



ECONOMIC
RESEARCH
INSTITUTE

ERI UPDATE

NOTES TO SUBSCRIBERS

Looking Ahead to 1998

Inflation at 2.2% (lowest since 1963), U.S. unemployment at 4.8% (lowest since 1974), stock market at 8000 (highest ever), merit budget forecasts unchanged again (+/- .1% of 4.0% U.S., Canada 3.0%), stock option plans' retention features working, gainsharing effective, interest rates stable, GDP growing at 5.6%⁺; that's the "good" news in late 1997! The disquieting:

- 10 - 15% salary increases for key performers.
- graduate starting salaries up 4.0-9.5% over the previous year (this % comparable to salary structure increases, not merit).
- budget reductions via the use of "variable pay plans" for individual, performance-based salary increases; acceleration of turnover rates among key performers and managers.
- increases of other turnover rates also; larger corporations again training grounds for mid and small sized firms.
- labor unrest (UPS strike).
- cost efficiencies gained via shifting from pension to profit sharing and from indemnity to HMOs have stabilized; future labor cost reductions must now come from direct pay.
- resources for new ventures and products due to increased capital and corporate well-being - requiring key skills (a glorious era for recruiting/search firms).
- salary structures moving .3%⁺ faster/higher than expected (implying that salary/merit budget forecasts are suspect).
- signing incentives have become common, often "masked" as cost of living bonuses/allowances; although software industry bonuses (in the \$100,000⁺ range) can't be masked.

It is no wonder that salary/compensation/recruiting/relocation consulting activity in the Summer of 1997 has been reported at its highest level ever. Major consulting firms are reported "rationing" their consultants - allowing them only to work on those "20% of their clients where they make 80% of their revenue". It appears that 1998 will be an interesting year as many of the 1960s/70s tools to address the above "disquieting issues" have fallen into disrepute (job evaluation, "narrow band" grades, pay equity plans).

1998 Geographic Reference

ERI's 1998 Geographic Reference Report is scheduled for release on 15 October 1997. 298 North American cities are profiled in this hard copy analysis that combines key data summaries from the **Geographic, Salary, and Relocation Assessors**[®]. Benchmark salaries for 88 positions, cost-of-living for renters, workforce demographics, and other key features of 265 U.S. and 33 Canadian cities are reported.

For current subscribers who have not yet renewed their subscriptions, a renewal offer for 1998 accompanies this Update. To conserve cost (avoiding separate mailers), ERI sends out the next year's subscription offer with the last two quarterly releases of each year's subscription.

ECONOMIC RESEARCH INSTITUTE

ORDERING ERI RESEARCH

- Research Product List
- Ordering ERI Products
- ERI Product Downloads
- Demonstrator Download
- FAS CD-ROM Platform

ASSESSOR SERIES SAMPLERS

- Geographic Reference
- Geographic Assessor
- Relocation Assessor
- Salary Assessor
- Salary References

RESEARCH BACKGROUND

- ERI Update 1 Oct 1997
- Freq Asked Questions
- About ERI
- Notes for Subscribers
- Available Salary Surveys & COL Sources

FOREIGN LANGUAGE OFFERINGS

- Passeport pour la Canada ERI
- Deutscher Reisepass
- Sverige-passet - ERI
- Passeport pour la France - ERI
- Relocation - España ERI

CAREER & COLLEGE PLANNING

- Maximum Job or Career Earnings Potential for 5,000+ Jobs
- Student Cost of Living in Any of 5,000+ College or Work Areas

ERI's Internet Site

Business visitors to www.eri.com have been increasing steadily:

January - 5,869	May - 6,946
February - 7,183	June - 7,179
March - 7,189	July - 7,921
April - 7,232	August - 8,433

Student visits, however, are now in the tens of thousands monthly (career planning and college/COL). Since these salary and COL values differ so radically from competitive norms, we are always concerned whenever they are misused by visitors who do not understand the difference between maximum potential earnings versus competitive norms and/or COL for an employed individual versus the COL (spending patterns) of starving students. We find most students understand the differences after reviewing the FAQs.

The *Available Salary Surveys and COL Sources* selection now includes several survey publishers' Internet addresses. If your firms' URL is not yet listed, please give us a call, fax, or e-mail your web address. ERI maintains our own Internet file server directly connected into the "Internet backbone" here in Redmond, and we affect changes immediately.

FAS Platform - Executive Compensation Data

SEC Edgar proxy data is now available at <http://www.sec.gov/edgarhp.htm>. A variety of executive information is reported and is available to the general public for downloading.

ERI's **Full Assessor Series Platform** contains Edgar salary and bonus extract data for over 9,000 publicly traded companies. This data is used in the **Salary and Consultants' Assessors** to profile and produce average competitive base salary and bonus norms. The Windows edition of the **Salary Assessor** will include a print function for the "closest public company" (organization size, geographic area, and/or industry).

Position	Compensation
COTB, CEO	\$562,588
EXEC. VP	\$489,649
SENIOR VP, SUB. OFF.	\$624,192
COTB, CEO, NOMINEE	\$562,588

Reasonable Compensation

The **Consultants' Assessor** contains an estimate of *maximum reasonable compensation* originally developed to assist privately-held companies estimate *deductible compensation* for owner-managers' U.S. tax planning. First developed from existing salary surveys, the data now also reflects data from proxies' *Summary Compensation Tables* via electronic reporting (we've downloaded all 14A proxies filed during the past 12 months).

The compensation data are averages (estimated from regression analyses with a horizontal axis of "size", either revenue, assets, or numbers of employees). In a skewed distribution, at least 75 % of the population is within +/- 2 standard deviations (Chebyshev's Theorem). ERI has selected 3 standard error for the top of the range as the maximum *expected* total compensation. The **Consultants' & Salary Assessor** also report mean and median norms.

This data is used by the IRS National Office of Appraisal Services. The **Consultants' Assessor** analyses are provided on referral requests for the Districts, Appeals, and Counsel. Interestingly, the IRS analyses typically use "salary only" data, as court decisions have held that bonuses are not relevant to compensation issues involving shareholders of closely-held businesses. Analyses also often involve S-Corps which may pay little or no compensation to shareholders and instead, payout cash as "distributive net income".

FAS Platform - Census Demographic Census Data

U.S. Census workforce demographic data will soon be available for incorporation into all **Assessors** (CD-ROM required). ERI's **Full Assessor Series Platform** contains data for over 3,000 counties. Subscribers to the **Geographic, Relocation, and Salary Assessors'** Windows editions will be able to view raw data by gender and race for all U.S. cities. Statistics Canada copyrights Canadian data, so inclusion is being negotiated, as are data elements from other countries. Windows editions will also reference maps and tax codes.

Tax Rates & Other Reference Changes

As described in the July **Update**, we note that the U.S. minimum wage increase to \$5.15 pushed the **Geographic Reference** and **Assessors'** *minimum wage earner* above eligibility levels for earned income credits. Readers will note a substantial difference in effective, combined income and payroll tax rates for 1998 (as compared to 1997). Substantial differences in the **Reference** also exist because of refined job descriptions (for example: Benefit Analyst/Specialist is now Benefit Analyst) and new data from additional surveys.

New Living Area Definitions - Ownership and Rental

Note that the 10/1/97 and 1/1/98 **Assessor** and **Reference** cost-of-living databases include housing costs for redefined, major cities. For example, Birmingham is defined as an average of four selected neighborhoods, and each may be viewed separately (for comparison of home prices and rentals), in the **Relocation and Geographic Assessors**: "Birmingham-Downtown"; "Birmingham-Forestdale"; "Birmingham-Heritage"; "Birmingham-Center Point". **ERIGA, ERISA, and Reference** cost-of-living indices are affected as the averaging of neighborhoods dictates new rental cost assumptions.

Note re. Alaska Costs

ERI research of Anchorage, Fairbanks, etc. validates the impact of major retail chains on cost-of-living. Whereas it once was true that significant (+25%) COL differences existed, major chains have "halved" the consumables cost differences between U.S. National Norms and major Alaskan cities.

Note re. Canadian Costs

An exodus back to Hong Kong is now occurring in Vancouver/BC area as the PRC (China's takeover) appears reasonable. Will this be the "straw that breaks the back" of the Canadian housing market?

ERC's International Mobility Symposium

This Update is included as part of an introductory mailer to registered attendees of ERC's International Mobility Symposium, held at the Century Plaza Hotel in Los Angeles, October 12-14th. Please visit us at Booth # 447 to review ERI's **Relocation Assessor** cost-of-living data for 5,900 areas worldwide.

"Role of the CHR Officer in the 21st Century"

ERI's Founding Director is speaking at luncheons in 12 western cities for The Business Forum. Call (800) 996-7449.

SALARY ASSESSOR METHODOLOGY

Background

The “road to ruin” for a new compensation analyst/manager (old compensation managers make this mistake only once!) is to make “an important recommendation based on salary survey data that is incorrect.” It can happen! Survey results for any one position differ from year to year. This is sometimes caused due to changes in participant companies, workforce layoffs and early retirement programs affecting averages, small sample sizes, or errors in input and/or analyses. The list of reasons for data errors and/or fluctuations is endless. Survey reports are rarely error free.

The **Salary Assessor** reports consensus results of ERI’s analysis of all publicly available salary surveys. ERI limits survey error by creating a three dimensional equation for each position (size/tenure, salary, survey year). For **ERISA** subscribers, further description of this methodology may be helpful:

A - Starting Salaries

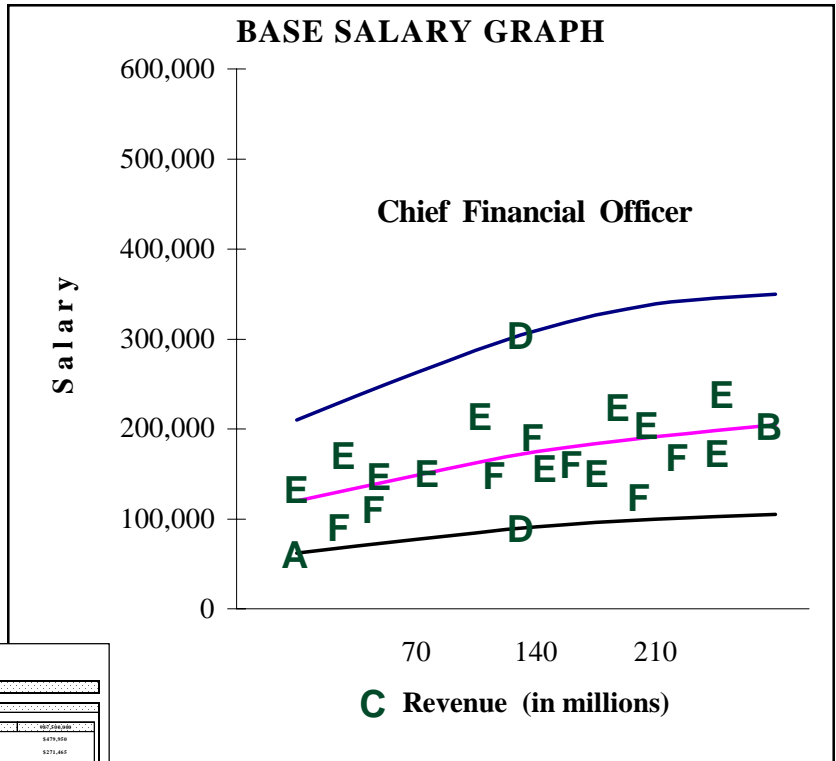
Every professional/managerial/technical position is tied to a multi-year study of college and other hiring rates. “Starting Salaries for College Graduates” surveys typically have small sample sizes in non graduation months. ERI has tracked rates historically and creates polynomial regression equations for each degree, weighted by sample size, to smooth out survey errors and fluctuations.

B - Consensus Survey Norms

ERISA regression lines are not cut through individual position datapoints (ERI does not violate copyrights by coding salary survey results or distributions). Rather, we input rounded results along with rounded sample sizes and our subjective validity factors, and then regress a position’s competitive norm over the years through the results of multiple surveys.

C - Size & Career Dimensions

Management positions are regressed against “organization size” (most often *revenue*, but financial institution surveys use “assets,” and non-profits and others use “# of employees”). Non management positions are regressed against “years in that type of position” with our “tenure norms” taken from the non-published U.S. Census data files. This data was never published by the Census because of data reliability questions; however, for **Assessor** applications, it is the best estimate for tenure by position that ERI has found. Errors are smoothed via position relationships.



SALARY ASSESSOR	
Position Profile	
CHIEF FINANCIAL OFFICER	
Without Market Entry Waiver	
Min Revenue	\$200,000,000
Range Maximum	\$250,000,000
Mean	\$225,000,000
Range Minimum	\$150,000,000
Qualifications	
Proposed For:	Software Firm Inc.
Salary Area:	Atlanta, Georgia
Industry:	Computer Software
Industry Code:	PBA: 3666, SOC: 3666
Organization Size:	5,98,759,000 (revenue)
Position Title:	CHIEF FINANCIAL OFFICER
Distribution as of:	10/01/97
DCI:	100.171414
NSIC:	1100
Position Rank:	11.01.97
ERISA File:	07/01/01/01
Job Description	
Directs the financial affairs of an organization. Establishes major economic objectives and policies for the organization. Reviews and prepares annual budget of operations or production of other departments. Makes recommendations to top management or Board of Directors as to policy and programs. Controls and coordinates corporate financial affairs according to financial and governmental regulations. Plans and directs new investment procedures to obtain optimum efficiency and reduced costs. Establishes executive line of credit. Establishes and coordinates all matters of capital structure. Approves and signs financial statements affecting company creditworthiness. Directs the activities concerned with collecting, control, and accounting for assets and liabilities. Directs the organization's budget and financial resources. Analyzes various department budget requests to identify areas in which reductions can be made and allocates operating budgets. Directs the preparation of reports which outline the organization's financial position in terms of liquidity, expenses and earnings based on year, quarter, and three months. Directs preparation of policies for division or department administration setting policy. (continued)	
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D - Minimum & Maximum Range

With the variability among surveys, we compute a standard error for every position. It is this standard error which is used to estimate a range containing at least 75% of a position’s population (per page 2).

E - Survey Recordings - Recent Surveys

ERI records only rounded numbers and never the exact prose or data of any survey. Rather, data is smoothed, updated, and adjusted for variances related to surveys’ geographic, organizational, effective date, and industry differences as it is inputted and analyzed.

F - Survey Recordings - Past Surveys

Data is stored in the form of three dimensional regression lines for any one position. The “plane of regression” is caused by the 1988 - 1996 recordings of salary surveys for any one position. These are used to first “predict” what a **Salary Assessor**’s compilation results should be and then to compare and weigh the results. (This allows ERI to escape years in which data is “incorrect” for any position.)

G - Relationships to Related Positions

Positions are keyed with relationship factors among “functions” and “hierarchies” of positions. Consequently, rational “foreman, supervisor, manager, director, chief” managerial steps (internal equity) are maintained, as are technical ladders, etc.

H - Canadian versus U.S. Data

Canadian organizations value positions, skills, and abilities differently than their U.S. counterparts. Consequently, ERI maintains entirely separate files for Canadian positions.

GUIDELINES FOR USING ASSESSOR SOFTWARE

DOS® - Windows®

DOS **Geographic**, **Relocation**, and **Salary Assessor** programs may be run from the diskette. We recommend, however, copying your **Assessor** software to your hard drive and saving the diskette(s) as backup copy(s). Windows versions of **Assessor** software require installation (may not be run from the diskette) as do the **Consultants' Assessor** and the optional Full Position Description database for the **Salary Assessor**. Power Mac users may not access **Assessor Series** data without first partitioning your hard drive and adding DOS operating programs.

Running from your PC's Floppy Drive

DOS **Geographic**, **Relocation**, and **Salary Assessor** programs may be run from the diskette. Place the **Assessor** for DOS diskette in your floppy drive. Make this disk drive your current directory and type the **Assessor's short name + enter**, e.g. *erisa* for the **Salary Assessor + enter**. The DOS **Assessor** executable names are *eriga*, *erira*, *erira i*, *erisa*. The **Consultants' Assessor**, **Relocation Assessor** for Windows, **Salary Assessor** for Windows, and **Salary Assessor** for DOS diskette #2 datasets must be installed to your hard drive (may not be accessed from the diskette). Please remember: when running a program from the diskette, do not remove the diskette from the floppy drive or turn off your PC until you have completely exited the program.

Running from your PC's Hard Drive

Locate or create your **Assessor Series** program sub-directory or folder (example *c:\eriveriga*). For DOS versions, copy all files to the directory and then execute. For Windows versions, run the *install* program from the diskette. Please remember to use different directories or folders for each different product. Keep the **Assessor** diskette as a backup.

Assessor for DOS Function Keys

F1 Access Help Screens and Program Notes
F2 Choose from a Listing
F5 Save file to disk
F6 Load file from disk
F8 Print to file or printer
Alt +/plus screen number, Jump to any screen
PgUp Move to previous screen
PgDn Move to next screen
Esc Move to previous screen or escape from Help Screen
Alt + Q Quit Program (or *Esc* from 1st Screen)
Alt + S View alternative survey sources

All **Assessor Series** programs store data (areas, positions, etc.) alphabetically. Type the *city name* and *comma* and begin to spell the *state name* to prompt the correct city and state.

Geographic Assessor for DOS

In Screens 7 and 8 you may compare up to ninety-nine areas to one Base City at a time. "National Average, U.S.", "Canadian National Average", and "zz00", "zz10", etc. are available for use as standard Base Cities.

F5 Load listing - Screens 7 and 8
F6 Save listing - Screens 7 and 8
Insert Insert a city to a listing
Delete Delete a city from a listing
F2 Select an area from a listing by state, province, or county
F9 Override the \$99,999 salary limit in Screen 4, or to convert value types (percentages to dollars) in Screens 7 and 8.

Salary Assessor for DOS

Screen 2 provides detailed pay range information for a single position. Screen 4 lists pay for multiple benchmark positions. Screen 5 lists pay for a single position in multiple locations. Diskette 2 must be installed in order to access full position descriptions and alternative survey sources.

F2 Select position from a listing
F3 Delete data from any entered line
F11 Toggle between median and mean salary estimates
Ctrl + ↑ Insert above a line in a listing
Ctrl + ↓ Insert below a line in a listing

Salary Assessor for Windows

Requires installation to your hard drive, may not be run from the diskette. Please refer to on-line help menus (scheduled release date: 1 September).

Relocation Assessor for DOS

Use other commands as described in the **ERIGA** section. *erira i.exe* runs the international city database.

Relocation Assessor for Windows

Requires installation to your hard drive, may not be run from the diskette. Please refer to on-line help menus.

Downloading from the Internet

<http://www.eriери.com>

Select the *Product Download* shortcut found on ERI's home page.

Consultants' Assessor for DOS

Requires installation to your hard drive, may not be run from the diskette. Please refer to on-line help menus.

Alt + M Main Menu of functions and subprograms

Alt + Q Quit subprogram or program

Assessor Series Platform CD-ROM

ERI's **Full Assessor Series Platform** (beta test) is a run-only compendium of non-copyrighted data and includes **Assessor Maps**, Full Position Descriptions, Compensation Related Tax and Law Code, Census Data, and other large reference datasets. These datasets may be accessed conveniently from the CD-ROM, without requiring installation to large amounts of hard drive space.

Documentation

The **Assessor Series Documentation Manual** is available upon request (800) 627-3697. All new subscribers receive this DOS edition; Windows edition documentation is contained in each Windows edition program.

Calendar Year Subscriptions	
Geographic Assessor	Data Expires 09/30/97
Salary Assessor	Data Expires 09/30/97
Relocation Assessor	Data Expires -demo only-
Consultants' Assessor	Data Expires -demo only-

Demonstration Edition; data shown is limited by diskette size. Individual Assessors are sent on 3 1/2" diskettes. Full datasets are available only on CD-ROM.

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