

Meager raises on Main Street

Appeared on December 26, 2010

A new survey suggests that many companies in Fairfield County plan on giving salary increases in 2011, albeit small ones, and that less than half plan to award bonuses at yearend.

The same survey showed that companies are still reluctant to hire new employees in the near future, on concerns the economy will not regain momentum until 2012.

OperationsInc and Performance-Solutions-Group Inc. surveyed nearly 125 organizations in Fairfield County and elsewhere in the tri-state area.

Just a third of companies surveyed expect to hire new workers in the first quarter; on the flip side, only 5 percent indicated they plan to cut workers in the first half.

According to David Lewis, CEO of Stamford-based OperationsInc, that is partly a function of there being few opportunities to make any more cuts – particularly with sales picking up to some degree.

"Everything I hear and read suggests that companies are hoarding cash and essentially building up their reserves to unheard-of levels," Lewis said. "If there was any one thing, for me maybe the surprise is that companies are not looking to return to pre-2008 levels in terms of their staffing. ... The hiring activity against the overall increase in business was not proportional."

Business owners may be compelled this year to recognize the need for salary increases after two lean years with limited increases and, in many cases, no bonuses or very small ones, according to Wil Brewer, president of Performance-Solutions-Group in Stamford. The alternative could be disengaged employees looking for better income opportunities once the recovery gains steam and job opportunities increase, he added.

A separate survey by Aon Hewitt similarly shows employers nationally holding the line on salary and variable pay increases, with base salaries expected to increase 2.8 percent on average for workers, not including those that qualify for overtime pay.

Aon Hewitt, which is based in Lincolnshire, Ill., and which has a large office in Norwalk, found that few companies anticipate having to take drastic actions such as pay freezes to reduce costs. The survey was completed in August and included some 500 companies nationally.

"We will not see base pay raises return to pre-recession levels, as these sub-3 percent increases represent the 'new normal' in base-pay spending," said Ken Abosch, marketing strategy and development leader in Aon Hewitt's compensation practice, in a prepared statement. "We'll continue to see employers move toward compensation models that reward employees for strong business and individual performance. Despite economic instability, employers spent more on variable pay in the past three years than they ever have before. Workers should be encouraged that there are still compensation dollars out there, but they will be expected to show strong results to earn them."

In a separate survey by Towers Watson Co., which has a large office in Stamford, six in 10 employees indicated improved retirement benefits played a large factor in their decision to accept jobs or stay at their current ones.