St. Paul-Ramsey Medical Center. Hospital and Medical Center Records.

ST. PAUL-RAMSEY MEDICAL CENTER

1982 EXECUTIVE DIRECTOR'S REPORT

DAVID W. GITCH

SAINT PAUL-RAMSEY MEDICAL CENTER

1982 Executive Director's Statement of Objectives Outline	Results
1. Planning and Organization Agreed on at last years meeting	
1.1 Assist in securing passage of amended Medical Center Commission Law.	1.1 Medical Center Commission Law passed by the Legislature.
1.2 Plan, organize and work toward implementation of new Commission Law.	1.2 Under the new Commission law, the joint venture with Health Central, Wilder Foundation and St. Paul-Ramsey Medical Center was approved in December 1982.
1.3 Assist in review and selection of best alternative for Commission composition following adoption of new redistricting law.	1.3 Legislative Committee began meeting in December 1982 to consider alternatives for composition of Commission following redistricting.
1.4 Study and make recommendations regarding alternative organizational changes to maintain the medical center in a strong "competitive" position for the 1980s. Priorities include: on-campus inter-organizational relationships, off-campus relationships, organizational alternatives for ambulatory care, dialysis, laboratory/ancillary services.	1.4 This objective, outside of 1.2 above, did not move as far as hoped for. This was referenced again at the December 8, 1982, Planning Conference. It remains a 1983 objective.
1.5 Assessment of relationships to Ramsey County. Encourage and facilitate communications.	1.5 There have been increased communication with the Ramsey County Board through our 1982 Legislative effort, the Joint Study Committee and some personal contacts. More needs to be done in this area and remains as an objective for 1983.
1.6 Interorganizational Planning among Minnesota teaching hospitals through the Minnesota Association of Public Teaching Hospitals with specific focus on medical education programs.	1.6 This was accomplished resulting in a descriptive paper on the Minnesota Teaching Hospitals plus a new set of objectives for 1983. MAPTH (The Minnesota Association of Public Teaching Hospitals) has been extremely active this past year and has adopted an action plan for 1983. I had the privilege of serving as Chairman of MAPTH in 1982 and will complete my second term in June 1983.

1.7 Initiate decision-making process for selecting best alternative for data processing services for the medical center.	1.7 The Data Processing Study was completed, recommendations made and approved by the Commission in 1982.
1.8 Determine best method for effective coordinated function of fiscal, planning, data processing and marketing services for the medical center.	1.8 Coordinated efforts for fiscal planning and data processing have been accomplished. There is a marketing approach identified as reported at the December 8, 1982 Conference. Joint efforts with Ramsey Clinic Associates are under way to employ a Director of Marketing.
1.9 Assist Commission in filling expiring terms on the Commission July, 1982.	1.9 Commission re-appointments were accomplished on time.

2. Hospital Objectives

2.1 Meet budgeting objectives for volume of service and fiscal plan adopted as 1982 budget.	2.1 Budget objectives for 1982 were met and exceeded. Resources exceeded budget, expenses were below budget and held to 8%, below the 11% nationwide. The positive margin available for working capital equaled the 3% Target. Admissions were up by 500 although patient days were down by 3,000. Outpatient volume was up as projected but E.R. visits fell again. It is anticipated that the new "ReadyCare" program approved in 1982 will reverse the downward trend.
2.2 Achieve internal audit program.	2.2 An internal audit program was not achieved although the annual audit did not reflect any serious flaws. This should continue as an objective.
2.3 Develop and get approval for formal Fund Development Program with specific drive for Burn Center	2.3 The Fund Development Program has been approved as an objective for 1983.
2.4 Continue to enhance employee relations through open communications and employee development programs.	2.4 The Senior Associate Directors and others held open meetings last year and will do so again in 1983. These have proven to be successful. I have maintained an open door policy. The PULSE and general letters to employees continue as the main source of employer communications. A management training program funding was included in the 1983 budget.

2.5	Update Hospital Work Plan for 1983.	2.5	Hospital Work Plan updated through Planning Conference.
2.6	Solidify number one position as major trauma center.	2.6	SPRMC as Trauma Center has been emphasized through the news media stories and through approval of ReadyCare program. A survey has been completed indicating our superior position. A system for monitoring trends is in place. The new Emergency Room Chief Search neared completion.
2.7	Promote development and implementation of alternative programs for delivery and reimbursement of care for medically indigent.	2.7	Alternative Care programs for medically indigent was reviewed by two internal task forces. Timing and receptivity have not been right to propose. This will remain as high priority in 1983.

3. <u>Quality of Medical Services</u>

3.1	Improve communication systems for outside referrals.	3.1	The medical staff is working on communication systems for outside referrals. Policy Statements are now under active consideration. Noted improvement has been made.
3.2	Consolidate ways and means of measuring quality.	3.2	The Quality Assurance program is under way. The Senior Management Committee has met on several occasions to provide input and consultation for this program. This should continue to develop in 1983.
3.3	Encourage and provide resources for clinical practice programs of medical staff.	3.3	The Continuing Medical Education Program is an excellent program and should continue to be forwarded.

4. <u>Allocation of Resources</u>

4.1	Maintain budget performance.	4.1	Budget performance was maintained.
4.2	Development of long-range capital requirements.	4.2	Long-range capital requirements were developed and presented at December 8, 1982 Planning Conference.
4.3	Achieve success in appeal under cost limitations proposal.	4.3	The cost limitation appeal has been filed.

4.4 Develop intermediate financial plan for medical center.

4.4 Intermediate Financial Plan still in development. The numerous changes brought about by State action and the President's budget reconciliation bill adopted last October has made this plan more imperative.

5. Promotion of Hospital

5.1 Continue present level of community involvement.

5.1 Increaed community involvement through United Way and Lutheran Social Service ~~Awards.~~ BOARDS.

5.2 Secure support for an implement proposed Public Relations Program.

5.2 Public Relations program continues to progress.

5.3 Formally present medical center story in three formal presentations.

5.3 While there were numerous occasions to discuss the Medical Center in public, I did not achieve the three formal presentations as hoped for.

5.4 Develop proposal for formal fund development program to expand nearly $1 million of outside support now available.

5.4 Fund Development objective proposed as a program at December 8 Planning Conference and adopted as 1983 objective.

6. Self-Development

6.1 Continue as preceptor in School of Public Health.

6.1 Continued as preceptor in School of Public Health and lecturer in Long-Term Care.

6.2 Begin work toward obtaining Fellowship status in American College of Hospital Administrators.

6.2 I did not begin work toward fellowship.

6.3 Develop knowledge in capital financing.

6.3 I did attend several sessions on capital financing.

7. Crisis Resolution

7.1 We were faced with several media "crisis" resulting from the Chemical Dependency stories, a County Commissioner's proposals relative to the Medical Center, an effort to involve the State Auditor, and election year campaigning. This created stresses throughout the organization. A good deal was learned about responding to these incidents. Results were varied. Overall, the matters were handled but there was a "price to pay" in time, morale and public perception.

February 17, 1983

RE: Compensation recommendation for unclassified staff.

The 1983 compensation levels for the Senior Associate Director - Administration and Senior Associate Director - Patient Care takes into account the following factors:

1. Performance during the past 12 months, including Medical Center objectives achieved and operational administration including response to daily demands.
2. Maintaining a competitive compensation program compared with health care administrators with comparable responsibilities in similar organizations.

Performance reviews will be completed with Mrs. Marschall and Mr. Culbertson covering: Planning and organization.

Recommendations:

former NVH

1. Senior Associate Directors (operating officers):

	1982	1983	%
A. Senior Associate Director - Patient Care Marlene Marschall	$54,780	$59,710	9
Graduate Minister			
B. Senior Associate Director - Administration DICK CULBERTSON	$54,780	$59,710	9

Under the current benefit plan, an auto may be provided for Senior Associate Directors. Both have exercised that option as of 1982.

All other benefits remain the same.

This recommendation would place the compensation at approximately comparable to the reference point of 90% of the median of the Council of Teaching Hospitals, midwest and major affiliated.

*Estimated 1982 COTH survey - average of medians for major affiliated and midwest teaching hospitals -

			MEDIAN	
1982	90%	of	$59,531	= $53,578
1983	90%	of	$64,294	= $57,864

Recommendation: 9% increase to $59,710.

2. Other Senior Management - unclassified:

	1982	1983	%
A. Associate Director - Fiscal Services Jack McClary	$47,183	$50,014	6
B. Associate Director - Facilities James Dixon	$43,949	$47,904	8-9
C. Associate Director - Patient Care Richard Anderson	$40,000	$43,200	6-8

former CBD
@ Riverview Hosp

Dian Giovanni is second assistant level

As a reference, the estimated 1982 COTH survey - average of medians for major affiliated and midwest teaching hospitals is -

Second assistant level - $46,896

Chief fiscal officer - $58,849

Overall compensation change:

Exclusive of the Executive Director's salary, senior management unclassified salaries would be adjusted by 8.2%.

Through consideration of the Executive Directors compensation, overall adjustments for the unclassified senior management staff would be at 8 to 8.2% or less.

8% in budget

60

St. Paul-Ramsey Medical Center

Comparison of COTH 1981 - published 1982 Executive Salary Survey and SPRMC

Percentile	U.S.	Midwest	Non-Govt	Govt (MUN)	Major Affiliation	385/512	Age:41-45(39) Quartiles
25	$67,600	$71,000	$80,000	$57,000	$70,000	$69,920	< $67,600
50	84,000	85,000	91,200	61,334	85,000	80,500	67,600 - 83,999
75	100,000	94,150	106,400	66,888	103,000	93,500	84,000 - 99,999
Mean	86,144	85,891	95,539	64,018	89,350	85,049	> 100,000
1982 SPRMC Current	74,520	74,520	74,520	74,520	74,520	74,520	74,520
SPRMC + 3%	76,756	76,756	76,756	76,756	76,756	76,756	76,756
+ 6%	78,991	78,991	78,991	78,991	78,991	78,991	78,991
+ 8%	80,482	80,482	80,482	80,482	80,482	80,482	80,482
+ 10%	81,972	81,972	81,972	81,972	81,972	81,972	81,972

1983 SPRMC
Plan Objective: average of medians of major affiliate and midwest teaching hospitals.

	U.S.	Midwest	Non-Govt	Govt (MUN)	Major Affiliation	385/512	Age:41-45(39) Quartiles
	85,000	85,000	85,000	85,000	85,000	85,000	85,000

Source: Council of Teaching Hospitals Executive Salary Survey

St. Paul-Ramsey Medical Center

DAVE GITCH 13 yrs here CEO

Comparison of COTH 1982 Salary Survey Estimates and SPRMC

Percentile	U.S.	Midwest	Non-Govt	Govt (MUN.)	Major Affiliation	#Beds 385/512	Age: 41-45 (39) Quartiles
25	$73,008	$76,680	$86,400	$61,560	$75,600	$75,514	< $75,514
M/S/P 50 DS purported	90,720	91,800	99,144	66,241	91,800	86,940	73,008 - 90,719
75	108,000	101,682	114,912	72,239	111,240	100,980	90,720 - 107,999
Mean	93,036	92,762	103,182	69,139	96,508	91,853	> 108,000
1982 SPRMC Current	74,520	74,520	74,520	74,520	74,520	74,520	74,520
SPRMC + 3%	76,756	76,756	76,756	76,756	76,756	76,756	76,756
+ 6%	78,991	78,991	78,991	78,991	78,991	78,991	78,991
+ 8%	80,482	80,482	80,482	80,482	80,482	80,482 ✓	80,482
+ 10%	81,972	81,972	81,972	81,972	81,972	81,972 ✓	81,972

1983 SPRMC
Plan Objective: average of medians of major affiliate and midwest teaching hospitals.

91,800	91,800	91,800	91,800	91,800	91,800 ✓	91,800

OTHER TC CEO's
DON WEGMILLER — ± 125-150 K
CARL PLATO — + 100,000

Source: Council of Teaching Hospitals Executive Salary Survey

1981 results adjusted by 8% to EST. 1982

Senior Associate Director

COTH Survey 1981 published 1982 *

Median - major affiliations	$59,999
Median - midwest	$59,064
	$119,063 2 = $59,521 for 1982

Since utilization of two Senior Associate Directors, using 90% of the average of the medians for major affiliations and midwest teaching hospitals as plan objective,

90% of $59,531 = $53,578 for 1982

Actual for 1982 = $54,780

COTH 1983 EST using 8% : $57,864

Recommendation:

at 8% = $59,162

at 9% = $59.710

at 9.5% = $59,984

at 10% = $60,258

at 12% = $61,354

*Adjusted by 8% to reflect 1982.

1982 Unclassified Personnel Salary Adjusted

Name	Title	1981	1982	% Change	1983	% Change
R.Culbertson	Sr. Assoc.Dir.-Admin.	$49,000	$54,780	11.8%		
M. Marschall	Sr. Assoc.Dir.-Pt.Care	50,802	54,780	7.8		
J. Dixon	Assoc. Dir.	39,240	43,949	12.0		
J. McClary	Assoc. Dir.	47,183	47,183	0		
R. Anderson	Assoc. Dir.	36,000	40,000	11.1		
D. Gitch	Executive Dir.	69,000	74,520	8.9		

EXECUTIVE DIRECTOR

1983 AREAS OF ACCOUNTABILITIES

EXISTING PROJECTS

ARCHITECTURAL PLANNING AND CONSTRUCTION

1983

GOALS	OBJECTIVES	ASSIGNMENT
To accomplish the renovation and improvement of existing physical facilities	1. To decorate and improve current inpatient units.	1. Mr. Dixon Ms. Marschall
	2. To engage architects and commence design, construction of remodeled vacant inpatient areas by 8-31-83.	2. Mr. Dixon
	3. To engage architects and commencement of design for major renovation of inpatient areas and new construction of intensive care units.	3. Mr. Dixon Mr. Culbertson
	4. To prepare for and undertake first phases of conversion to district heating program.	4. Mr. Dixon

All priorities to be undertaken with review/approval of Remodeling Committee.

EXISTING PROJECTS

INFORMATION SYSTEMS

1983

GOALS	OBJECTIVES	ASSIGNMENT
To design and implement the new information system at SPRMC to replace existing HSS program.	1. To recruit a Director of EDP and Staff by 3-1-83. (Director) and 6-1-83 (rest of staff).	Mr. Culbertson, Mr. McClary (to also assist in Objectives 2-5)
	2. To prepare computer systems and system design by 12-31-83.	EDP Director, Consultant
	3. To install new computing equipment on-site by 6-30-83.	EDP Director, Consultant
	4. To complete phase-out from HSS system by 1-31-84.	EDP Task Force
	5. To continue assessment of patient care applications concluding in a report to Commission by 12-1-83.	EDP Task Force

NOTE: All priorities to occur with appropriate review/approval of Finance/Personnel Committee.

MARKETING PROGRAM

GOALS	OBJECTIVES	ASSIGNMENT
1. To adopt an integrated marketing function to improve awareness of marketing opportunities, improve satisfaction of target markets, and improve cost-effectiveness in marketing activities.	1. To establish in conjunction with Ramsey Clinic Associates, P.A., four priority areas for inital marketing concentration. They will include the Emergency Medicine Department, the Occupational Health Program, Emergency Medical Services and the Satellite Clinic System, all under the umbrella of corporate institutional identity.	1. Mr. Suwinski, Mr. Gitch
2. To adopt a marketing approach to major product/service decisions, considering the effects and reprocussions of competitive response, changes in consumer needs and changes in reimbursement.	2. To implement the institutional identity and graphic standards program, with the hospital as the main system component and plans for integration of affiliated organizations.	2. Ms. Rainford
	3. To employ marketing representative and implementation of marketing function by 4-1-83.	3. Mr. Suwinski Mr. Gitch

NOTE: All priorities to occur under appropriate review/ approval of Planning/ Development Committee.

EMERGENCY MEDICAL SERVICES

GOALS	OBJECTIVES	ASSIGNMENT
1. To develop and implement a specific set of techniques for promoting St. Paul-Ramsey emergency medical and critical care capabilities directly to the public.	1. To promote EMS/critical care capabilities directly to the public and maintaining and strengthening relationships with ambulance services.	1. Mr. Meyer Dr. Campion
2. To seek out a hospital and physician group in the "third tier" referral area for development of a broad based relationship, that will lead to the referral of patients requiring critical and tertiary care.	2. To promote EMS/critical care capabilities to "third tier" referral area physicians.	2. Mr. Meyer Dr. Campion
3. To maintain and strength relationships with area ambulance services.	3. To promote EMS/critical care capabilities to outstate physicians.	3. Mr. Meyer Dr. Campion
	4. To implement ReadyCare concept on campus at SPR by 2-1-83 and to public by 3-15-83.	4. Dr. Cicero, Ms. Schmidt, Ms. Ales, Ms. Marschall

NOTE: All priorities to occur under appropriate review/ approval of Planning/ Development Committee.

CAPITAL FORMATION

GOALS	OBJECTIVES	ASSIGNMENT
1. To reaffirm SPRMC's commitment to provde a high quality environment for rendering patient care.	1. To analyze funding alternatives resulting in identification of ways to raise capital to meet future needs. To develop a plan to meet the needs shown by this analysis.	Mr. Gitch, Mr. Culbertson, and Mr. McClary in conjunction with appropriate financial consultants
2. To formulate plans which ensure that capital funds will be adequate to cover needed expansion, remodeling and equipment purchasing.	2. Plan to be developed by 11-1-83 to Finance/Personnel Committee.	Finance/Personnel Committee
3. To evaluate the appropriateness and extent of urgency for developing relations with organizations which can provide access to capital.		

All priorities to be undertaken with appropriate review/approval of the Finance/Personnel Committee.

FUND DEVELOPMENT

GOALS	OBJECTIVES	ASSIGNMENT
1. To actively pursue development efforts in order to obtain financial support for the medical center's missions, aims and programs.	1. To organize and staff a Development Office to serve as the foundation of the major effort in image and fund development.	Primary responsibility rests with M.E.R.F. Board (Staff - Mr. Landis, Mr. Suwinski of R.C.A.) Secondary responsibility for Coordination - Mr. Gitch Finance/Personnel Committee
2. To utilize fund development for a substantial portion of its long-term capital needs.		
3. To undertake corporate image building in the creation of greater awareness, understanding and acceptance of the medical center and its objectives among the public it serves or would like to serve.		

AFFILIATIONS WITH OTHER PROVIDERS

GOALS	OBJECTIVES	ASSIGNMENT
1. To continue a policy of independence and self-governance in relation to other hospitals and health care systems; but will aggressively pursue opportunities for cooperation with any and all of these organizations in specific programmatic areas.	1. To consider through MAPTH establishment of an equipment pooling and servicing program by 9-1-83.	1. Mr. Dixon
2. To pursue, in cooperation with RCA, development of its own "vertically" integrated system, involving a range of providers of non-hospital services as well as other hospital services.	2. To consider through MAPTH establishment of a cooperative hospice care program involving the member institutions, feasibility assessed by 6-30-83.	2. Messrs. Riley & Culbertson
	3. To consider through MAPTH development of a data system which can be specifically used to measure the effectiveness of our teaching hospitals and potentially be used as an educational tool for students.	3. Ms. Giovannini
	4. To consider through MAPTH after further clarification, the potential establishment of a "technology center" to monitor and evaluate for acquisition or sharing by the member institutions new forms of medical and health care technology.	4. Mr. Dixon, Mrs. Marschall
	5. To consider through MAPTH assessment of public relations effort on a joint basis involving the image of the teaching hospitals.	5. Ms. Rainford
	6. To consider through MAPTH establishment of the personnel training program in management for middle managers within the MAPTH institutions by 9-1-83.	6. Ms. Lawrence

All priorities to be undertaken under review/approval of Planning and Development Committee.

SERVICE MANAGEMENT CORPORATION

GOALS	OBJECTIVES	ASSIGNMENT
1. To pursue ongoing exploration and development of innovative forms of relating to other health and human service organizations in order to ensure its long-term viability and fulfillment of mission.	1. To organize to commit its technical resources to serve a major role in program development of SMC, Inc.	1. Mr. Nye, Mr. Gitch
2. To serve as a leader in the development of new and innovative forms of health care services, education and research.	2. To conduct the necessary financial feasibility studies to minimize the risk incurred in this project.	2. Mr. Nye, Mr. Gitch
3. To evaluate the appropriateness and effectiveness of its relationships with other organizations in order to maximize program development, share of marketplace, access to capital, educational programs and research.	3. To recruit staff of SMC. President appointed by 1-15-83.	3. Completed with selection of George Halvorson

Priorities to be undertaken with review/approval of Planning and Development Committee.

MEDICAL CENTER RESTRUCTURING

GOALS	OBJECTIVES	ASSIGNMENT
1. To organize/structure the Commission in a way that most efficiently and effectively achieves its responsibilities of:	1. To complete agenda for accomplishment of items 1 a-e by 12-1-83	1. (General) Legislative Committee
a. specifying institutional mission, philosophy, goals		a. P & D
b. establish policies		b. Various Committees
c. appoint and evaluate management and its strategies		c. Finance/Personnel
d. protect and enhance assets		d. Finance/Personnel
e. assure quality		e. JCC
2. To enhance communications with the various constituencies regarding the mission, goals, plans, programs and services of the medical center.	2. To develop a plan to accomplish this goal by 4-1-83.	2. Commission as a whole
3. To assume a leadership position in joint planning efforts with other organizational units on the medical center campus and with the County Board.	3. To form this agenda by 5-1-83.	3. Planning and Development Committee
4. To provide Commission membership that is representatives of the constituencies served and dedicated to the mission and goals of the medical center.	4. To develop a program for current legislative session by 2-15-83.	4. Legislative Committee, Mr. Gitch

1982 A[illegible]L RATES

Schedule of Unclassified Benefit Plan

Eligible	Regular Health	Extra Health	Regular Dental	Extra Dental	Regular Life	Extra Life	Income Disability	Total
D. Gitch	$1,563.72	$ 583.08	$ 184.56	$ 84.24	$ 51.60	$ 288.00	$ 948.00	$ 3,703.20
R. Culbertson	1,029.84		184.56	84.24	51.60	144.00	514.00	2,008.24
M. Marschall	952.80		184.56	84.24	51.60	288.00	789.96	2,351.16
J. McClary	1,563.72	583.08	184.56	84.24	51.60	1,152.00	1,218.84	4,838.04
J. Dixon	1,563.72	583.08	184.56	84.24	51.60	3.60	209.40	2,680.20
R. Anderson	1,029.84		132.60		51.60	144.00	513.96	1,872.00
	$7,703.64	$1,749.24	$1,055.40	$421.20	$309.60	$2,019.60	$4,194.16	$17,452.84

Schedule of Auto Plan

Eligible	Lease	Operating Expenses	Insurance	Reimbursement Personal Use	Net Cost
D. Gitch	$2,688	$1,440	$ 403	$(480)	$ 4,051
R. Culbertson	2,964	1,032	466	(480)	3,982
M. Marschall	4,008	1,032	498	(480)	5,058
Total	$9,660	$3,504	$1,367	$(1,440)	$13,091

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The Employee Benefit and Compensation Consulting Firm

Salary Administration Planning for 1983

The planning of salary increases for the 1983 operating year poses new problems for many organizations. The recession, the decreased rate of inflation, high unemployment, and an awaited economic turnaround combine with continued employee expectations for fair and competitive pay to produce considerable decision-making anxiety. With these problems and anxieties, however, many organizations are recognizing new opportunities to increase both productivity and profits. For the first time in many years, organizations are radically altering their salary planning decisions.

The focus of this activity is the determination of appropriate amounts of new salary dollars to budget for 1983. In an early summer 1982 survey of planned salary increases of over 400 U.S. firms conducted by the Compensation Institute (a William M. Mercer company), the average salary increase planned for 1983 was reported at 7.5%. Since this data was collected in the 2nd quarter of 1982, many organizations have reforecasted their salary budgets and adjusted projections so that the average salary increase has been further modified downwards. This average, however, is not as noteworthy as the range of responses reported.

PLANNING ALTERNATIVES

The wide range of planning alternatives being selected can be illustrated by the following examples:

- Organization A, although reporting record earnings, is cutting management salaries by 10% and other employees' salaries by 5%.
- Organization B, although hard hit by the recession, is raising salary increases to 11% from the 1982 average of 8.5% to prevent the turnover of key staff whose morale was affected by a previous workforce reduction. At the same time, advertising budgets are increased. Both actions focus on capturing a greater market share, while competitors contract their efforts.
- Organization C is faced with its union-represented workers receiving 13.2% increases. To fail to match these rates poses problems. First line supervisors are thus receiving similar increases, with slightly decreased rates being spread to top management levels.
- Organization D is freezing any salary action in January to await the results of competitors' actions. This delay, in effect, decreases the salary budget needed for the coming year.
- Organization E is planning increases of 3% for management and 6% for all other employees, with the expectation that if this January action is competitively inappropriate, a midyear action could be considered.

This diversity of planning policy and increase rates leads to the following conclusion:

Organizations are going their own way in late 1982 in the planning of salary increases.

Whereas in past years, salary increase surveys played a major role in what competing firms planned for their salary increases, the reality in late 1982 is that organizations are planning actions which match their internal objectives.

With this proviso, the salary increase averages collected in the Institute survey can only be considered as "general information" rather than as a "planning guide". Organizations obviously should and will concentrate on what is best for their own situations. Compiled and presented as general information, the planned average salary increases, as reported by 400 U.S. organizations for 1983 are:

Employee Group	*Public Sector*	*Private Sector*
Non-Exempt	7.40%	8.16%
Exempt	7.26%	8.99%
Executive	7.25%	9.00%

These rates can be compared to 1982 actual salary increases reported by these same surveyed organizations:

Employee Group	*Public Sector*	*Private Sector*
Non-Exempt	8.06%	9.24%
Exempt	7.96%	9.86%
Executive	7.95%	9.91%

The trends in planned salary increases can be summarized as:

- Diversity exists among organizations and industries with regard to the amount and timing of salary increases.
- Salary increase rates will decrease for 1983 compared to the rates of the 1982 recession year, even with many of these organizations expecting significantly better profits in the coming year.
- Exempt and executive increase trends will remain different between the public and private sectors, with white collar rates lagging by as much as 2% in the public sector.

TIMING OF SALARY INCREASES

Approximately 50% of U.S. organizations increase salaries on a common date for all employees. (The remainder increase individual salaries on an "anniversary" basis measured either from date of hire or from the date of a previous salary increase.)

Of the organizations reporting in the Institute survey, the common date utilized was:

DATE OF 1983 PLANNED SALARY INCREASE ACTION

Date	*Public Sector*	*Private Sector*
January 1	48%	46%
February 1	1%	7%
March 1	6%	3%
April 1	1%	7%
May 1	3%	3%
June 1	5%	2%
July 1	16%	12%
August 1	2%	5%
September 1	2%	2%
October 1	8%	5%
November 1	5%	5%
December 1	3%	3%

This implies that the final decision making process for 1983 will occur for over 50% of the organizations in late 1982. Besides the amount and timing of increases, many organizations will be addressing these additional problems:

COMPRESSION:

Where employees are earning as much as (or more than) their supervisors, the lack of distinction must be addressed. This is noticeable particularly in the public sector data where lower earners received greater percentage increases than their supervisors. (Over a period of years, supervisors' pay will be more and more like that of their employees.)

PRODUCTIVITY:

How can individuals be motivated to increase production in terms of quality and quantity of products or services at a time when an organization desperately needs such improvement?

COMPETITIVENESS:

Many organizations believe that they lag the marketplace, even though they are not in a financial position to address this issue.

EQUITY:

Females and minorities may believe that they are bearing the brunt of smaller salary increases, particularly in the private sector.

ADMINISTRATIVE EFFECTIVENESS:

Organizations find that they are spending more time and expense in administering pay rather than in the production of goods or services.

PERFORMANCE MEASUREMENT:

Since traditional performance appraisal techniques have been ineffective in adequately motivating or rewarding employees, some organizations are searching for better ways to measure performance.

Each of these problems requires solutions that reach beyond the practices of past years. In this regard, they should be viewed as opportunities to effect change. The possibilities for change are reflected in the following comments:

COMPRESSION

"We have to face the fact that 15% differentials are no longer possible between supervisors and certain supervised employees. Indeed, many of our technical and professional personnel may make as much or more than their managers. We must educate the workforce that management is not the only path of pay progression."

"New hires have, until lately, been receiving as much as our tested employees. The economy makes the compression solution a matter of holding to policy on lower rates for new hires."

"Careful monitoring of compression costs and problems has been our solution. Our salary planning runs (computer) always model the highest salary supervised plus a differential. We meet compression costs before we worry about competitiveness or other internal equity matters."

PRODUCTIVITY

"The workforce is no longer as satisfied or as secure. 1983 will be the perfect time to institute incentive plans. We are gearing up to pay for objectively measured performance next year."

"We are tired of giving standard cost of living related increases. No one came to us when the cost of living was going down to ask for a pay cut. Variations in employee pay must be related to productivity."

"Incentive pay is the focus, but like other management processes, it requires the attention and support of executive management to assure proper administration. Defining goals, measurement, and timely rewards are the key, and all require a satisfactory commitment to administration."

COMPETITIVENESS

"For the first time in many years, we are taking a hard look at those sources where we compete for talent, not just where we dream of competing. This changes our comparison group of companies to survey, as we are not interested in general survey averages."

"Our employees can't know where this organization stands competitively—we don't. If we were 5% below the market in pay levels, we'd make greater profits and without our employees knowledge of our competitive position, turnover should not be any more of a problem than it is now. Can you think of a quicker way to increase profits than to lag the salary market with salaries?"

"Competitive salaries are a misnomer. There are only competitive total compensation packages. Basing comparisons on just salary levels is incorrect and a misguided technique. We use a total compensation planning review when considering salary increases."

"All our incentive, benefit and executive compensation plans leverage off salary amounts. Competitive salaries mean we can govern all of our programs' appropriateness. Unfortunately, we put in these plans first, now we must worry about base salary."

INTERNAL EQUITY

"Professionals and managers in private industry are receiving three increases in 1983. Income taxes are decreasing, inflation has subsided, and 8% increases are still planned. Lower earners are not as affected by the tax cut and certain decreased costs (housing), and we are budgeting lower increases. This is the year to reward management."

"With the cessation of the Equal Rights Amendment, we believe the comparable worth issue no longer exists. The fact that job evaluation systems and compensation surveys cause and perpetuate discriminatory salaries will not be a major issue in 1983, but we intend to insure fair pay for all."

"All well-run companies use an internal value system to insure fairness in pay. Whether it is formal or informal, this system provides management credibility. Expect a decreased emphasis on competitiveness and more attention to paying what's correct for the organization's goals, responsibilities and performance."

ADMINISTRATIVE EFFECTIVENESS

"Our management should concentrate its time on producing and selling services (or products). We must decrease the amount of committee time spent in evaluating jobs and approving salary increases."

"We believe we must spend salary increase dollars in 1983 to meet our specific problems. These are:

1. Compression
2. Internal equity
3. Rewarding our truly productive employees.

This means we are granting 2% of our budget for compression, 2% for internal equity and 3% for merit for 25% of our employees. It also means dispensing with the guidechart notion that has served to assure all of some increase in the past."

PERFORMANCE MEASUREMENT

"The reward for satisfactory performance is continued employment. Only demonstrable performance of exceptional quality justifies being paid above the competitive average."

"We are willing to accept the threat of turnover of our marginal employees to reward our better performers. General or cost of living increases are out!"

"Payment of additional salary dollars is an objective, measurable reward. It is to be related to objective, measurable performance."

SALARY ADMINISTRATION IN THE FUTURE

All of these concepts contain threads of heresy for traditional compensation management. But then, why shouldn't they? Salary increase rates will differ as remarkably from the prior year as any time since the great depression. When certain industries are cutting salaries and salary increase rates are continuing to drop, organizations have to ask questions concerning traditional salary and job evaluation practice.

The toughest questions revolve around a discipline that was created for a nondynamic salary market. Many presently used guidecharts and salary administration methods were created in the 1930's and 1940's for organizations of a different era. T_ hear comments that challenge traditional thought should not be surprising. 1983 will be a unique year in terms of salary increase and administration change. The challenge will be to meet this change, and the obvious conclusion is that those who will be successful are those who will look to the needs of their organizations first, and the progress and practice of others second. ■

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