



ATTACK OF THE OUT-OF-DATE COMP PLAN

2015 COMPENSATION
BEST PRACTICES REPORT

PAYSCALE RESEARCH REPORT



"two enthusiastic thumbs up"
"five star quality in a three star world"

Executive Summary

This marks the sixth year PayScale has conducted the Compensation Best Practices Report (CBPR), a comprehensive survey that reflects employers' attitudes and perceptions about key business issues including compensation practices, hiring trends, HR methodology, and other topics related to effective talent management. The 2015 CBPR represents PayScale's largest research endeavor yet, as we compiled responses from 5,530 business leaders from companies of every size across a wide section of industries.

This year's results are particularly enlightening for businesses as they aim to chart a precise course through our turbulent economic climate and volatile talent market. The key is that employers can no longer afford to improvise when it comes to attracting and retaining talent to meet the aggressive demands for business growth at most companies. Rather, employers need to get serious about establishing a data-driven compensation strategy to meet their talent needs today and into the future.

In 2014, more responding organizations than in any previous year reported growing in size. This growth shows companies are becoming increasingly confident in their ability to thrive after a period of relative stagnation. In addition, the vast majority of companies expect their financial outlook to improve even more in 2015. The optimism was consistent across company size and within most industries, reflecting the importance of effective recruiting programs to keep pace with the anticipated growth for many companies.

Retention remains a top worry for the third year in a row, as employers feel challenged to keep top performers in an increasingly competitive talent market. Meanwhile, many employees quit their jobs and joined other companies in the pursuit of higher compensation. Finally, employers are struggling to fill positions—particularly for highly trained employees—as they cite a lack of qualified applicants.

Even with these challenges, compensation management remains more of a black art than a science at most organizations. The CBPR found nearly a third of companies don't regularly perform market and compensation analysis to understand the changing dynamics of their respective talent markets, many are dissatisfied with their data, and most do not train managers to have tough conversations with employees about compensation. The underlying tenet: companies need to become much more mindful about getting pay right if they expect to attract and retain the employees who are crucial to their business.

JOY MOXLEY
CREATIVE DIRECTOR, VISUAL DESIGN

LAURA REIGEL
DIRECTOR, PROJECT MANAGER

NICHOLE MARSANO
PRODUCER

GINA BREMER
DATA VISUALIZATION



ANDREW HAUG
DATA ANALYSIS

Executive Producer, Tim Low. Edited by Crystal Spraggins, SPHR.

Bags Packed and Ready to Go

Most employers are hopeful about the future, with 73 percent expecting their financial situation to improve in 2015, and only 5 percent expecting it to weaken.

Smaller companies are slightly more optimistic than medium and large companies, with 75 percent of respondents expecting improvement versus 73 percent (medium-sized companies) and 68 percent (large companies). The Information, Media, and Telecommunications industry is most optimistic, with 80 percent expecting improvement to their financial situation in 2015. Only 69 percent of employers in the Healthcare and Social Assistance industry can say the same.

Hiring continues to be on the upswing, with 50 percent of companies expecting to increase staff size in 2015. This number is a slight dip from 2014, when 54 percent of companies reported plans to add employees.

Employers continue to implement pay increases, with 85 percent awarding increases in 2014 and 89 percent planning to increase wages in 2015.

Buckle Up: We're in for the Ride of Our Lives

Finding the right people for the job continues to be a challenge for many employers, half of whom report a lack of qualified applicants for their open positions. The majority of employers in the Information, Media, and Communications industry (63 percent) report having this challenge, while a smaller, but significant number (45 percent) of employers in the Healthcare and Social Assistance industry also report having difficulty.

Nearly a quarter of employers (22 percent) reported the inability to offer a competitive wage as another barrier to finding good people, which might explain why a whopping 78 percent claim to be only “somewhat” or “not at all” satisfied with their compensation structures. Further, only 29 percent reported being “very” satisfied with their current salary market data. As we remarked in 2014, these responses underscore a huge need for access to better compensation data reflecting real-time market trends.

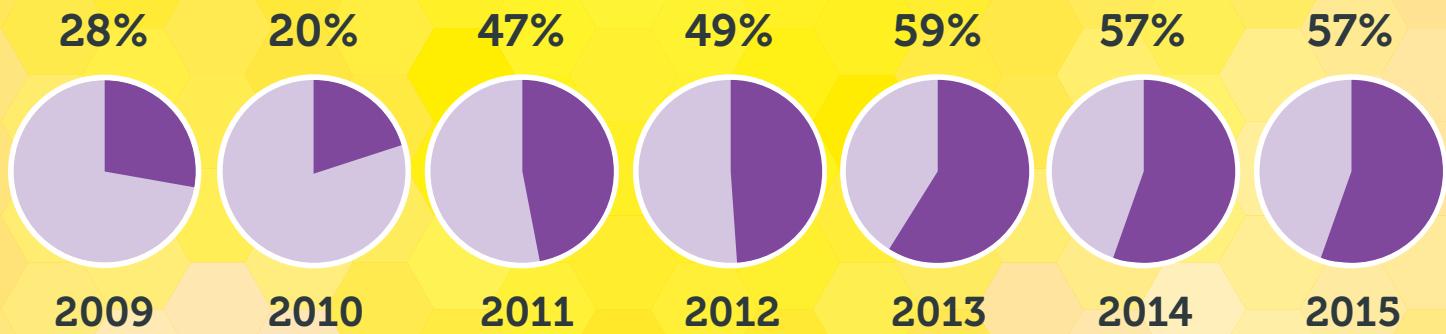
Keeping talent also remains an issue, with 63 percent reporting employee retention as their “top concern.” This worry echoes our 2014 and 2013 reports, which also noted employee retention as the “top concern.” This highlights a massive (125 percent) increase in concern since 2009,



when only 28 percent of employers expressed worry about retention. Employers in the Professional, Scientific and Tech Services industry most frequently cited “Retaining Top Employees” as their number one objective in 2014 compensation decisions, at 70 percent.

Sixty-three percent of employers cited “retaining top employees” as their primary compensation objective. However, 57 percent do not train managers how to speak with employees about compensation, and 38 percent are not very confident in their managers’ ability to perform this task. Another 45 percent are only “somewhat confident.”

Companies Who Considered Retention a Main Concern



2014 Review

- The majority of companies continued to grow. Medium companies were the most likely (59 percent) to experience growth. However, larger companies (56 percent) and smaller companies (52 percent) weren’t that far behind. With 65 percent reporting growth, companies in Information, Media, and Telecommunications had the most growth across the industry.
- Finding the right talent for the job remained a challenge. Half of employers reported having more positions than qualified applicants to fill them, and 35 percent reported having an open position for 6 months or longer. Information technology (22 percent), management (19 percent), and engineering (19 percent) roles continued to be the hardest to fill. Medium and large companies were slightly more likely to have sourcing challenges than smaller companies.
- Wages continued to rise. Eighty-five percent of employers gave pay raises in 2014 versus 83 percent in 2013 and 81 percent in 2012. Another 76 percent of employers gave bonuses in 2014.
- Employee retention was a top concern. Sixty-three percent of all employers, regardless of size or industry, reported retention as a key issue.
- CEOs still called the shots. In 2014, the majority of companies (53 percent) cited the CEO as responsible for setting the compensation budget, with many companies (41 percent) citing the CEO as also responsible for setting the compensation structure. However, the Head of HR tended to take charge of the compensation structure overall, setting it at 49 percent of companies.



- The Fair Minimum Wage Act gave some employers pause. Companies had mixed feelings about raising the federal minimum wage to \$10.10, with 40 percent in favor, 30 percent against, and another 30 percent unsure.
- Employers made plans to attract and retain talent. Companies reported “attracting new talent” as a top objective for 2014. Small-sized companies were more likely to adjust compensation to encourage retention (12 percent) compared to medium-sized (5 percent) and large-sized companies (4 percent). However, when it came to attracting new talent, medium (66 percent) and large (65 percent) companies were more likely to pay more for competitive positions.
- Confidence in management’s ability to “talk compensation” needed a boost. Only 17 percent of employers reported feeling “very confident” their managers could have tough conversations about compensation with employees; 45 percent were only “somewhat confident,” and 27 percent were “not too confident.” This trend was seen consistently across company sizes and industries.
- Performance and pay remained intrinsically linked. Across all industries, the main reason companies adjusted compensation was in response to employee performance (52 percent). Cost of living adjustments accounted for 21 percent of increases, while market adjustments and internal pay equities combined accounted for only 10 percent of pay increases.

2015 Plans and Expectations

- Most companies expect better performance and will add staff. Seventy-three percent of companies anticipate improved financial performance in 2015. Only 22 percent expect financial performance to remain about the same, while 5 percent expect performance to weaken.
- Sourcing for qualified workers will remain competitive for the technical and communications industries. Overall, half of all employers consider less than 20 percent of their positions to be competitive. However, those in the Information, Media, and Telecommunications industry would place that percentage at 30, and those in the Professional, Scientific, and Tech services would place it at 37.
- Companies will remain worried about retention. Only a handful (7 percent), however, will increase wages as a retention strategy. Instead, most employers (57 percent) will continue to primarily link pay increases to merit and focus on development and learning opportunities (60 percent) as the means to retain the best and brightest.
- Wages will continue to slowly thaw for most positions. Overall, 89 percent of employers plan to give raises in 2015; however, 85 percent of these companies expect the increase to be between 0 and 5 percent. Bonuses remain a popular option for many employers, with 43 percent reporting a bigger bonus budget in 2015 than in 2014.

- Increasing the minimum wage will be a compensation strategy for some. Nearly 21 percent of employers expect to increase the minimum wage as part of their compensation strategy for 2015. Manufacturing (26 percent) and Healthcare and Social Assistance (21 percent) are more likely to raise the minimum wage than Information, Media, and Telecommunications (16 percent), Finance and Insurance (12 percent), and Professional, Scientific, and Tech Services (11 percent), because those sectors have more minimum wage workers.
- HR technology will become increasingly important. Twenty-five percent of companies expect to make a performance management system their next software purchase, while nearly 19 percent of employers plan to purchase a new payroll system. Others will begin experimenting with electronic applicant tracking (13 percent), human capital management (10 percent), workforce analytics (9 percent), compensation, (9 percent), employee engagement (9 percent), and social recruiting (7 percent) software/systems. However, 84 percent don't use a mobile app for the HRIS system.
- HR and Finance will remain independent. When asked whether HR should report to Finance, 64 percent of respondents said "no." Another 12 percent said they weren't sure.
- Millennials won't be running the show just yet. More than 50 percent of employers don't expect to change their compensation strategies to accommodate Millennials.
- Wage policies with transparent aspects are edging towards the norm. While 43 percent of employers say they don't have a transparent wage policy and aren't working on one, 40 percent of employers either already have one (24 percent), or "are working on" (16 percent) one.
- Size matters for transparent wage policies. Large companies are slightly more likely to either have a transparent wage policy or to be working on one (47 percent of large companies versus 42 percent and 35 percent of medium and small companies, respectively).

“SHE LIVES IN THE MODERN WORLD, HIS DATA WAS COLLECTED MORE THAN A YEAR AGO...”



2015 Compensation Best Practices Survey Results

A Look Back at 2014

Changes in Organization Size: 2014 and Comparison to Previous Years

- As shown in the chart below, more organizations grew in 2014 than in 2013, 2012, 2011, or 2010.
- The change seems to indicate continued improvement in the economy, as most companies expanded in 2014. As in 2013, only 9 percent of companies in 2014 stayed the same.

Change in Organization's Size: 2010 - 2014

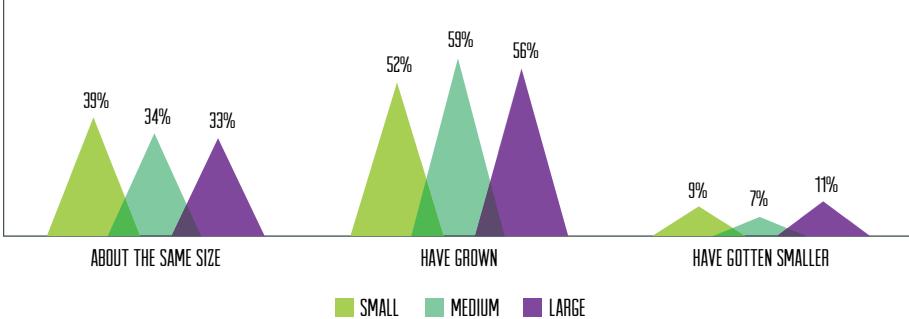


Change in Organization Size in 2014 by Company Size

- When examining results by company size, the same pattern emerges—regardless of size, the majority of companies chose to either maintain or increase their size.
- Large companies (>1,000 employees) were the most likely to reduce their company size in 2014, while medium companies (100-1,000 employees) were most likely to increase their size.

MOST ORGANIZATIONS
GREW IN 2014

Change in Organization's Size in 2014
by Company Size



Some additional industry highlights:

- Information, Media, and Telecommunications companies were most likely to increase in size, with 65 percent reporting growth.
- Companies in Healthcare and Social Assistance were the least likely to decrease in size, with only 5 percent reporting a decrease.
- Of the 55 percent of organizations reporting an increase in staffing in 2014, 28 percent indicated their companies grew by 0-5 percent; another 28 percent reported growing staff by 6-10 percent.
- Small companies are 1.5 times more likely than medium or large companies to grow more than 25 percent during the course of the year.
- Of the 9 percent of organizations who reported a staff reduction in 2014, 28 percent reported they'd decreased the workforce by 0-5 percent; 27 percent reported they'd decreased the workforce by 6-10 percent.



SMALL COMPANIES ARE
1.5 TIMES MORE LIKELY
THAN MEDIUM OR LARGE
COMPANIES TO HAVE
GROWN MORE THAN
25%

Reasons for People Leaving an Organization: 2014 and Comparison to Previous Years

- The top two reasons people left an organization in 2014 are the same reasons as in 2013, 2012, and 2011: “personal reasons” and “seeking higher pay elsewhere” (21 percent for both). At 18 percent, “seeking advancement elsewhere” rounded out the top three.
- Employees in Professional, Scientific, and Tech Services (24 percent); Information, Media, and Telecommunications (24 percent); and Finance and Insurance (21 percent) were more likely to leave in pursuit of advancement opportunities than employees in other industries.
- At 28 percent, personal reasons dominate the list in Healthcare and Social Assistance as the number one reason for leaving the organization. This is consistent with previous years.
- Despite predictions of the impending Boomer mass exodus, retirement accounted for only 6 percent of all terminations in 2014. Larger companies reported a higher number of retirements (9 percent) than did medium (5 percent) or small (6 percent) companies.
- Involuntary terminations due to poor performance accounted for 16 percent of overall departures but was more common in small companies (21 percent) than in medium (15 percent) or large (5 percent) companies.
- The number one reason most people are leaving medium and large companies is compensation. More than 25 percent of respondents in each of these categories chose “seeking higher pay elsewhere” as the primary reason for employee separations.



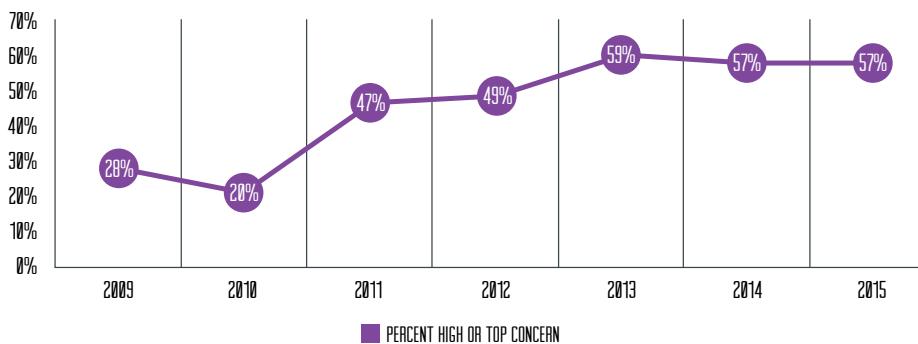
THE NUMBER ONE
REASON PEOPLE
LEAVE MEDIUM AND
LARGE COMPANIES IS
COMPENSATION

Employee Retention: 2014 and Comparison to Previous Years

Retention Concerns by Company Size

- Concerns about employee retention increased between 2009 and 2013, and while that trend has leveled off somewhat in the 12 months—with no increase over the last year—it would be a mistake to infer that retention is a nonissue. The fact remains; the majority of employers (57 percent) are still worried about keeping their employees.
- Retention concerns are consistent across company size, although medium-sized (61 percent) and large-sized (57 percent) companies were most concerned. In contrast, 54 percent of small companies cited retention as a “top” or “high” concern.

Employee Retention Concerns Over Time



Retention Concerns by Industry

- There was some variability across industries, with the highest number of employers in the Information, Media, and Telecommunications having concerns (69 percent), followed by those in Manufacturing (66 percent), and those in Professional, Scientific, and Tech Services (61 percent). Fewer employers in the Healthcare (60 percent) and Finance and Insurance industries (51 percent) had concerns.

MOST EMPLOYERS

57%

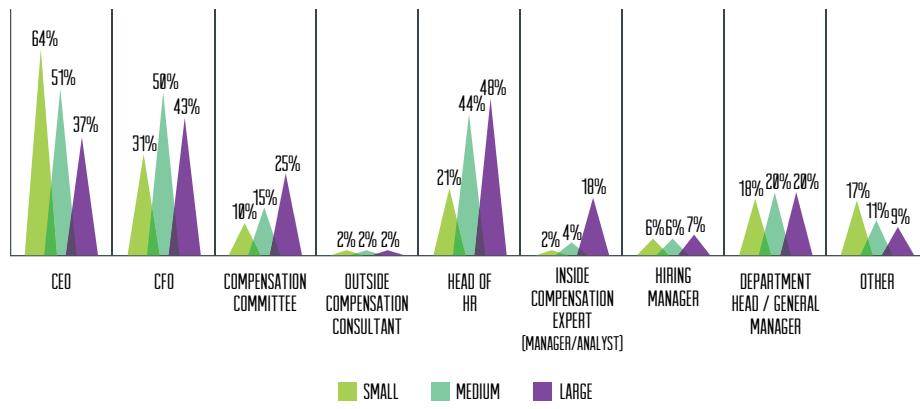
ARE WORRIED ABOUT
KEEPING EMPLOYEES

What are Companies' Compensation Practices and How Have They Changed?

Setting Compensation

Who is Responsible for Setting Compensation Budgets?

Who is Responsible for Setting Compensation Budgets at Your Organization?



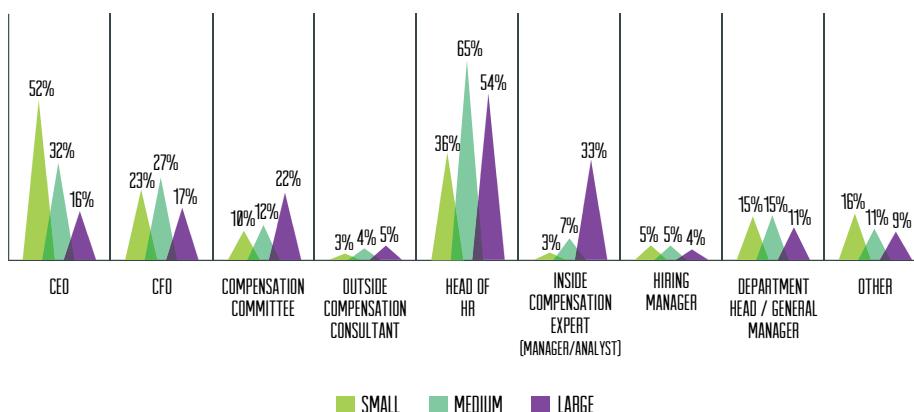
Note: Multiple answers were allowed for this question, which is why percentages total in excess of 100.

- Since 2009, the majority of employers have reported the CEO as responsible for setting compensation budgets. That trend continued, with more than half of employers choosing the CEO in 2015.
- This percent is consistent across industries and in small and medium companies. In large companies, however, the Head of HR (48 percent) usually sets the compensation budget, followed by the CFO (43 percent) and the CEO (37 percent).
- The least popular choice for setting the compensation budget is outside compensation consultant (3 percent). This finding is consistent with finding from previous years (2 percent in 2014 and 2013 and 3 percent or less in 2012 and 2011).

MOST COMPANIES SAY
IT'S THE CEO WHO SETS
COMPENSATION BUDGETS

Who is Responsible for Setting Compensation Structures?

Who is Responsible for Setting Compensation Structures at Your Organization?



- Although the CEO is primarily responsible for setting compensation budgets, the Head of HR is primarily responsible for setting compensation structures.
- This is less common at small companies, where the CEO (52 percent) is more likely to set the compensation structure and the compensation budget.
- Large companies (33 percent) are far more likely to have an inside compensation expert set the compensation budget than are medium (7 percent) or small companies (3 percent).

Compensation Adjustments

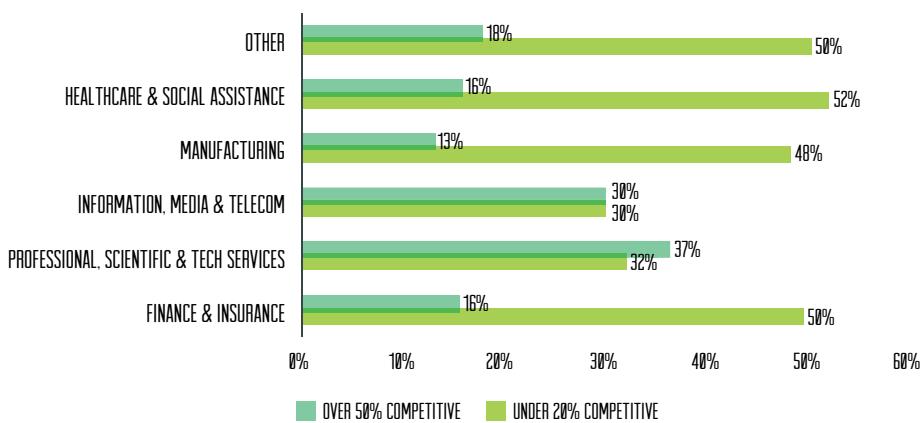
- The main reason companies adjusted compensation in 2014 was in response to employee performance (52 percent). Cost of living adjustments accounted for only 21 percent of increases, while market adjustments and internal pay equities accounted for only 10 percent of pay increases combined.
- Small companies were more likely to adjust compensation to encourage retention (12 percent) than were medium (5 percent) or large (4 percent) companies.

PERFORMANCE WAS THE
TOP REASON FOR RAISES
IN 2014

Compensation Objectives

- Regardless of size or industry, companies reported “retaining top employees” (63 percent) as their top compensation objective. Retention was also the top compensation objective in 2013 and 2012.
- The second most popular objective was “attracting new talent,” with 12 percent of respondents citing it as their primary objective, and 37 percent citing it as the second most important objective.
- One fifth of all employers reported that more than 50 percent of jobs in their company are competitive.
- Employers in Professional, Scientific, and Tech Services (37 percent) and in Information, Media, and Telecommunications (30 percent) are most likely to report that 50 percent of jobs in their company are competitive.

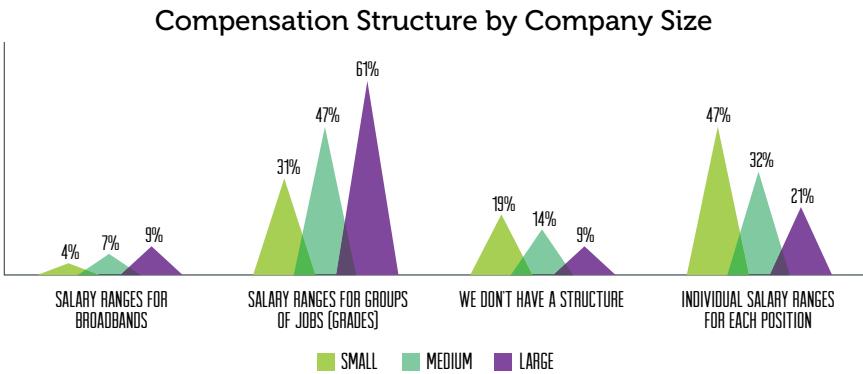
Competitive Level of Jobs, by Industry



Salary Ranges Versus Market Percentiles

- Most companies (85 percent) use salary ranges (by grade, per individual position, or via broadbanding) to structure compensation programs. This finding is consistent with 2014 findings (86 percent), 2013 findings (79 percent), and 2012 findings (82 percent).
- Regardless of industry or size, the most common way employers assign grades to jobs is to use market data (47 percent), versus a qualitative or quantitative job evaluation method or a ranking method.
- Fifteen percent of employers don’t have a compensation structure.

REGARDLESS OF SIZE OR
INDUSTRY, COMPANIES
SAY ‘RETAINING TOP
EMPLOYEES’ IS THEIR
TOP COMPENSATION
OBJECTIVE



- Small companies (47 percent) are more likely to use individual salary ranges for each position than either medium (32 percent) or large (21 percent) companies.
- Overall, only 6 percent of companies use broadband salary ranges. Large companies (9 percent) are more likely than small (4 percent) or medium (7 percent) companies to use broadband ranges.
- Seventy-five percent of employers adjusted their compensation structure within the last 12 months. Large companies (82 percent) were more likely to have adjusted their compensation structure in the last 12 months than were medium (76 percent) or small (71 percent) companies. Nearly 13 percent of companies have never adjusted their compensation structure.
- Small companies are more likely (19 percent) to not have a compensation structure than are medium (14 percent) or large (9 percent) companies.
- 53 percent of respondents said they typically perform market and compensation analysis either annually or semi-annually (i.e., twice a year).

Compensation Across State Lines and Beyond

- Nearly 57 percent of all employers maintain different pay ranges depending on geography. However, small companies (48 percent) are less likely to assume this practice than are medium (57 percent), or large (69 percent) companies.
- Employers in the Information, Media, and Telecommunications (72 percent); Professional, Scientific,



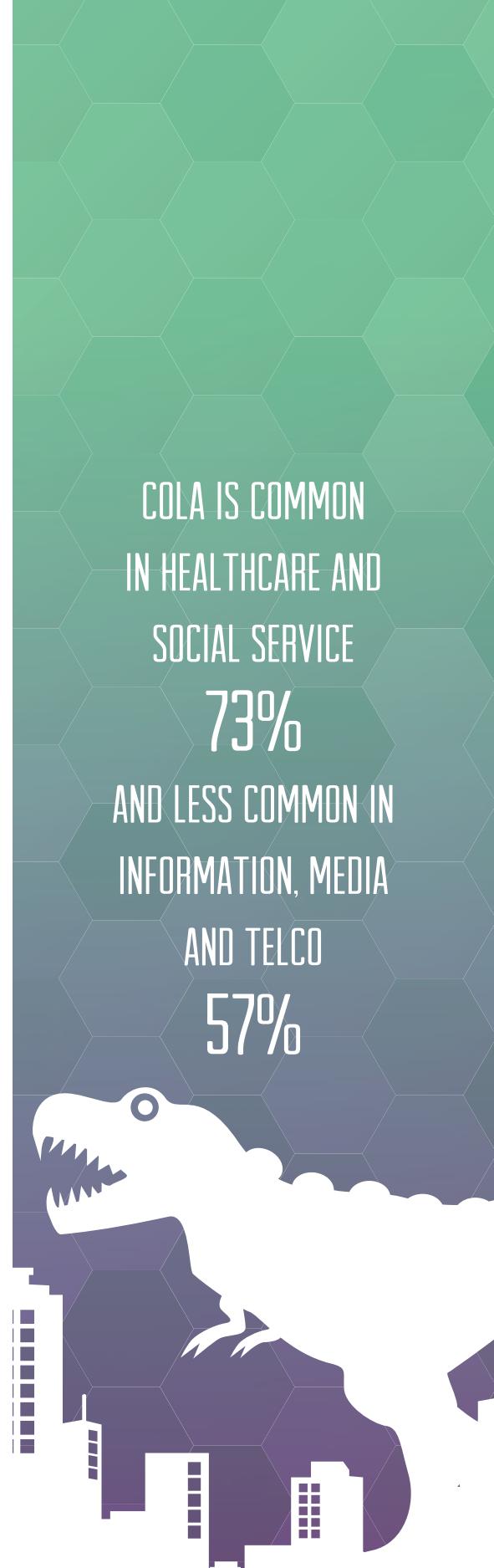
and Tech Services (64 percent); and Manufacturing (62 percent) industries were more likely to have multiple pay ranges depending on geography. Employers in the Finance and Insurance (52 percent) and Healthcare and Social Assistance industries (43 percent) were less likely.

Cost of Living

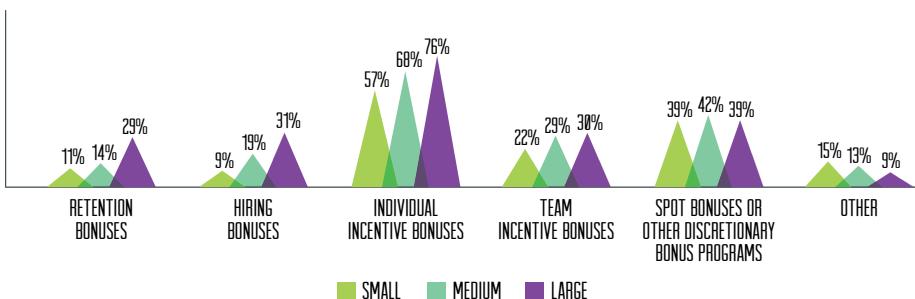
- In 2014, 21 percent of employers cited cost-of-living adjustments (COLAs) as their main reason for giving raises; this same 21 percent indicated that COLAs would be their primary reason for giving raises in 2015 as well. This practice is more prevalent in the Manufacturing (23 percent in 2014) and Healthcare and Social Assistance (22 percent in 2014) industries than in other industries and least prevalent in the Information, Media, and Telecommunications (13 percent in 2014) industry.
- Of the 21 percent of employers who gave COLAs in 2014, 65 percent gave them to all employees.
- Cost of living adjustments for all employees were most common in the Healthcare & Social Assistance industry, at 73 percent, and least common in the Information, Media & Telecommunications industry, at 57 percent.

Bonuses: Who Receives Them and What Type?

- Bonuses remain a popular component of compensation plans, with 76 percent of employers reporting they give bonuses. This percent is up from previous years. In 2013, 75 percent of employers reported giving bonuses, and in 2012 and 2011, those numbers were 71 and 70 percent, respectively. Also, 43 percent of employers report having a bigger bonus budget for 2015. These numbers could reflect employers' attempts to more closely align pay with performance as well as keep base pay more manageable while still providing financial incentive for best performance.
- Directors and managers (76 percent) and Executives (70 percent) are more likely to receive bonuses than other employee groups.
- Regardless of size or industry, employers cited individual incentive bonuses are the most popular choice in 2014, as they did in 2013, 2012, and 2011.



Types of Bonuses Used in 2014, by Company Size



Bonuses in 2014 by Company Size

- Companies of all sizes gave individual performance bonuses more often than any other type in 2014. Spot bonuses were the second most popular option.
- For small and medium-sized companies, team incentive bonuses were the third most popular option. For large companies, the third most popular option was hiring bonuses.
- Small companies (28 percent) were more likely to report not offering bonuses of any type than were medium (22 percent) and large (20 percent) companies.

Bonuses in 2014 by Company Industry

- Employers in Healthcare and Social Assistance (34 percent) were most likely to report not giving bonuses. Employers in Manufacturing (14 percent) were least likely to report not giving bonuses.
- For all industries, employers gave individual performance bonuses more often than any other type in 2014. Spot bonuses were consistently the second more popular option.
- For every industry except Healthcare, team incentive bonuses were the third most popular option. For Healthcare companies, the third most popular option was hiring bonuses.
- Employers in the Information, Media, and Telecommunications (76 percent) industry reported giving more individual performance bonuses than any other industry.

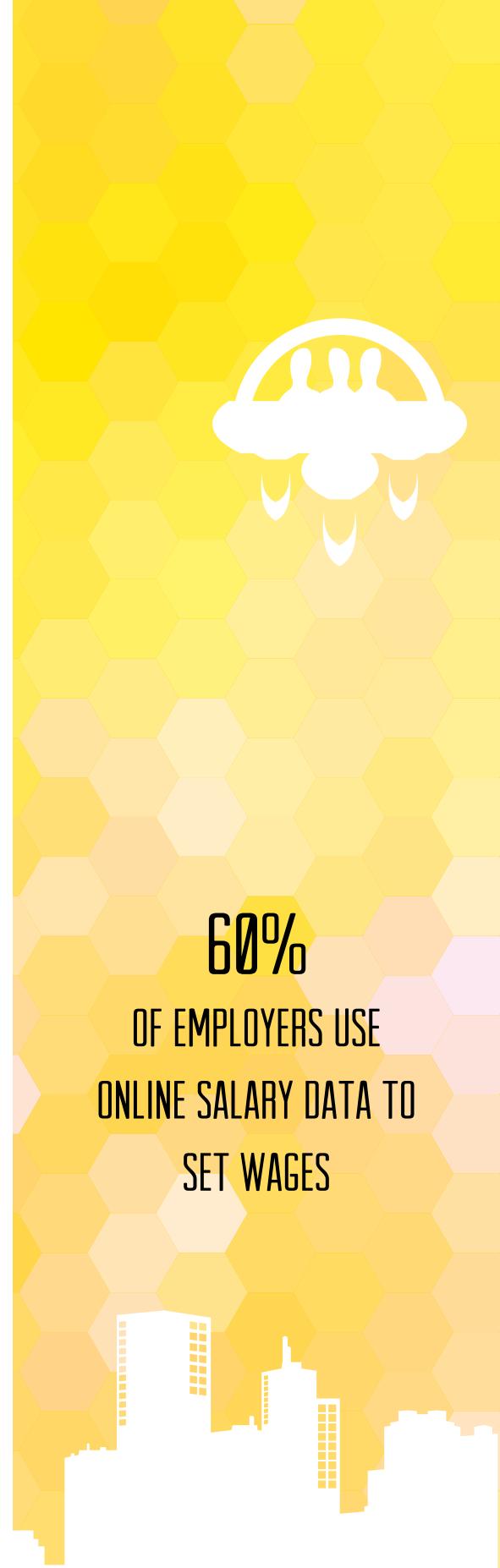
43%

OF EMPLOYERS REPORT
HAVING A BIGGER BONUS
BUDGET FOR 2015

Formal Compensation Strategy and Market Analysis

More than 81 percent of employers either have or are working on a formal compensation strategy, up from 73 percent in 2013.

- Large companies (93 percent) are more likely than both medium companies (86 percent) and small companies (74 percent) to have or be working on a formal compensation strategy.
- Many employers (43 percent) perform market and compensation analysis annually; another 10 percent perform this analysis semi-annually (i.e., twice a year).
- Large companies (59 percent) are more likely to conduct a compensation analysis regularly (i.e., at least annually) than are medium (53 percent) or small (50 percent) companies.
- At the time of the response collection (December 2014), 46 percent of employers had adjusted their salary structure within the last 6 months, and 29 percent had adjusted their salary structures within the last 7-12 months.
- Sixty percent of employers reported using online salary data. Of that 60 percent, 38 percent pay for the data.
- Large companies (61 percent) are more likely to pay for salary data than are medium (44 percent) and small (27 percent) companies.
- Sixty percent of employers use online salary data to set wages; 44 percent participate in salary surveys, 33 percent use association data, and 15 percent use a consultant. (Note: employers had the option of choosing more than one answer for this question.) Only 16 percent of employers reported not using any salary data to set wages.
- Only 22 percent of employers reported being “very” satisfied with their salary data, and 59 percent said they were “somewhat” satisfied. Large companies (26 percent) are more likely to be very satisfied than small (22 percent) or medium (19 percent) companies.
- Employers in the Professional, Scientific, and Tech Services (25 percent) and those in the Manufacturing (23 percent) industries reported being very satisfied with their salary

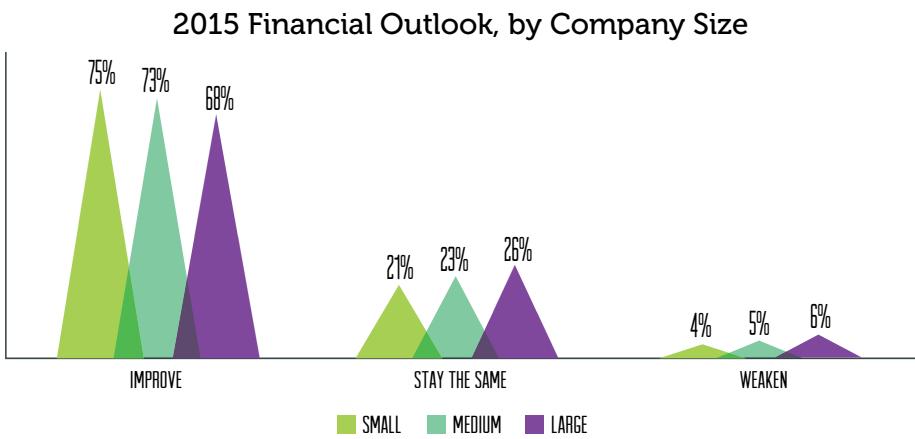


data most often. Employers in the Information, Media, and Telecommunications industry reported being very satisfied with their salary data least often (18 percent).

Outlook for 2015

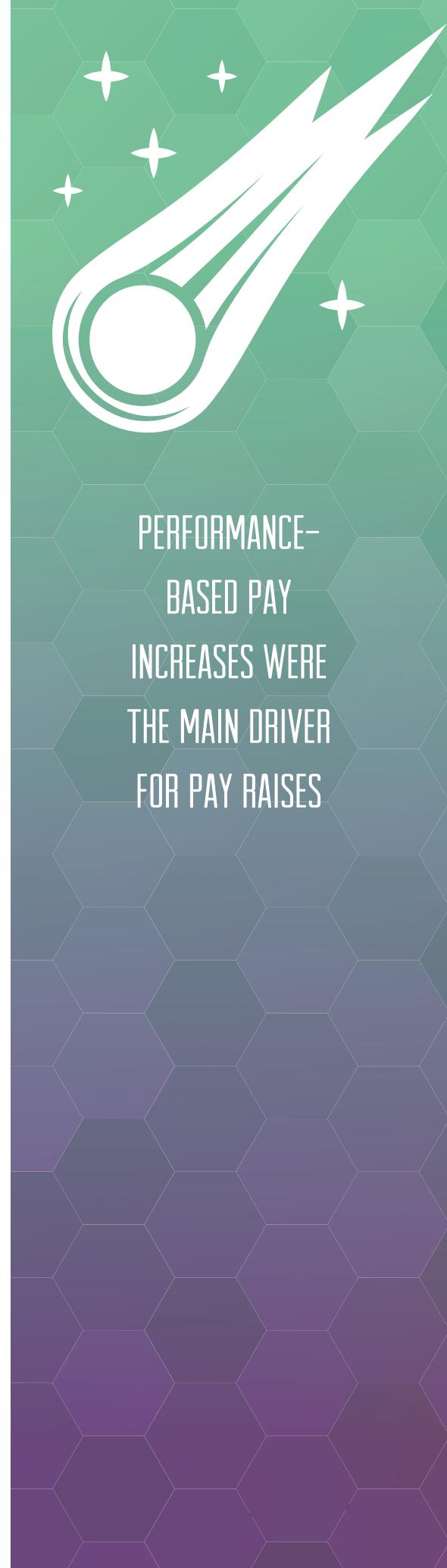
- Employers remain optimistic about the future, with the majority (73 percent) expecting their financial performance to improve in 2015. Only 5 percent of employers expected it to weaken.
- Seventy-three percent is a slight increase from last year, when 72 percent of employers reported expecting improved financial performance, and a more significant increase from 2013, when 66 percent of employers reported expecting improved financial performance.
- Employers in Information, Media, and Telecommunications (80 percent) are most optimistic, and employers in Healthcare and Social Assistance (69 percent) are least optimistic.
- Employers of small companies are slightly more hopeful than employers of large companies.





Salary Increases

- Eighty-five percent of employers reported giving raises in 2014, and 89 percent say they will give raises in 2015. Small companies (81 percent) were less likely to give raises in 2014 than medium (88 percent) or large (88 percent) companies and are slightly less likely to give pay raises in 2015.
- Fifteen percent of companies did not give raises last year, versus 17 percent in 2013 and 19 percent in 2012.
- Employers in Healthcare and Social Assistance were least likely to give raises in 2014, with 19 percent of respondents reporting no pay raises.
- Performance-based pay increases were the main driver for pay raises for most employers (52 percent) in 2014. Only 21 percent of employers reported giving COLAs as the primary reason for pay raises.
- Eighty-one percent of all companies gave raises to more than 50 percent of their staff in 2014. Large organizations (88 percent) were more likely to adjust compensation for more than 50 percent of their staff than medium (84 percent) or small (75 percent) companies.
- Employers in Information, Media, and Telecommunications (73 percent) were least likely to give raises for more than 50 percent of staff. However, they were more likely to give higher raises, with 12 percent of employers in this industry reporting increases of 11 percent or above.



- Employers in Finance and Insurance (86 percent), Manufacturing (86 percent), and Healthcare and Social Assistance (86 percent) were most likely to give raises for more than 50 percent of staff. This finding is consistent with last year's.
- Most organizations (81 percent) averaged increases between 0 and 5 percent; 14 percent of organizations averaged increases between 5 and 10 percent.
- Employers in Healthcare and Social Assistance were least likely to give higher raises, with only 1 percent of employers in this industry reporting increases of 11 percent or above.

Workforce Size

- Companies expect to keep expanding in 2015, with 50 percent reporting plans to add staff. This response is slightly lower than last year's, when 54 percent of employers reported plans to add staff, but identical to the response received in 2013.
- Nearly 12 percent of all companies expect staff size to decrease in 2015. Large companies (17 percent) are more likely to expect staff reductions; medium companies (9 percent) are least likely.

How do you expect your workforce to change in 2015?

	SMALL	MEDIUM	LARGE
Increase	51%	51%	45%
Stay the Same	40%	37%	38%
Decrease	9%	12%	17%

By company size.

- Regardless of industry, most employers expect to increase their workforce in 2015.
- Employers in Information, Media, and Telecommunications (63 percent) are more likely than other employers to expect to add to their workforce.

50%
REPORTING PLANS TO
ADD STAFF



- Employers in Healthcare and Social Assistance (45 percent) report plans to maintain workforce size more often than employers in other industries.
- Employers in the Information, Media, and Telecommunications and employers in the Professional, Scientific, and Tech Services industries more often reported plans to increase their workforce by 10 percent or greater in 2015.

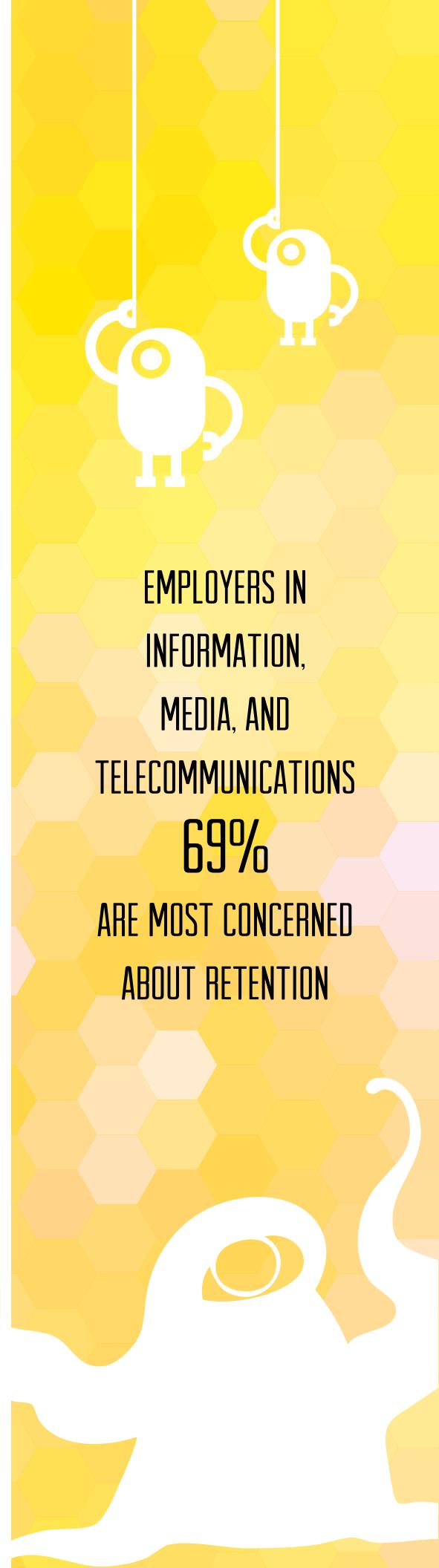
How do you expect your workforce to change in 2015?

Change to Workforce	Increase	Stay the Same	Decrease
Finance & Insurance	55%	37%	9%
Professional, Scientific & Tech Services	56%	32%	11%
Info, Media & Telecom	63%	26%	12%
Manufacturing	50%	34%	16%
Healthcare & Social Assistance	45%	45%	11%
Other	47%	42%	11%

By industry.

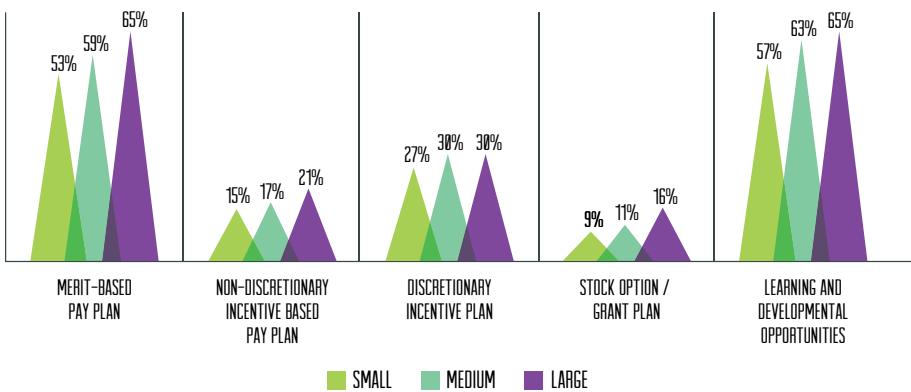
Employee Retention

- Regardless of size, most employers (57 percent) are concerned about employee retention and making plans to keep their employees engaged and productive.
- Employers in Information, Media, and Telecommunications (69 percent) are most concerned about retention.



- When asked about plans to retain high-performing workers, most employers (60 percent) cited a focus on learning and development opportunities, followed by merit-based pay increases (57 percent). Discretionary incentive plans (28 percent), non-discretionary incentive plans (17 percent), and stock options (11 percent) were less popular choices.
- Thirty-one percent of employers conduct engagement survey annually; 24 percent conduct surveys “as needed.” 32 percent of employers never use employee engagement surveys.
- Of those employers who do conduct employee engagement surveys, 50 percent use software.
- Thirty-eight percent of employers reported offering Total Compensation Statements to their employees. Large companies (49 percent) are more likely than small companies (34 percent) and medium companies (38 percent) to offer statements, while employers in Finance and Insurance (50 percent) are more likely to offer statements than employers in other industries.

Plans for Recruiting and Retaining High-value Employees, by Company Size



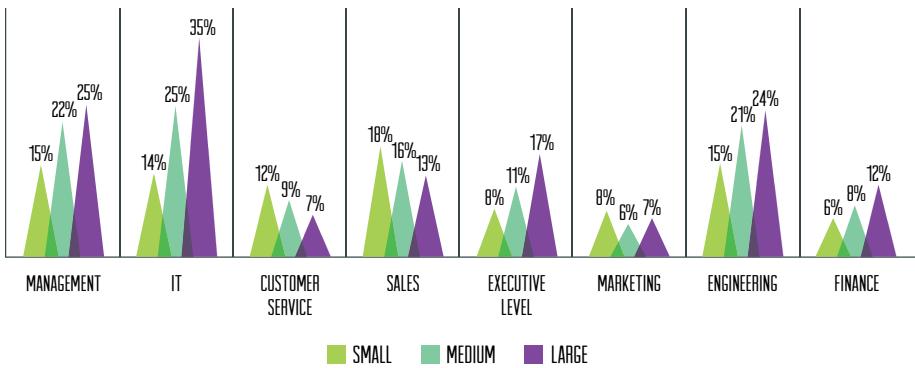
Hiring Woes

- Regardless of company size, 51 percent of employers report a lack of qualified applicants for their open positions. Employers in Information, Media, and Telecommunications (63 percent) are more likely to report this, while employers in Healthcare and Social Assistance (45 percent) are least likely.



- Thirty-five percent of employers reported having an open position for 6 months or longer.
- Most employers reported paying more for competitive jobs. However, small companies are less likely (56 percent) than medium companies (66 percent) or large companies (65 percent).
- Large companies (49 percent) are most likely to have open positions for 6 months or longer than medium companies (40 percent) or small companies (25 percent).
- Employers in Information, Media, and Telecommunications (45 percent) and Manufacturing (40 percent) were most likely to have open positions for 6 months or longer.
- Sourcing difficulties tend to vary by company size. Large companies struggle to fill IT positions, while small companies struggle more with sales positions.

Hardest Positions to Fill, by Company Size



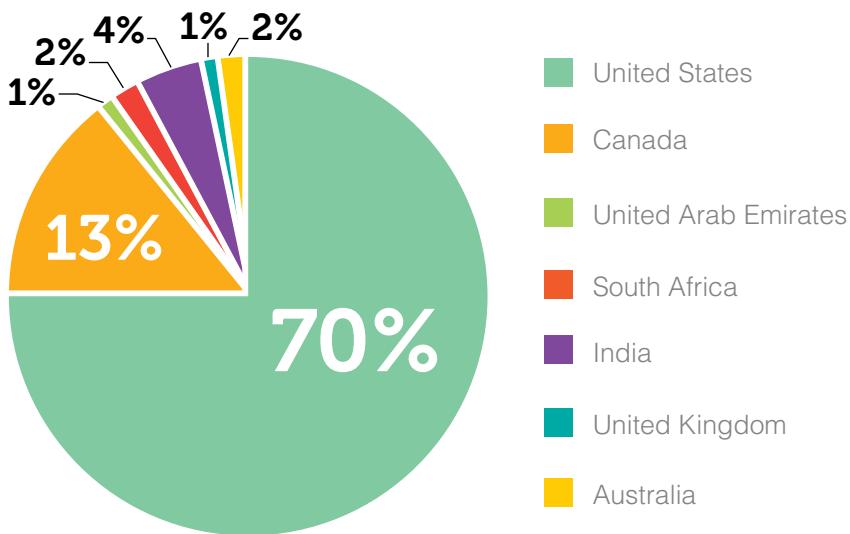
- Overall, positions in IT (22 percent), management (19 percent), and engineering (19 percent) are the hardest to fill.
- Lack of qualified applicants (61 percent) was the top reason employers cited for unfilled positions, followed by inability to offer a competitive wage (22 percent). These findings are consistent with findings in 2014 and 2013.

POSITIONS IN IT,
MANAGEMENT, AND
ENGINEERING ARE THE
HARDEST TO FILL

Survey Methodology

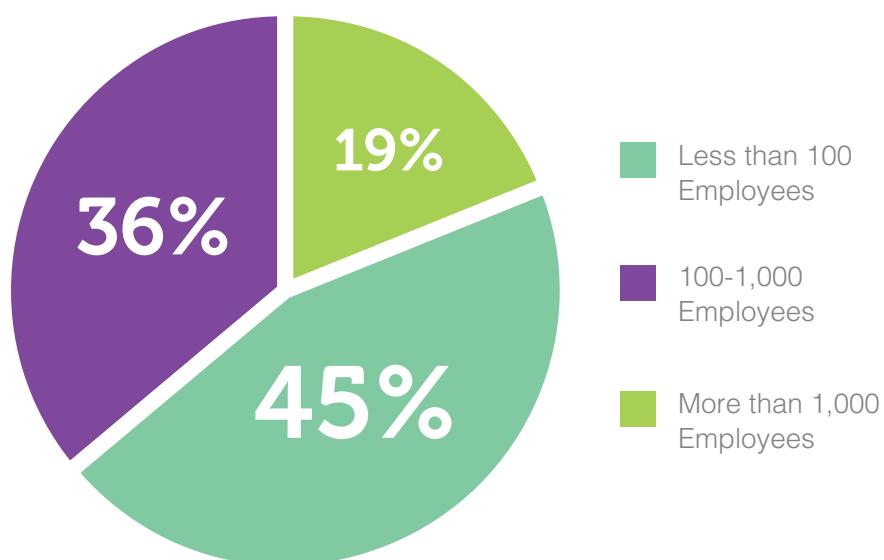
Location, Overall

The most recent Compensation Best Practices survey was conducted in November and December 2014. There were 5,530 respondents from across the globe, including 3,846 from the United States and 697 from Canada.



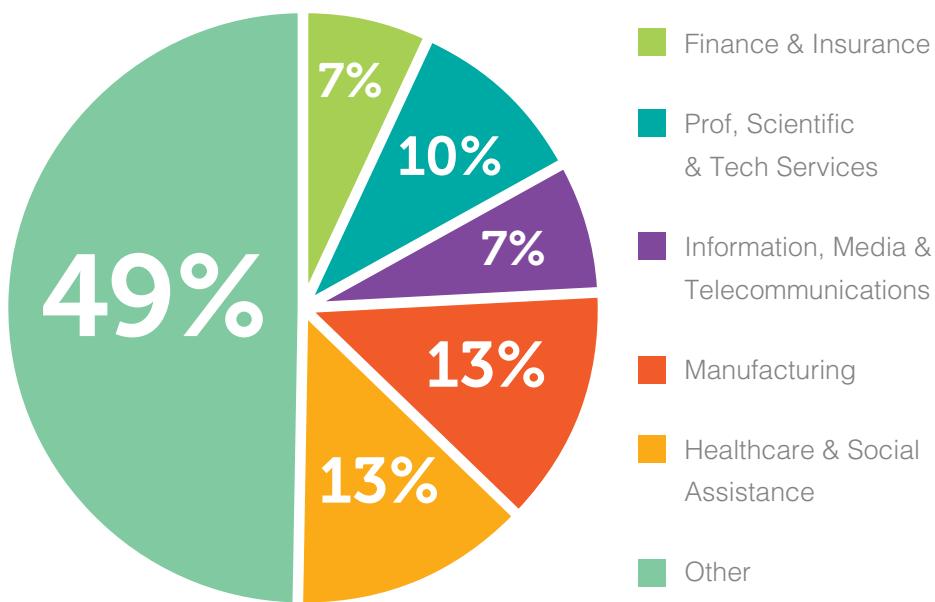
Company Size, Overall

Survey results were analyzed to create comparisons between small companies (<100 employees), medium companies (100-1,000 employees), and large companies (1000+ employees) as well as comparisons by industry.



Industry Overall

The top five industries represented in the survey were Manufacturing; Healthcare and Social Assistance; Professional, Scientific, and Tech Services; Finance and Insurance; and Information, Media, and Telecommunications.



Fifty percent of respondents identified as Managers, while 24 percent identified as Vice President or C-Level. Most respondents identified as Human Resources Professionals (56 percent), while 16 percent identified as Executives (CEO, COO, etc.).

Forty-one percent of respondents reported their company as having between 1 and 10 separate locations; 23 percent reported having more than 11 separate locations.



About PayScale

Cloud software, crowdsourced data and unique algorithms power the world's largest real-time database of rich salary profiles giving PayScale the unique ability to provide job seekers and employers alike immediate visibility into the right pay for any position.

PayScale's cloud compensation software is used by more than 3,000 customers including Bloomberg BNA, Cummins, Warby Parker, Clemson University and Signature HealthCARE.

See the interactive highlights: www.payscale.com/cbpr

For more information, visit www.payscale.com

