

Dear [from e-mail header]:

Thank you for agreeing to take part in our e-mail study of wage and salary decisions. The paragraph below describes a hypothetical situation for which you are to offer compensation recommendations. Assume that the hypothetical firm's compensation philosophy and policies are the same at the firm or organization you typically advise.

Once you have read the hypothetical, please respond to the questions that follow.

-----HYPOTHETICAL-----

* According to the surveys available to you, over the last year other firms in your labor market gave an average wage and salary increase (including merit raises, cost-of-living, and general increases) of "X0"%, while your company's average wage or salary increase over the last year was "X2"%.

* According to the surveys, your company currently pays between "X3-2"% "moreless-" and "X3+2"% "moreless+" than the average company in your labor market for comparable jobs. This puts your company at about the "X4"th percentile of the firms in your labor market.

* The surveys also suggest that the average firm in your labor market is expecting to give a total wage and salary increase of "X1"%.

* CPI inflation last year was "X1-1.9"%. It is forecast to be roughly the same over the coming 12 months.

* Managers report having "Diff_hire" difficulty filling positions.

* Managers also report having "Diff_retain" difficulty retaining good workers.

* The unemployment rate in your labor market (however you think about your labor market) is "X5"%. No change is expected over the coming year.

* Your firm's rate of net revenue growth has "Net_Rev_Ind" the rate of the average firm in your _industry_.

* Your firm's rate of net revenue growth has "Net_Rev_Econ" the rate of the average firm in the _economy_.

* There will be no change in the benefits package offered by your firm.

-----End of Hypothetical-----

Questions: TO SEND US YOUR ANSWERS JUST REPLY TO THIS E-MAIL.

-----QUESTIONS. PLEASE ANSWER HERE-----

1. If it were your job to recommend compensation policies for a firm in the above circumstances, how much would the wage or salary of the average worker at the firm increase over the coming year if your recommendation were adopted?

_____ %

2. Do your normal duties include the development of recommendations for general wage and salary increases and/or recommendations for the size of the pool of money available for merit increases? If yes, tell us whether you have each of the following available to you when you make your recommendations:

Please check by typing an "X" in the respective line(s)

2a. surveys of the wages and/or salaries paid by other firms

2b. surveys of the expected rate of increase in wages and salaries at other firms over the coming year (or information that could be used to compute that such as the expected percentage increase in the merit pool etc.)

2c. the unemployment rate in the cities in which you operate

2d. the unemployment rate in your industry or industries

2e. the history of CPI inflation

2f. all of the above

3. Which of the following statements best characterizes how information on forecasted inflation and surveys of the expected future wage and salary increases in your labor market affected your recommended increase in the hypothetical above?

Please check by typing an "X" in the respective line(s)

3a. Expected wage and salary inflation was too small to be a factor in the decision. Other considerations completely dominated my decision.

3b. I computed what wage and salary increase would be necessary to achieve my company's desired position in the distribution of wages in our market. Then I adjusted that according to the expected rate of increase in wages and prices over the coming year.

3c. Inflation and expected salary increases were just two of many things I considered in forming my recommendation. It is impossible to say precisely how they affected my judgment.

4. Do you have any thoughts about how realistic our hypothetical was? Was there information that we should have included but did not? Are there any changes we could make to make the hypothetical a more realistic representation of the decision environment that compensation professionals actually face?

-----End of Questions and Answers-----

PS If you would like to be informed about the results of our survey and receive copies of studies using this survey please send a separate e-mail with the words "Mailing list" in the subject and/or the first line of the e-mail and your mailing address in the text.

THANK YOU VERY MUCH FOR YOUR HELP! - George Akerlof

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