

**2009 Chicago Area
Pay Challenges Survey**

Verbatim Comments

The results detailed below represent individual respondent answers to specific questions in the survey. The original questions are shown for ease of response review.

Question #2. If you answered "Yes" for the last question, which employee groups will not receive merit increases? Other, Please Explain

1. May reconsider in six months if business improves.
2. We have 2 union groups that we are trying to negotiate with over pay freezes.
3. A salary increase freeze is in effect for all employees. The original budgeted amount for 2009 was 3.9%. See #3 comment below.
4. Hourly employees have a 2% merit pool.
5. Anyone earning \$45,000 or below received a merit increase.
6. Except where legally required; country laws and collective bargaining agreements.
7. 3 of 4 locations with hourly are union. We decided to also give increases to non-union warehouse.
8. With the exception of our hourly workforce.
9. Hourly employees will receive a merit increase in 2009.
10. All employees will not receive the standard merit increase for 2009 and the executives will not receive their bonus, which can go as high as 25% of base pay determined by goal achievement collectively as a team and as individuals.
11. "Froze" year end pay until at least mid year, but did provide adjustments for a select group up to 1% pool – see notes below.
12. Current revenue is down 75%.

Question #3. Have you changed the timing of merit increases for 2009?

1. No increases in 2009.
2. May give some increases later in the year if there is an economic turnaround.
3. We offer a mid-year and a year-end cycle; each has been deferred 6 months.
4. Not providing merit increases to any employees except hourly employees whose facilities are using a 2% merit pool maximum.
5. We currently do this on an employee's anniversary date, but are considering adjusting them to give raises to specific categories of staff on a specific date to simplify budget planning. i.e., all teachers on March 1, all managers on July 1, etc.
6. Those receiving a merit increase received it in March, retro to 1/1/09. Merit increases for the balance of employees will be re-evaluated each quarter.
7. Being delayed one month from 4-1-09 to 5-1-09 mainly due to pending RIF
8. We still have two review cycles, April and October.

Question #3 (continued).

9. Increases were scheduled for Feb 1 and have been delayed until a later date yet to be determined.
10. We will not do merit increases.
11. Eliminated for all but hourly employees.
12. N/A.
13. Considering delay until later in the fiscal year, instead of May 1.
14. We are evaluating whether the dollar savings by postponing the merits outweighs the employee dissatisfaction.
15. Will review this at mid year and any increases will depend on the performance of the business.
16. Yes, we will not have across the board merit increases in 2009.
17. We typically award increases on July 1, we are considering pushing out until October 1.
18. Considering doing a mid-year merit adjustment if the economy and company results support the decision.
19. At this point no merit increases for the coming fiscal year.

Question #5. If you answered "Yes" to question #4, what average percent increase is the new merit budget based on? Other, Please Explain.

1. No increase.
2. Reduced budget to zero.
3. Budget was 3.5% for those receiving an increase.
4. Eliminated budget for merit increases, but still have funds available for equity adjustments and promotions.
5. 0%.
6. 0%.
7. 0-1% for exceptions.
8. Before we decided not to give merit increases we looked at lowering the percentage. The difference was not significant enough to change.
9. No merit increases for the coming fiscal year.

Question #6. Many companies are still seeking creative ideas such as delayed merit increases or unpaid days off to: 1) reduce costs without layoffs, 2) recognize top performance, 3) retain key talent, and 4) make the best use of available pay/recognition dollars. What ideas have you heard, are you considering or have you implemented that you would like to share with other HR colleagues?

1. Shortened workweek for non-exempt employees.
2. Reduced headcount up to 10%; now we are considering if necessary: -Suspending 401K match until business improves - Requiring 1 week furloughs without pay - Reduced work weeks in staff related functions.
3. Expanded part-time job programs/job sharing for one year -offered an unpaid sabbatical for one year with continuation of benefits at active employee cost - offered opportunity for employees to self-identify for voluntary termination.
4. Put hiring freeze on certain positions; reduced or eliminated certain employee events; reduced budget by 10%; eliminated non essential items from the budget such as less frequent window washing, eliminating private office plants, cutting down on office supplies, cutting down on refreshment services, retaining benefits program, including a new DCAP benefit where organization pays up to \$2,500 for one child and up to \$4,000 for more than one child for day care expenses, introduced new walking program with incentives as part of wellness program (\$100 Visa card for taking HQ for both employee/spouse, \$25 for doing blood work, and earning points to get up to \$400 in gift certificates), moving toward implementation of new retirement plan on 1/1/2010 (8% paid by employer + 2% match), continuing with the new building project; paid out 2008 bonuses; will pay out 2009 bonuses with economic turnaround; introduced new LTD policy with increased benefit on 1/1/09.
5. We continue to look closely at health and welfare benefits expenses, supplies expenses and capital investments. We are also very engaged in Lean/Six Sigma work across many processes in order to make our operations as efficient as possible. We have already decided not to pay our discretionary component of our retirement plan, but have left our employer match in place. We have cut a relatively minor program - gifts for years of service. We are also redesigning our performance-based incentive plans.
6. Doing nothing out of ordinary.

Question #6 (continued).

7. We are shifting the total comp picture to more fixed comp and less variable. Overall total comp is coming down. Haven't adjusted schedules or other benefits.
8. Rolling layoff weeks, reductions in variable pay.
9. We are doing a two tiered merit process this year– a reduce merit for anyone "at market" or "under market".
10. We are delaying merit increases indefinitely for employees earning over \$45,000. We have implemented a hiring freeze. We have eliminated overtime. We are considering eliminating 401K match and changes to our insurance benefits.
11. About to implement the following: tightening up both the merit matrix and merit pool allocations, partially basing them on mix of high performing employees in lower quartiles; raising the minimum performance rating required to be eligible for a merit increase.
12. Reduce PTO for long tenure EEs, eliminate car allowances and financial planning benefits, cut pay for executives, unpaid furloughs voluntary.
13. We are using available funds for promotions and equity adjustments for our top performers. We are maintaining our above market benefits program and encouraging employees to make suggestions on cost management opportunities outside of the performance management program.
14. Still trying to ensure the balance between health insurance and parking increases (*Ed. Note: not sure what this refers to*) don't completely offset merit increases. Also being health care, we're looking at how OT is paid (over 8 per day or 80 in a 2–week period vs. standard over 40).
15. Reduce costs without layoffs; have implemented a cost cutting committee from all offices.
16. Reduced merit budget for executives, reduced or no merit for employees receiving cash incentive target increases, reduced or no merit for employees receiving long–term incentive target increases.
17. Industry discussion of furloughs.
18. Our sales are down dramatically, and we have cancelled overtime, cancelled increases except hourly union (may consider later in year if business gets better), reduced 2008 profit sharing by half, and are preparing for a second round of reductions in force. Board of Directors has frozen all pay changes without their approval. We have no dollars currently to work with and CEO is considering not even launching a bonus program this year due to forecasts.

Question #6 (continued).

19. Reduced salary and or hours to reduce the number of layoffs; continue training to be stronger when the economy turns around.
20. Selective hiring freeze, cancel open positions, delayed hiring, possible delay in next year's merit increases, reduction in rewards programs, focus on process efficiency, scheduling adjustments (movement of staff from one shift to another), voluntary leaving early as operations allow--with Paid time off or without pay.
21. 1. Adding more thoughtful review and opportunity for adjustments in STIP and LTIP. 2. Although salary freeze in effect, exception process exists for top performers/high potentials who are also low in the range.
22. We are in the midst of these discussions. It is still to be determined.
23. All options are on the table – nothing yet implemented.
24. 1% reduction merit only – no other changes but communicated to all staff that other changes "may" occur based on economy & company status. We wanted to be transparent with staff to let them know that other changes may happen and would continue to give updates on our state of the agency.
25. I have heard of furloughs for management staff and encouraging the use of PTO or vacation time to get it off the liability books.
26. 1) eliminated free soda and snacks; 2) Company-wide 20% pay reduction from February 1 – April 30. Will return pay to 100% if financial results improve.
27. Merit system works for us.
28. 2008 bonuses have been greatly reduced.
29. We are offering unpaid time off. We allowed jeans on Friday before and will now allow on Mondays as well. At 2 of our manufacturing locations all hourly employees are on a 4 day/32 hour work week and all exempt employees have taken a 5% pay cut. We are working on making the work day more fun with monthly no cost/low cost activities. – matching baby pictures with employees, handmade valentines contest, \$5 lunch days (grilled cheese and tomato soup; salad bar; corned beef and cabbage. In March we will have a March Madness day and St. Patrick's Day themed events. Bowling event in conjunction with local alley.
30. Unfortunately, a RIF was necessary -- 10% of our workforce was cut and salary freezes are in place for everyone until Y/E 2009. However, bonuses were awarded to everyone for their 2008 performance.

Question #6 (continued).

31. Reduced the tuition reimbursement by 50% for employees receiving tuition assistance; eliminated reimbursement option for those not currently enrolled in this benefit.
32. Have heard from colleagues that companies are cutting employees to 32 hours and rearranging work schedules for 5 day coverage. We plan to stay the course at this time. We cut our original budget from 4.5% in August to 3% in January and stayed with 3% in anticipation that 2010 will be a more difficult year.
33. We have implemented unpaid days off and pay reductions
34. Sr. Mgmt bonus payout has been postponed--not particularly creative but it does smooth cash flow.
35. We are in a highly regulated business and we are member owned, so we are rigid on no increases or bonuses. However, we have put in a "Recharge Room" lounge with a large TV, a Wii, comfortable furniture and soft drinks and snacks. Also, we have added more casual jeans days and held several staff meetings where the CEO speaks and takes questions. All of this is helpful for morale and to keep people interested in their jobs, colleagues and the company.
36. We set aside a 1% special adjustment pool for market adjustments, year end promotions and retention increases for top talent.
37. We are doing all of the following; Forced one week furloughs for all employees
Reduced 401k match 10% temporary paycut; Reduced education reimbursement.
38. Voluntary early retirement program.