions (as compiled from 2,750 surveys & data sources) are updated to 1/1/96 for planning purposes. Although there are 200,000,000 PC's in the U.S. and Canada, the Reference still remains ERI's most popular research product. New cities in the 1996 Reference include:

- | | | | |
|-------------------|--------------------|-------------------|------------------|
| Bridgeport | Albany | Elkhart | Salisbury |
| Danbury | Idaho Falls | Rochester | Florence |
| Norwich | Pocatello | Greenville | Brantford |
| Melbourne | Twin Falls | Nashua | |

BROADBANDING COMMENTS

- "Compensation in the mid 1990s is the art of negotiation and motivation; confrontations over grade assignments are always a lose - lose situation. How much we pay depends on results."*
- "A need for change precedes the need for consulting; broadbanding was invented by consultants who need work. It's anarchy!"*
- "We can do so much better a job today in competitively pricing our jobs, broadbanding is all that we need to achieve fairness."*
- "Invented by Associations to create seminar revenues."*
- "Job evaluation plans designed for banks in the 1950s or metal shops in the 1930s don't stand the modern day tests for pay equity; broadbanding is an approach invented by equal pay needs."*
- "Broadbanding allows us to develop parallel career paths for almost all our workforce. Management isn't the only way to the top."*
- "It allows us to transfer personnel between jobs without the historic arguments regarding pay; it does what's best for the organization."*

Old Grades	New Bands	Broadbanding	
		<i>Eliminating the Traditional "Many-Grade" System</i>	
36	12	Owner/President	
35			
34	11	Operating Officers	Managing Directors
33			
32	10	Vice Presidents	Directors
31			
30	9	Assistant Vice Presidents	Senior Consultants
29			
28	8	Directors	Consultants
27			
26	7	Senior Managers	Senior Advisors
25			
24	6	Managers	Advisors
23			
22	5	Supervisors	Specialists
21			
20	4	Foremen/women	Senior Technicians
19			
18	3		Senior Clericals
17			
16	2		Technicians
15			
14	1		Clerical Personnel
13			
12			Semi-Skilled Workers
11			
10			
9			
8			
7			
6			Unskilled Workers

DOS PC "SPACE"

As our research adds cities/areas, **Assessor Series**[®] memory requirements are increasing, running against the tide of systems with "nested" utilities. Windows[®] 95 will solve this. Present DOS disk space and memory required:

ERIGA	673k disk space	(memory	512k RAM)
ERIRA	1,192k disk space	(memory	512k RAM)
ERISA	1,300k disk space	(memory	512k RAM)
ERIBA	525k disk space	(memory	512k RAM)
ERICA*	5,400k disk space	(memory	640k RAM)

*Consultants' Assessor requires installation.

1996 INCREASES

ERI predicts 4.5 % U.S. merit budgets, 2.5% Canadian, .5 - .7% higher than reported surveys, many of which do not take into account "variable pay" or 1995's aggressive hiring environment.

COMMENTS OVERHEARD

ERI exhibited the **Assessor Series**[®] at the ACA Conference (Washington, DC), the ERC (Nashville), the CCA (Vancouver), the ASTD (Dallas), the AMA (Chicago), the NASPE (Dover), and the SHRM (Orlando) Conferences during May - July, 1995. Overheard comments that are leading to more research and thought include:

"The Microsoft[®] Network really works. IBM's hostile takeover of Lotus is proof positive. Existing on-line services co-opting the U.S. Justice Department is another."

"Compensation Managers should report to the Board and CEO much like an Audit Committee. Payroll control is one of the few real tools top management has."

"Betting on the upside in these days before a tax rate change is very aggressive."

"Health care reform is dead. It will be 100 years before the Democrats forget the issue that brought their 40-year rule of the Congress to an end. Look for U.S. medical spending to go from 14% of GNP to 25%. Older voters don't really care."

"You can't trust salary increase surveys in this era of variable pay. One should look at merit increase budgets in non-variable pay companies. Otherwise, the numbers are just too distorted to trust."

"Canadian unions are devising their own custom and content valid job evaluation plans so that fair and just pay might be received by all relieving management"

"Why is every 1996 National Association Conference in Las Vegas?"

"I bet there are less than 500 true compensation analysts left in the Country. H.R. demands are making everyone a generalist. PCs have replaced much of the analysis that used to be done manually. Manufacturing work measurement has disappeared into Asia. Comp needs process & negotiation, 'soft skills', rather than quantitative expertise. Industrial engineers are forever replaced by communications specialists."

ALSO WORTH REPEATING

In reviewing 1,000s of salary surveys, we often read prose that renders, "I wish I'd written (said) that." The IRC - Employers Council (Salt Lake City) surveys contain (author unnamed) just such a paragraph:

"Please exercise caution when using the information reported as you would with any survey data. Our report is only one of many tools decision makers can use when considering compensation questions. Each company is unique and a manager must evaluate many business factors when preparing compensation recommendations. Among the factors that should be considered are your firm's profitability, competitors' costs, internal pay equity issues, industry market conditions, long term business projections as well as the labor cost content of your company's goods and services Salary levels can and should vary between individuals and between firms. The median and average rates are NOT the correct rates for any company"

We are Planning to Change Our Name

(*sic* of)

ERI's legal name is being changed from

 **Economic Research Institute**

to that of:



Economic Research Institute, Inc.

Everyone calls us "ERI" our products' "go words" begin with "ERI". Nothing else will change except the addition of:

The Microsoft Network ⇒ *eri*

Internet ⇒ <http://www.eri.com/~eri>

All directories will list the "eri" initials first. Pending legal approvals, this change will be effective 1 January 1996.

ASSESSOR SERIES[®] NOTES

Changes which affect **Assessor Series**[®] programs are:

- 1) The exchange rate (Screen 3) calculation in *erira i* is now modified. The "hidden" **International Assessor's** calculations for 1,400 foreign locations as found in the **Relocation Assessor** have been altered per subscriber requests and suggestions.
- 2) **ERI Assessor Series**[®] products are designed to run in DOS mode. Like all DOS-designed programs, you will obtain the best results if you run **Assessor Series**[®] software from the DOS prompt. Click on the "MSDOS" icon in the Windows[®]95 Start Folder or the Windows 3.x Main Group.
- 3) August 24, 1995 found **Assessor Series**[®] "pages" on both the Internet and The new Microsoft Network. Development work regarding Windows versions of all programs is ongoing.
- 4) (CC) by a city name indicates "city center" in the **Geographic Assessor** and "combined city" in the **Relocation Assessor**.

NOTES REGARDING METHODOLOGY

SAME JOB, BUT DIFFERENT SALARY?

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The Institute's primary focus since its inception has been the derivation of geographic pay differential equations. Our first article on the subject, "Geographic Differences in Salaries Within the United States", Personnel Journal (Sept 1974) is now more than 30 years old. (If interested, also see "The Effective Use of Geographic Pay Differentials in Controlling Compensation Cost", Compensation & Benefits Management (Summer 1990) for a 15 year history. Problematic for some twenty (and before) years has been the norm (horizontal axis) against which area structures are derived.

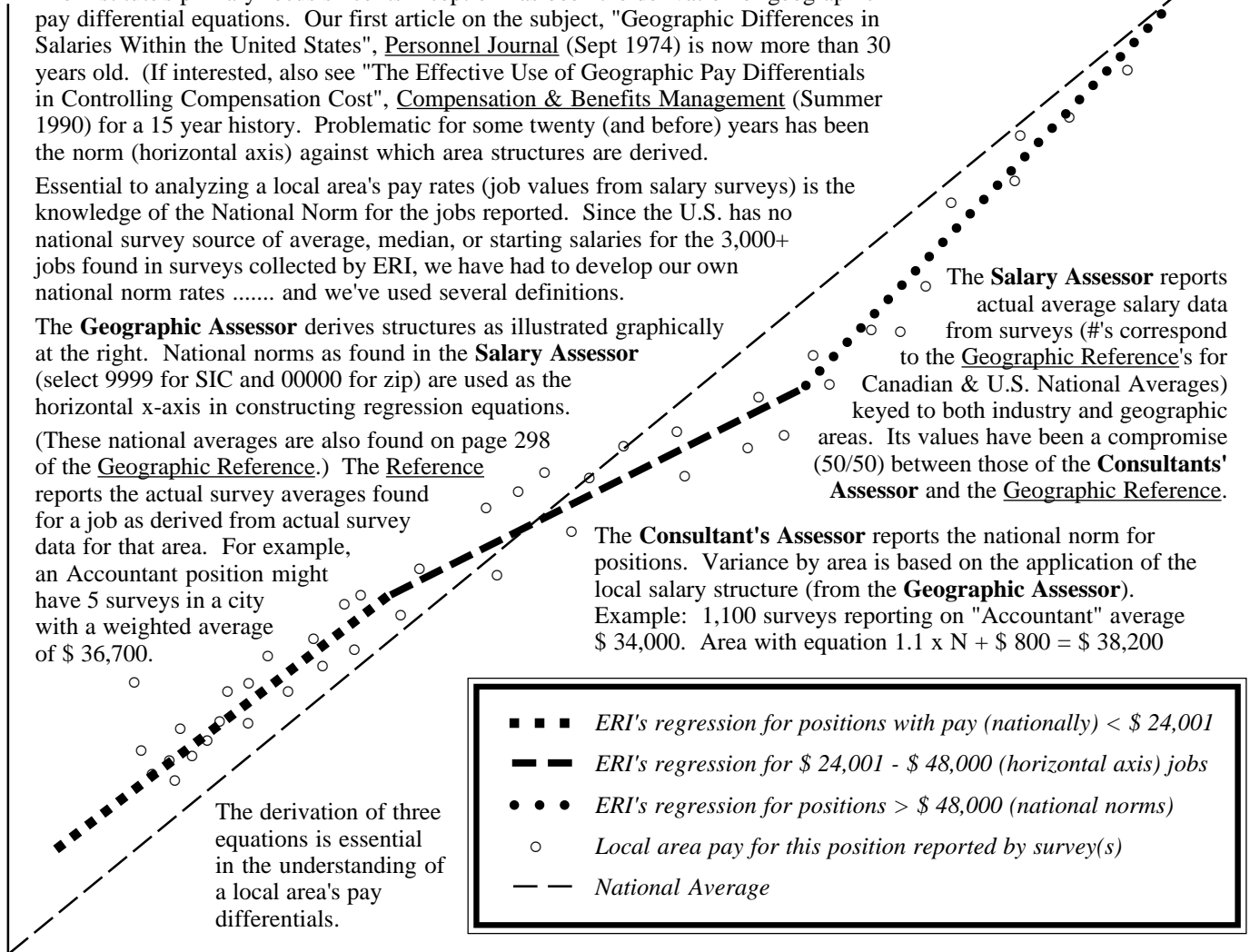
Essential to analyzing a local area's pay rates (job values from salary surveys) is the knowledge of the National Norm for the jobs reported. Since the U.S. has no national survey source of average, median, or starting salaries for the 3,000+ jobs found in surveys collected by ERI, we have had to develop our own national norm rates and we've used several definitions.

The **Geographic Assessor** derives structures as illustrated graphically at the right. National norms as found in the **Salary Assessor** (select 9999 for SIC and 00000 for zip) are used as the horizontal x-axis in constructing regression equations.

(These national averages are also found on page 298 of the Geographic Reference.) The Reference reports the actual survey averages found for a job as derived from actual survey data for that area. For example, an Accountant position might have 5 surveys in a city with a weighted average of \$ 36,700.

The **Salary Assessor** reports actual average salary data from surveys (#'s correspond to the Geographic Reference's for Canadian & U.S. National Averages) keyed to both industry and geographic areas. Its values have been a compromise (50/50) between those of the **Consultants' Assessor** and the Geographic Reference.

The **Consultant's Assessor** reports the national norm for positions. Variance by area is based on the application of the local salary structure (from the **Geographic Assessor**). Example: 1,100 surveys reporting on "Accountant" average \$ 34,000. Area with equation $1.1 \times N + \$ 800 = \$ 38,200$



ERI uses U.S. national averages for all U.S. comparisons and Canadian \$'s averages for Canadian regressions. ERISA and ERICA values equal for zip 00000/AAA and SIC 9999.

SMALL SAMPLE OF SALARY ASSESSOR'S 3,120 BENCHMARK POSITIONS	SALARIES
BANK TELLER	15237.
ELECTRONICS ASSEMBLER	18815.
ACCOUNTING CLERK	18956.
BOOKKEEPER	20865.
CONSTRUCTION WORKER	23888.
COMPUTER OPERATOR	24173.
ADMIN ASSISTANT	24262.
DATA LIBRARIAN	24948.
DRAFTER	25579.
CARPENTER	28831.
ELECTRONICS TECHNICIAN	29453.
ACCOUNTANT	30858.
ENGINEER, STATIONARY	32019.
BIOLOGIST	37096.
CHEMIST	37111.
BENEFITS MANAGER	37131.
ENGINEER, MECHANICAL	44623.
ENGINEER, ELECTRICAL	47982.
EDP MANAGER	48467.
CONTROLLER	50938.
ENGINEER, CHEMICAL	53939.
ATTORNEY, STAFF	58033.
ENGINEERING MANAGER	60287.
CHIEF CREDIT OFFICER	62127.
PLANT MANAGER	64577.
FLOOR BROKER	66287.
PETROLEUM GEOLOGIST	68568.
DISTRIBUTION DIRECTOR	72357.

SALARY ASSESSOR ESTIMATES

The issue facing the Institute in presenting an estimated salary for an Accountant in the banking industry vs. the credit union industry is that it can use the averages from collected surveys (if any exist), the national norm for that position varied by the overall differential derived for an industry and/or geographic area, or a combination of the two. In early 1995, ERI experimented with the latter (combinations) in the **Salary Assessor**. For 1996, it will use the former. If surveys do not exist, **Salary Assessor** estimates will match those of the **Consultants' Assessor** with national averages altered by equations/structures for time, industry, and geographic variances.

GUIDELINES FOR USING ASSESSOR SOFTWARE

Running Programs from a floppy drive

Place the **Assessor** diskette in a floppy drive (A: or B:). Make this disk drive your current drive by typing A: or B: and pressing <. Type the **Assessor's** short name (e.g. *ERIGA* for the **Geographic Assessor**) and press <. Type *eri* for the **Assessor Series® Demonstrator** (a:>eri and then <). The **Consultants' Assessor** uses the c:> a:\install and < command. (Remember: When running a program from a diskette, do not remove the diskette from the floppy drive until you have completely quit out of the program.)

Running Programs from a hard drive

The speed of disk Input/Output operations will be greatly enhanced if the **Assessor** is executed from a hard drive. Assume your hard drive specifier is C: and the directory in which the **Assessor** will be installed and used is \ERIGA (e.g. *ERIGA* for the **Geographic Assessor**). Make your hard drive the current drive: type C: and press <. If the directory \ERIGA does not already exist, create it. Type MD\ERIGA and press <. Make \ERIGA your current directory. Type CD\ERIGA and press <. Insert the **Assessor** diskette in a floppy drive (assume it's A:), type COPY A:*.* and press <. For future runs, the **Assessor** diskette is no longer needed (keep it as a "backup"). Note that the **Consultants' Assessor** can only be executed from a hard drive.

Geographic Assessor

- To receive help from any of the 9 screens, press the ` key. | # to move to any Screen.
- Use the < key to move on after inputting data, the exception being:
- Use the ^ and ^ keys to move from screen to screen in Screens 7 and 8. < moves the cursor to another "row". Each screen is numbered in the upper left hand corner.
- Use the ° key to move to a previous screen or to exit a help screen. § to Screen 7.
- To exit the program, use | Q if in Screens 4 through 9 or use ° if in Screens 1 through 3.
- In Screens 7 and 8 you may simultaneously make up to 99 comparisons onto one table (with the ability to save, load, or print). ~ allows printing to either a printer or disk file.
- Save and load your data in Screens 7 and 8 to and from a file; use the • and - keys.
- All functions in Screens 7 & 8 may be executed through the menu brought up by the ` key.
- Insert a line in Screen 7 or 8 with use of the ± key; use the µ to delete a city.
- Use ' key in Screens 1, 2, 7 and 8 to select a city from a listing by state, province, or county.
- ™ overrides the \$99,999 limits in Screen 4, converts values to in Screens 7 & 8.
- | S provides a listing of survey sources for that city/area's state or province.
- ~ prints graphs of Screen 5 and/or 6 to HP laser compatible printers.
- The ° key from Screen 4 takes one back to Screen 3.
- Use "National" or "Canadian National" or zz00, zz10, zz10- as standard "Base Cities".

Salary Assessor

- Now a simple 5 Screen program packed with data for 3,000+ positions.
- The | Q keys provide exit from the program; | S for survey sources (if c:\eriga present).
- To receive help from any of the main screens, press the ` key.
- Use the < or § < keys to move within Screen 4 or 5; ^ ^ to the next or prior screen.
- All **Assessor Series®** programs store data (positions & cities) alphabetically.
- Use the " key to delete data in any entered line.
- § ¥ usually inserts a position above a line; § □ inserts below.
- Use ' ^ keys to view a listing of all positions containing a key word or title.
- Screen 4 allows for a benchmark listing of positions in any one location in any industry.
- Screen 5 allows for listing of salaries for one position in multiple locations.
- Full position descriptions present if c:\erica (Consultants' Assessor) is installed.

Relocation Assessor

- To receive help from any of the 9 screens, press the ` key. | # to move to any Screen.
- Use other commands as described in the **Geographic Assessor** directions (above).
- Use the ° key to move to a previous screen or to exit a help screen or menu.
- To exit the program, use | Q if in Screens 3 through 9 or use ° if in Screen 1 through 3.
- You may save and load your data in Screens 6 and 8 to and from a file. Use the • and - keys.
- ' key in Screens 1, 2, 4, 6, 7, 8 & 9 selects a city from a listing by country, state, province or county.
- Use the ~ key to print an analysis in either Screen 4, 6, 7, or 8 to either a printer or a disk file.
- Use the ^ ^ keys to escape the Exchange Rate Screen.
- ~ prints graphs of Screen 5 to HP laser compatible printers.
- To analyze just 4,000+ Canadian & U.S. cities, type a:>erira; to review an additional 1,400+ international areas, type a:>erirai (reviews all cities in database, international, Canadian, and U.S.).
- Screen 7, for calculation of a Fixed and Variable Rate automobile allowance per Rev Rul. 90-34.
- Screen 8, a summary city listing of lodging and meals & incidentals with a shortfall analysis.

Benefit Assessor

- Contains revised highly compensated definitions for discrimination checks required by new U.S. Tax Code changes.
- § provides a menu of commands.
- To receive help from any of the main screens, press `.
- > provides Benefit Statements from Screens 3 & 4.
- œ provides COBRA letters from Screen 3 (Status must be "C").
- - searches for any employee's name.
- - provides details regarding benefit plan eligibility rules.
- ~ allows for the importing/exporting of employee data in Screen 3.
- ™ clears all assignments of benefit plans to employees and reassigns all plans per eligibility and participation rules in Screen 4.
- Any screen of the **Group Benefit Assessor** may be printed.
- The § Menu allows printing of an Employee Census, a 125 Plan document, SPD, and IRS, DOL & COBRA submission letters.

Consultants' Assessor

- Select among individual position analyses, benchmark listings, reasonable accommodation reports, executive compensation, and/or workforce demographic analyses.
- The | M keys provide a menu; the | Q keys provide exit from the program/subprograms.
- To receive help from any of the main screens, press the ` key.
- Use the < ^ ^ keys to move within; § < to the next screen.
- Other | commands include | E which assesses your PC's memory. All **Assessor Series®** programs store data (positions & cities) alphabetically. The clue to finding a memory problem is the ability to access only first letters of the alphabet (e.g., jobs up to "M's").
- Use the | M or § keys if in doubt if in doubt of a command.
- Use the " key to delete data in any entered line.
- When a description is displayed, use the ^ ^ ^ to scroll through.
- The **Executive Compensation Assessor** is incorporated in the **Consultants' Assessor** with salary & bonuses for the top 6 positions.
- The prior **Workforce Demographic Assessor** is also incorporated.
- An abbreviated version of the prior **Reasonable Accommodation Assessor** is also incorporated in the **Consultants' Assessor** diskette.
- Uses a revised format with top of screen keys.
- Data is in a "packed" form and requires installation to a hard disk.
- Use the ¥ □ © | * to shift to different program functions.

Notes

No basic *.exe changes are made for 10/1; all work is focused on Windows®95 release.

All 1995 **Assessor** software have an "icon" file (*.ico) which reproduces one of the icons below:



Assume ERIGA (**Geographic Assessor**) is installed on your hard drive (c:). To Install ERIGA.ICO for Windows: Microsoft®

- 1) In Windows select "New" from "Program Manager's File" menu; or select the Option or Change Properties line.
- 2) Select "Item".
- 3) Click "OK" (bringing up the "Properties" box/line).
- 4) Type "ERIGA" at the "Title/Description" prompt.
- 5) Type "ERIGA.EXE" at the "Command Line" prompt.
- 6) Type "C:\ERIGA" at the "Working Directory" prompt.
- 7) Click "Change Icon" (bringing up "Change Icon").
- 8) Type "C:\ERIGA\ERIGA.ICO" at the "File Name".
- 9) Click "O.K." (two times).

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