



TenStep Supplemental Paper

21 February 2004

Modesty Pays

Current economic conditions are prompting organizations the world over to modify their salary increase projections.

No big hikes in 2002?

Salary increases dropped in 2001 as well, from 14.1% in 2000 to 12.8% in 2001. The trend seems to be continuing, with the increase projected to fall to 10.7%. This is the first time salary increases will be nearing the 10 percent mark.

Variable Pay Grows

Meanwhile, the number of companies implementing variable compensation plans is growing. According to a survey, 81% of the organizations surveyed have at least one type of variable pay plan in place, up from 78% last year. However, despite the growing popularity of variable pay, more than two-thirds of employers don't track whether these plans directly improve business results.

Of all employee groups, variable pay as a percentage of total cost to company was the highest for senior/top management in 2001, at 16.3% on average. This is expected to rise to 19.1% in 2002.

IT hiring to rise but pay to remain flat

IT professionals will experience a slightly more welcoming job market but virtually no increase in base pay next year, according to new research. This information predicts a scant 0.1% increase in base compensation for IT professionals. Last year at this time, the firm predicted an 8.3% increase. Though wages will remain stagnant, the good news for IT professionals is that there will be 14% more jobs to go around.

Bright spot

The brightest spot for IT employees in 2002 seems to be professional services, where 26% of CIOs said they expect to add staff and none propose to cut employees. There are also significant net increases expected in business services (21%) and retail industries (14%). However, specific skills rather than market sectors appear to be driving salary increases this year.