

A Review of the MCAA Compensation Report for 2008 Shows a Changing Employee Population

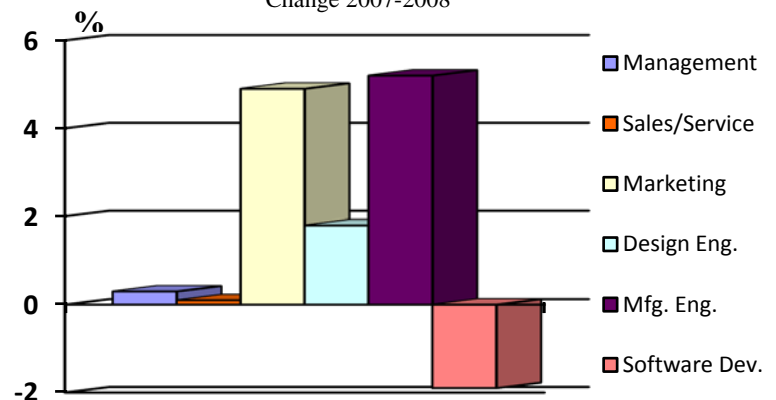
There appear to be changes afoot in the employee base within industry companies based upon a review of this year's Compensation and Benefits Report published this month by the Measurement, Control & Automation Association (MCAA). The study is the only compensation study specifically targeted on a variety of salaried positions in the measurement, control and automation industry. Companies that want to ensure that their compensation program (salary and incentives) is competitive depend on the annual report as their benchmark. This year the report also included hourly wage rates for regular and temporary employees as well as the biennial benefits survey results.

Salaries reported in the last annual survey were up an average of 4.7% across the 70 positions of the report over 2006. This year, salaries increased a very slight 1.6% based upon the average of all weighted base salaries. Surprisingly, incentive compensation *did not* make up the differential (incentive payments were made to 47% of all incumbents, see Chart 2)—incentive compensation in 2008 was *down* an average of 3.2% compared to 2007 levels.

As always, there were changes in the participant base this year which make comparisons problematic and MCAA staff has studied the demographics closely. This year, 71% of the reporting population stayed the same, including most of the major companies. This year's reporting base was 18% larger than in 2007 (by number of participating companies, 59 contributed data this year) but shows a *decrease* in the reported employee population of 3.2%. Looking only at the companies consistently reporting over the two years, the incumbent population showed a modest 5% increase. This information, seems to indicate the beginning of a redirection in the industry workforce with senior people retiring and either not being replaced or being replaced with employees of lesser experience (thus falling into lower ranked positions).

Notably, attention was paid to those job categories where there are three or more layers (sales engineers, service technicians, application engineers, training instructors, design, manufacturing and software engineers). In every case except Design Engineering, the incumbent population shrank. The trend of reported incumbents was for fewer at the top levels and more incumbents at the lowest or middle levels. However, also noted was the fact that the average salaries for those lower levels was higher while salaries at the highest levels declined (perhaps accounting for the overall decline in average salaries). The conclusion we draw is that younger, less experienced people are being hired as older, more experienced employees retire. It would also appear that these new hires are requiring higher starting salaries (many outside the normal salary range for the positions filled). This same trend would need to be repeated in the future to be confirmed and MCAA will be tracking this over the next several years as the "baby boomer" scenario works through our industry.

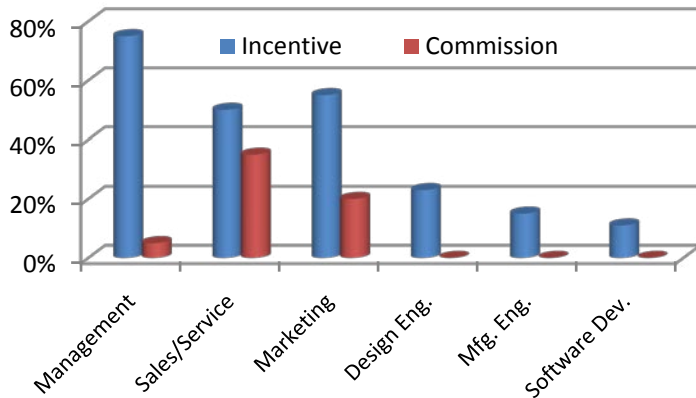
Chart 1: Weighted Average Base Rates
Change 2007-2008



As shown in Chart 1, Technical Marketing and Manufacturing Engineering positions were the only areas where more typical 5% base increases were noted. Salaries for software engineering positions actually fell—again an indication that a sea change is taking place.

MCAA looked this year at incentive compensation to see how this might offset declines in average base salaries. 65 of the 70 positions in the report (93%) have incumbents who receive incentive compensation while only 21 of the positions report incumbents receiving commissions (32% of the jobs) and those jobs are almost exclusively in the Field Sales/Service and Technical Marketing categories. This year it is noted that engineering positions in Product Design and Development, Manufacturing Engineering and Software Engineering no longer receive commission payments

Chart 2: Employees Receiving Incentive Compensation



reported in prior years, although incentive compensation in the first two of those categories was up markedly over 2007.

This year’s report shows no significant change in the hourly rates paid to non-salaried employees. Fifty-two companies reported in this segment, showing an average rate just under \$17 for regular hourly employees and slightly more than \$12 for temporary hourly workers. The survey also shows that 50% of the respondents use temporary hourly workers.

The 2008 report includes the results of the biennial benefits survey which covers benefits ranging for health, dental, life, short- and long-term disability insurance, retirement and employee savings plans, benefits administration, work weeks, leave, part-time benefits and special compensation/benefits. As in the past, the results show continued efforts to contain costs by increasing deductibles and out-of-pocket maximums as well as changing carriers or types of insurance offered. With more smaller companies participating in the report, MCAA found a reduction in the percentage of some benefits offered, notably a higher number of companies not offering retirement or employee savings plans.

The MCAA survey is conducted each summer and published in September. Each of the jobs reported includes information on the numbers of companies matching the defined responsibilities, the lowest base rate reported by participants, the highest base rate reported and the average base rate (both weighted and unweighted). The data is reported by company size wherever possible, showing the number of companies, the number of incumbents and the range of percentiles (25-50-75). The weighted average base rate is shown by region (north, south, east and west) when possible. Incentive and commission averages with total compensation calculations are included along with the salary ranges as reported and averaged for the reporting companies. This year one non-member company also contributed data to the survey—for the other 58 participating MCAA members, the cost (\$2500 for non-members) was included in the dues paid to the Association.

MCAA exists to help the management teams of process and factory automation product and solution providers run and grow successful businesses by offering timely, unique and highly specialized resources acquired from shared management benchmarks and strategies—like the annual Compensation Report and biennial Benefits Survey—where proprietary company information is secure. The 2009 surveys will be fielded in June, 2009. For more information, contact MCAA at mcaa@measure.org or 757-258-3100.