

2010/2011 Aon Consulting Pay Increase Survey – Preliminary Results

The annual *Pay Increase Survey* was launched on June 14, 2010. Organizations rely on the *Pay Increase Survey* to make critical decisions on competitive pay adjustments for employees at all levels in the organization.

Building upon survey results from 2009, this year's iteration serves to determine what salary increases organizations have implemented in 2010 and what salary increases are planned for 2011. While the survey continues to run through August 16, 2010, the preliminary results are interesting.

So far, 184 organizations from a wide range of geographical locations and industries have participated in the survey.

Preliminary Data Findings

The following are high level findings and observations:

- > The percentage of organizations implementing salary freezes has declined steadily since the major economic downturn of 2009.
- > In 2009 more than 1 in 3 respondents implemented a salary freeze of some kind, and 1 in 6 implemented freezes in 2010.
- > For 2011, only 1 in 25 organizations are now planning a salary freeze.
- > Salary increase budgets for 2011 are expected to fall somewhere between 2.5% and 3.0%

In 2009, more than 30% of survey participants were freezing salaries, or freezing salaries with some exceptions (meaning some relatively small portion of employees may have received an increase while other employees had their salaries frozen). That number has been reduced by more than half in 2010, with less than 15% of organizations freezing salaries this year.

Table 1

	Actual 2009	Actual 2010	Forecast 2011
Delivered Increases	66.3%	83.7%	58.7%
Salary Freeze	16.9%	5.8%	2.3%
Salary Freeze with exceptions	16.9%	10.5%	1.7%
Unknown	-	-	37.2%

* note that 37% of the sample has not confirmed their intent for 2011. Based on the above trend we would expect approximately 95% of organizations to deliver increases.

In 2010, organizations have been cautious when it comes to spending salary increase dollars. The preliminary results of the *Pay Increase Survey* suggest that companies have allocated a salary increase budget of 2.7%. In addition, organizations have increased their salary structures by 2.0% this year. When organizations that have frozen salaries are included, these numbers drop; specifically, organizations have allocated a budget of 2.5% of payroll for salary increases and have increased their salary structures by 1.8%.



Table 2 - excluding salary freezes

	Actual 2010	Forecast 2011
Overall Salary Budget	2.7%	3.0%
Salary Structure Increase	2.0%	2.0%

Table 3 - including salary freezes

	Actual 2010	Forecast 2011
Overall Salary Budget	2.5%	3.0%
Salary Structure Increase	1.8%	2.0%

Looking forward to 2011, organizations were asked to provide the forecasted increases for 2011. The percentage of organizations anticipating salary freezes in 2011 continues to drop, with less than 5% of organizations planning a salary freeze. Organizations are expecting to give higher increases than in 2010. The overall salary budget increase is expected to be approximately 3%, yet organizations are holding salary structure increases steady at 2%.

Aon's Perspective

The preliminary results of the *Pay Increase Survey* for 2010/2011 suggest the following:

- The dampening impact on salaries caused by the 2009 economic crisis is subsiding.
- Most employers are expecting to be in a position to afford more aggressive salary increases than they have implemented in recent years.
- Most employers are deciding it is important to reward employees with more substantial salary increases in 2011.
- There will be more salary increase dollars available in 2011 to reward and retain top performers.
- Assuming the economy continues to demonstrate recovery, given the upward momentum highlighted in the survey results so far, it is likely that actual salary increase budgets implemented in 2011 will exceed these preliminary levels.

In 2011 the average salary increase is projected to be 3.0%, up from 2.5% in 2010. We will advise you of the final survey results once the survey has closed and we have analysed all responses.

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