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Managing Compensation in Difficult Times

(New York: May, 2003)— At a recent panel presentation for HR managers and executives sponsored by Marsh and The Five O'Clock Club, (<http://www.FiveOClockClub.com>) human resources executives received expert advice on how to keep their employees happy even as budgets shrink. The compensation specialist is the HR officer charged with making sure everybody gets paid fairly. That's a tall order even in normal times, but as we move toward the middle years of the decade there are two great truths facing compensation analysis:

- By far the most important commodity of any company is the morale of its employees. If that is damaged or ruined, a company may survive but operates at a huge disadvantage.
- Most people consider base pay the measure of fairness: What's in that envelope every two weeks? It's not that they discount or ignore all the other benefits, but "show me the money!" tends to overshadow everything else.

Communicate the Message:

The message to employees must be, "Here's our dilemma. We're trying to make our way our of a rough patch: work with us on this." It's pretty hard to plead poverty if top executives have been walking off with unseemly bonuses and outrageous severance packages. Take concrete steps to send the message,

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“Your Employer Cares.” This can include offering employee seminars on retirement planning and personal financial management, especially as employees see their own portfolios shrink. This is a way of saying, “We’re all in this together, and we’d like to help you weather the storm.”

Cut Costs Everywhere—Not Just Payroll:

Salary cuts and cancelled bonuses are a lot easier to take if employees see that a company is serious about eliminating extravagance and waste across the board. There will be considerable resentment if people feel that management is overly focused on saving money on payday, but tolerates sloppiness in other areas. Scrutinize all departments. How are they structured? Are they operating at optimum efficiency?

Making Your Company a Better Place to Work:

It’s important for your employees to have the feeling that ‘we’re in this together.’ There are relatively inexpensive measures that management can take to make the office a more pleasant place to work. For example, if people are being asked to work longer hours, make sure they are comfortable, e.g., by buying ergonomic chairs, or providing snacks in the break room. Flexible hours might ease the burden for people who have been forced to take low-paying second jobs, or who have childcare issues.

Damage Control During Terminations:

There are compassionate ways to fire people, of course, as opposed to brutal ways that spark outrage. Providing decent severance, extension of benefits and outplacement help means that companies will keep a good reputation, and lessen resentment among the workers who remain.

4 Tips for Human Resources Execs—

1. Study the current market pricing for jobs. Are you paying above or below the standards for your industry?
2. Are merit increases truly linked to performance? You may do performance appraisals, but are they used as effectively as they can to determine raises?

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3. Don't tinker with your health plans if you can avoid doing so. You may be able to increase employee contributions, but reduction of health benefits will usually be noticed and won't be popular.
4. Show compassion to the people you have to let go. Treating people well on the way out is an important factor in retaining a positive image for the company. Generous severance and outplacement support should be provided for everyone.

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Richard Bayer, Ph.D. is an economist, ethicist and author on labor economics, and also the Chief Operating Officer of The Five O'Clock Club. He is a frequent guest on local and national media including the TODAY SHOW, CNN and others. He and the Club have also been featured in The Economist, FORTUNE and other publications. Dr. Bayer is co-chair of The Employment Roundtable, a group of industry leaders and government personnel who converge each month to discuss trends in the workforce.

The Five O'Clock Club is the only career program in which members meet with professional counselors and peers on a regular weekly basis in a friendly, club-type format. The Club offers small group career counseling across the U.S. and Canada. www.FiveOClockClub.com