

2012–2013
U.S. Salary Increase Survey
Highlights



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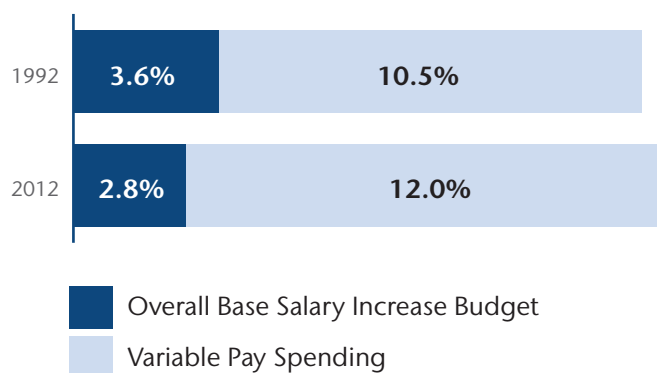
Survey Highlights and Insights

This report presents the results of the 36th annual U.S. Salary Increase Survey conducted by Aon Hewitt. The survey focuses on overall changes in employee compensation for the calendar year 2012, and on current projections for 2013. Information was collected during June and July from 1,306 organizations. Participants include 788 service organizations, 508 manufacturing organizations, and 10 multi-industry organizations.

Key Insights

Economic and political uncertainty in the U.S. and abroad continue to dampen the energy for a post-recession comeback for compensation spending and budgeting. Organizations remain apprehensive about adding to their fixed costs and instead are increasing their reliance on variable forms of rewards. Overall actual salary increase spending for 2012 at 2.8% fell just short of last year's projection of 2.9%. Projected salary increase spending for 2013 is expected to increase modestly to 3.0%. Conversely, variable pay spending in 2012 at 12.0% equals the highest levels of spending recorded in our 35+ year study and is projected to increase slightly in 2013 to 12.1%. A conservative spending outlook will continue until global economic volatility eases and increased domestic economic expansion and job growth take hold.

Change in the Total Compensation Budgets and Spending for Salaried Exempt (1992–2012)



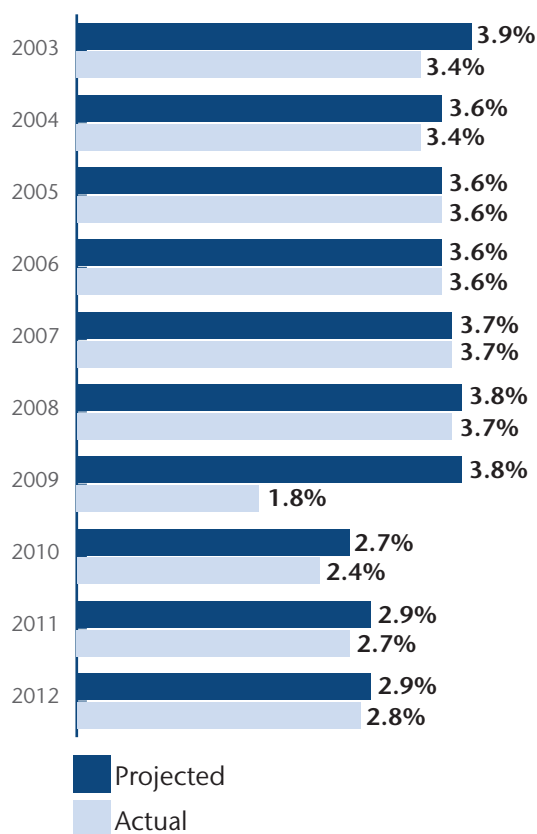
The chart above illustrates a continuing dramatic shift in the mix of compensation with variable pay assuming the largest component of compensation growth. The growth of variable pay spending is consistent with a continuing trend that ties employee compensation to business results by broadening incentive eligibility to lower levels in the organization and putting more pay at risk. Findings in this year's Pay Practices section highlight the challenges organizations are having in differentiating pay for performance and reveal that more companies are focusing on their high-potential/high-performer populations using carve outs and separate budgets or a variable pay approach that directly incorporates an individual performance component.

Highlights

Overall Salary Increase Budgets

Salaried exempt overall budgets were 2.8% in 2012, down slightly from last year's 2012 projection of 2.9%, shown in the following chart:

Salary Increase Budget Projections Versus Actual Budget Increases for Salaried Exempt

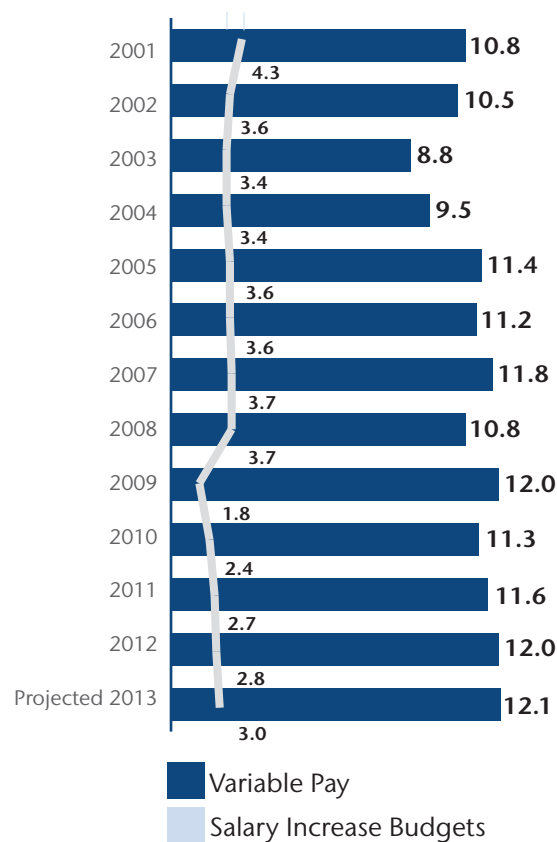


Salary Freezes Six percent (6%) of the responding organizations reported salary freezes in 2012, while only 2% expect salary freezes in 2013.

Short-Term Broad-Based Rewards The prevalence of broad-based reward pay plans indicates 90% of participants have at least one program. Expected spending on variable pay programs continues to remain high in 2012 at 12.0% of payroll. Variable pay budgets for 2013 are at 12.1%. Business incentives (59%), signing bonus (57%), and special recognition (53%) are the most prevalent types of rewards.

The chart below shows a 12-year trend, plus the 2013 projections, for overall salary increase budgets in comparison to variable pay spending for the salaried exempt population.

Overall Salary Increase Actual Budget Versus Variable Pay Spending for Salaried Exempt





A summation of the survey results follow. To obtain a copy of the full report, please visit www.totalcompensationcenter.com or send an email to surveysupport@aonhewitt.com.

Special Note:

Occasionally we are asked how survey antitrust rules apply to collecting and reporting salary increase information. In fact, some organizations request that they receive the report with any prospective information removed. Aon Hewitt believes that, because such data (as is presented in this report) is widely available and is sufficiently general in nature, it falls within standard survey safe harbor guidelines.

However, if your company's legal counsel suggests taking a more conservative approach, we can provide a version of the report that excludes projected data.

Salary Increase Budgets—Including Zero Percents

	Overall Salary Increase Budgets				
	Executive Group	Salaried Exempt	Salaried Nonexempt	Nonunion Hourly	Union
2012 Budget	(1,117)	(1,255)	(953)	(957)	(247)
25th percentile	2.5%	2.5%	2.5%	2.5%	2.0%
Average	2.9%	2.8%	2.7%	2.7%	2.5%
Median	3.0%	3.0%	3.0%	3.0%	2.7%
75th percentile	3.0%	3.0%	3.0%	3.0%	3.0%
Projected 2013 Budget	(1,067)	(1,182)	(897)	(911)	(229)
25th percentile	2.9%	2.9%	2.8%	2.7%	2.3%
Average	3.0%	3.0%	3.0%	2.9%	2.6%
Median	3.0%	3.0%	3.0%	3.0%	3.0%
75th percentile	3.0%	3.0%	3.0%	3.0%	3.0%

	Merit Increase Budgets				
	Executive Group	Salaried Exempt	Salaried Nonexempt	Nonunion Hourly	Union
2012 Budget	(883)	(987)	(742)	(726)	(151)
25th percentile	2.5%	2.5%	2.5%	2.5%	2.0%
Average	2.7%	2.7%	2.6%	2.6%	2.5%
Median	3.0%	3.0%	3.0%	3.0%	2.8%
75th percentile	3.0%	3.0%	3.0%	3.0%	3.0%
Projected 2013 Budget	(848)	(935)	(699)	(695)	(137)
25th percentile	2.8%	2.8%	2.8%	2.6%	2.5%
Average	2.9%	2.9%	2.9%	2.8%	2.7%
Median	3.0%	3.0%	3.0%	3.0%	3.0%
75th percentile	3.0%	3.0%	3.0%	3.0%	3.0%

Note: Throughout this report, all numbers in parentheses indicate the number of organizations represented by each data point. Unless specifically indicated otherwise data includes 0% increase budgets.

Salary Increase Budgets—including Zero Percents

	General Salary Increase Budgets ¹				
	Executive Group	Salaried Exempt	Salaried Nonexempt	Nonunion Hourly	Union
2012 Budget	(130)	(142)	(107)	(140)	(70)
25th percentile	0.6%	0.6%	0.8%	1.0%	1.5%
Average	1.7%	1.5%	1.6%	1.7%	2.0%
Median	1.5%	1.2%	1.5%	2.0%	2.0%
75th percentile	2.5%	2.5%	2.5%	2.5%	2.8%
Projected 2013 Budget	(127)	(138)	(104)	(135)	(69)
25th percentile	0.8%	0.7%	1.0%	1.0%	1.5%
Average	1.7%	1.6%	1.7%	1.7%	2.1%
Median	1.2%	1.0%	1.5%	1.5%	2.1%
75th percentile	2.5%	2.5%	2.5%	2.8%	3.0%

	Salary Structure Increases				
	Executive Group	Salaried Exempt	Salaried Nonexempt	Nonunion Hourly	Union
2012 Budget	(763)	(933)	(728)	(709)	(203)
25th percentile	0.0%	0.0%	0.0%	0.0%	0.0%
Average	1.7%	1.7%	1.6%	1.7%	1.3%
Median	2.0%	2.0%	2.0%	2.0%	1.7%
75th percentile	2.3%	2.3%	2.3%	2.2%	2.0%
Projected 2013 Budget	(702)	(852)	(662)	(651)	(188)
25th percentile	1.5%	1.7%	1.7%	1.5%	0.0%
Average	1.9%	2.0%	2.0%	1.9%	1.6%
Median	2.0%	2.0%	2.0%	2.0%	2.0%
75th percentile	2.5%	2.5%	2.5%	2.5%	2.5%

Note: Throughout this report, all numbers in parentheses indicate the number of organizations represented by each data point. Unless specifically indicated otherwise data includes 0% increase budgets.

¹Across-the-board increases given to all employees in a classification without consideration to performance.

2012 Global Salary Increase Survey Countries

North America

Canada
United States

Asia Pacific

Australia
China
Fiji
Guam
Hong Kong
India
Indonesia
Japan
Korea
Macau
Malaysia
New Zealand
Papua New Guinea
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Vietnam

Europe/Middle East/ Africa

Angola
Austria
Azerbaijan
Bahrain
Belgium
Botswana
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Egypt

Estonia
Finland
France
Georgia
Germany
Ghana
Gibraltar
Greece
Hungary
Ireland
Israel
Italy
Jordan
Kazakhstan
Kenya
Kuwait
Latvia
Lebanon
Lithuania
Luxembourg
Malta
Morocco
Mozambique
Netherlands
Norway
Oman
Poland
Portugal
Qatar
Romania
Russia
Saudi Arabia
Serbia
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland

Tanzania
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
Yemen
Zambia

Latin America

Antigua
Argentina
Bahamas
Barbados
Bermuda
Bolivia
Brazil
Chile
Columbia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Mexico
Netherlands Antilles
Nicaragua
Panama
Peru
Puerto Rico
Trinidad and Tobago
Uruguay
Venezuela

You may purchase detailed survey results from any of the countries above. The 25th annual Global Salary Planning Report will be available in September 2012. For an order form or additional information, please send an email to surveysupport@aonhewitt.com.

About Aon Hewitt

Aon Hewitt is the global leader in human resource solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees.

For more information, please visit www.aonhewitt.com.