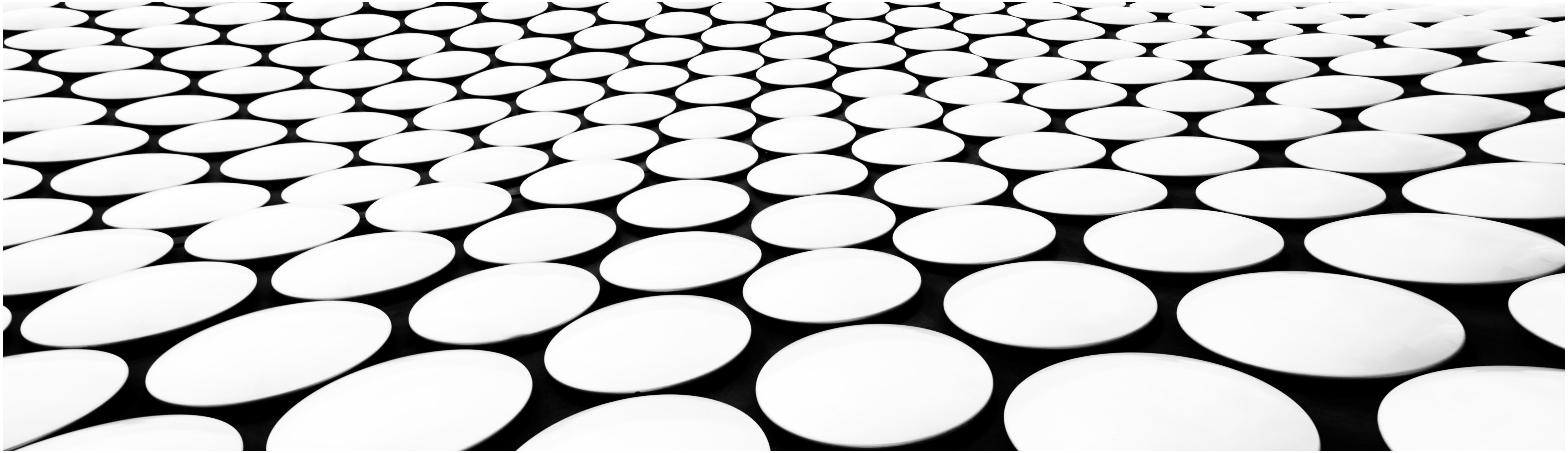
IMPACT OF INFLATION ON EMPLOYMENT AND COMPENSATION

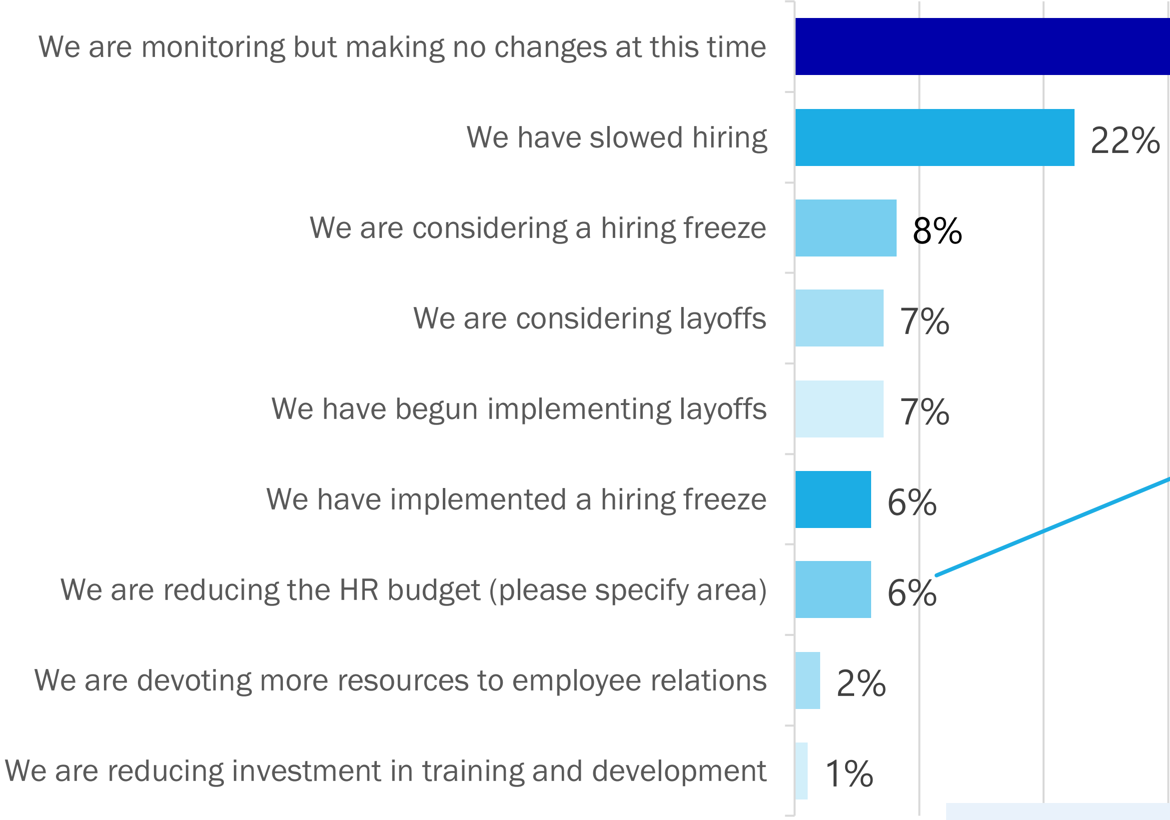
HR POLICY ASSOCIATION SURVEY RESULTS | JULY 2022

99 Responses | Survey open July 11–20, 2022



RESPONSES TO RISING INFLATION FOR 2022-23

Q: Regarding talent strategy, how are you responding to a potentially slowing economy and/or rising inflation for 2022-23? *(Please select all that apply.)*



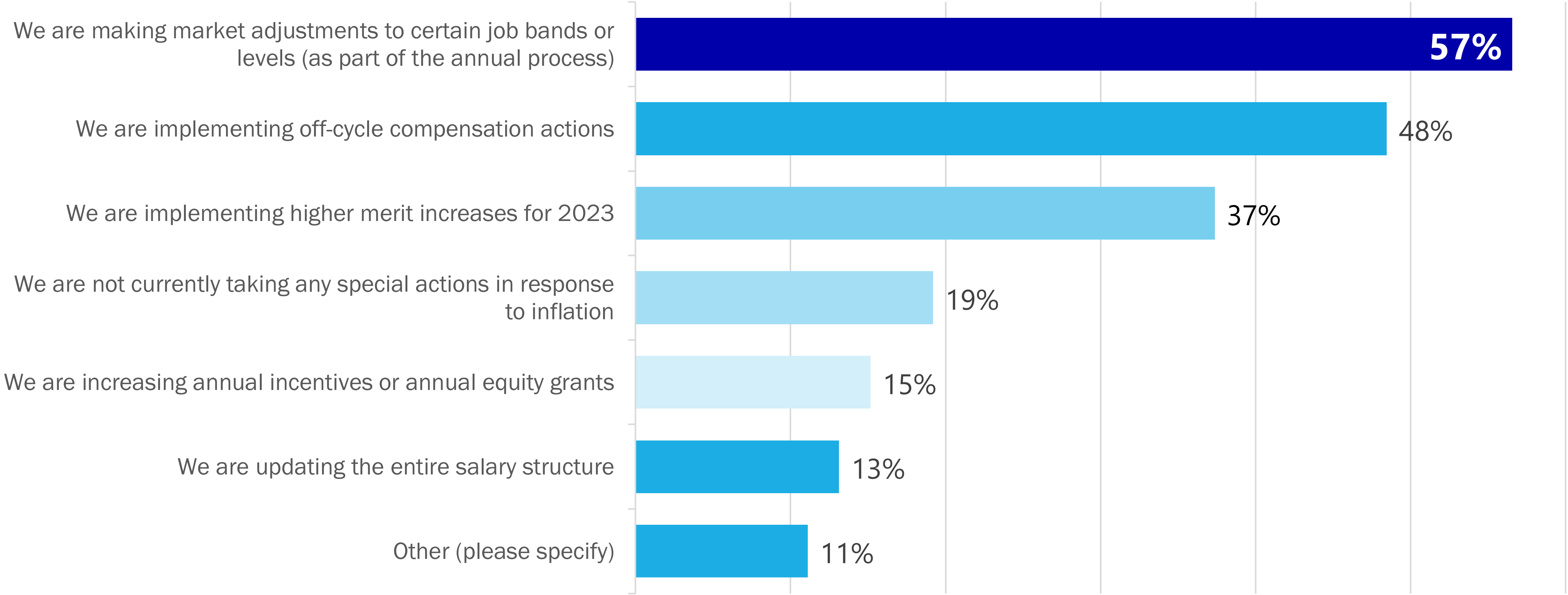
In what specific areas are you reducing your HR budget?

- We have increased our targets for overhead reductions across all functions for next year.
- We are reducing our overall HR budget.
- We are continuing to hire at record levels due to increased demand for certain positions.
- Reducing spend on third party vendors as well as other areas.
- All department budget (not just HR) to be cut by 5%.

***NOTE:** Respondents could select more than one choice; totals may not equal 100%*

COMPENSATION ADJUSTMENTS DUE TO INFLATION

Q: Regarding compensation, how are you responding to rising inflation and the corresponding change in the market for talent for 2022-23? *(Please select all that apply.)*



NOTE: *Respondents could select more than one choice; totals may not equal 100%*

COMPENSATION ADJUSTMENTS DUE TO INFLATION

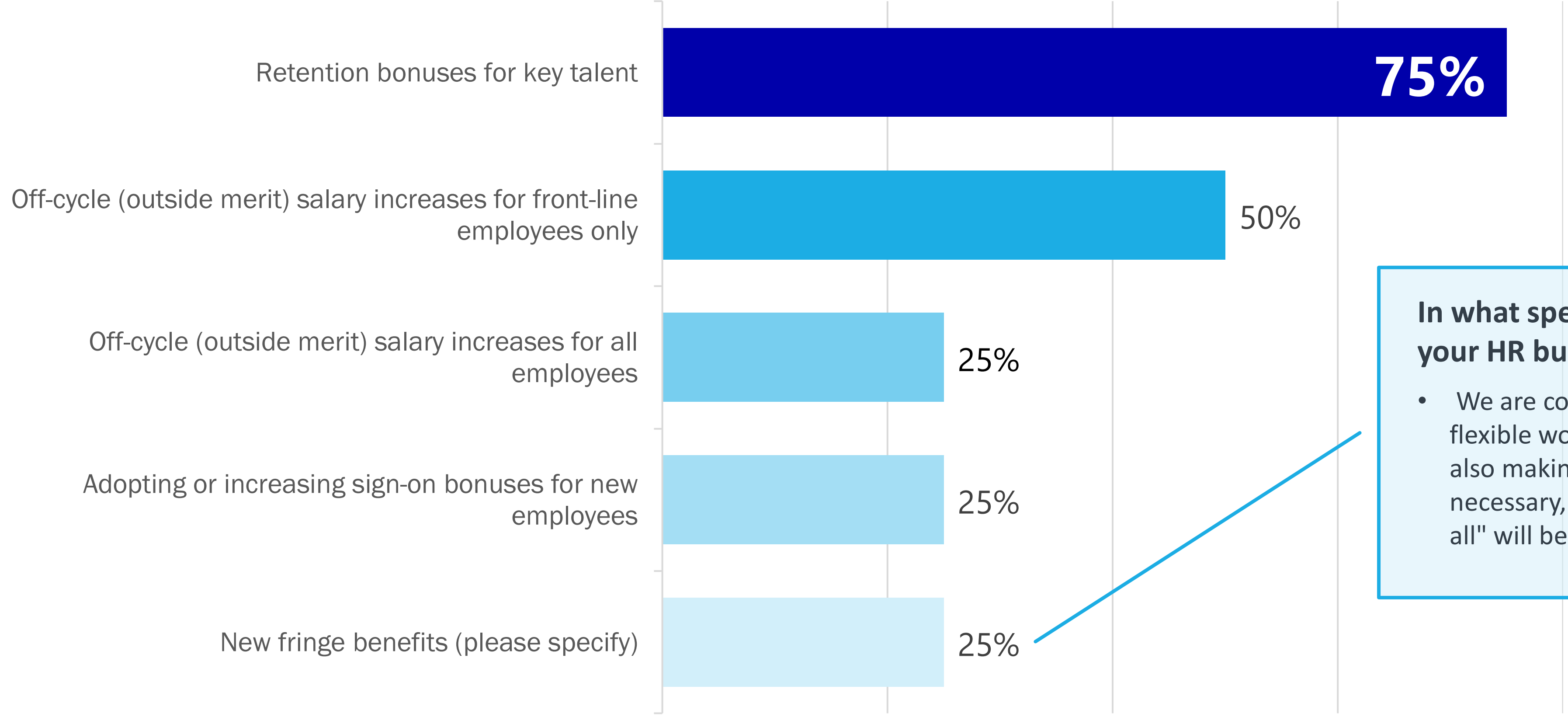
Q: Regarding compensation, how are you responding to rising inflation and the corresponding change in the market for talent for 2022-23?

“Other” responses:

- We are considering off cycle actions on macro level but right now are only doing market by market offcycle small scale adjustments to respond to precise needs (*i.e.*, where we have higher turnover in a particular function).
- Providing retention equity grants for high potential and key talent with 3- to 4-year vesting.
- We are evaluating all of these for the 2023 cycle but have made no changes in 2022 to date.
- We are adjusting living wage for lower wage earners as that is impacted by CPI in some parts of the world.
- Considering a temporary gas stipend - until year end.
- We are considering further market adjustments and making greater use of special awards for retention and attraction.
- We are focused on lower wage earners and will likely give them an increase on base salary off cycle to combat inflation.
- We considered a one-time bonus but did not take this action.
- Wages for labor and not tying to CPI.
- New hire offers are often more than expected; we are adjusting accordingly to meet hiring needs. We are monitoring external factors, such as increased competition and external offers, as well as compression, and making off-cycle adjustments where necessary. We may also consider small incentive plans to accommodate what we believe may be a temporary need to increase compensation in this more competitive environment.

OFF-CYCLE COMPENSATION ACTIONS

Q: If applicable, what types of off-cycle compensation actions are you taking? *(Please select all that apply.)*



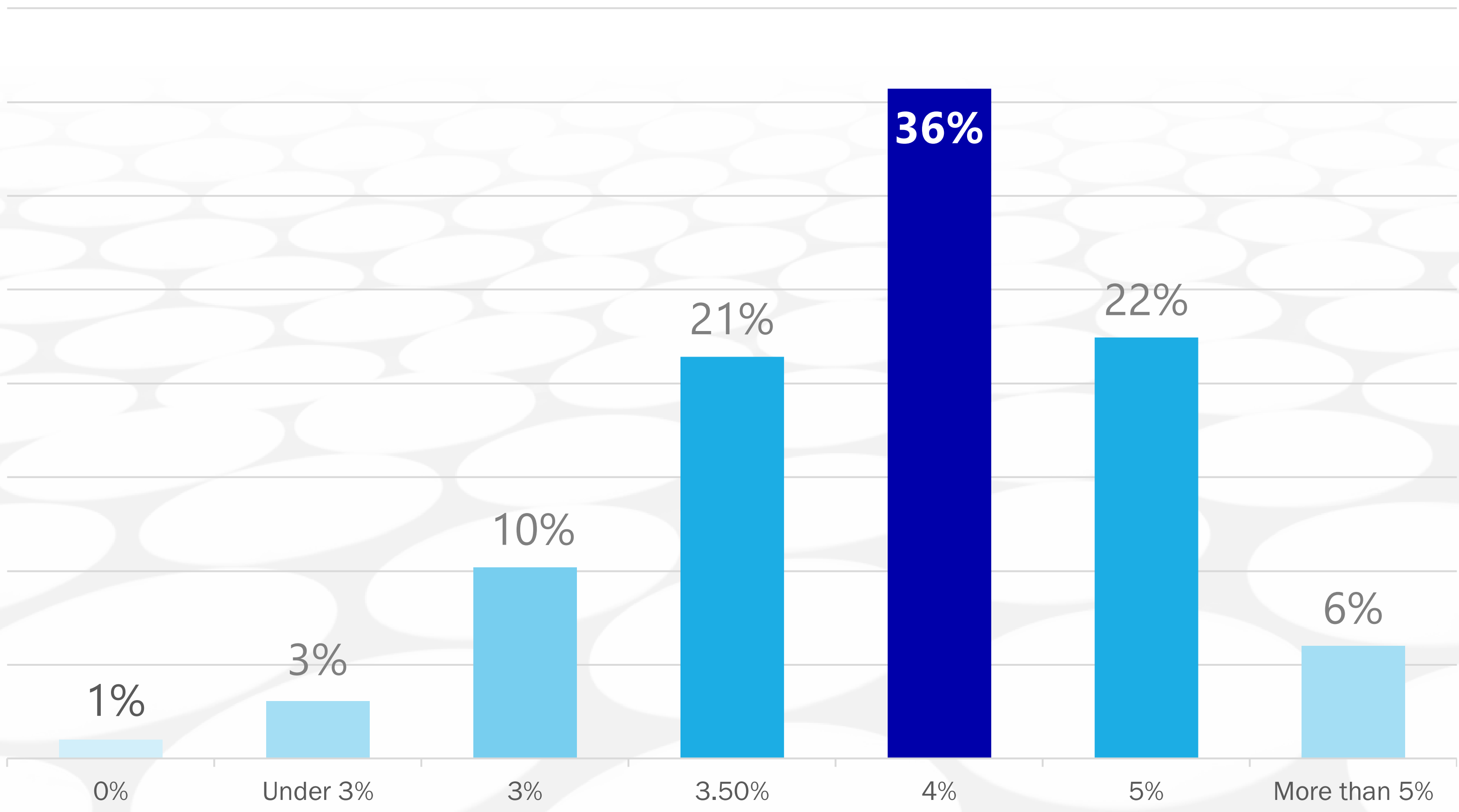
In what specific areas are you reducing your HR budget?

- We are considering implementation of more flexible work schedules (*i.e.*, 9/80). We are also making off-cycle adjustments where necessary, but no "blanket adjustments for all" will be deployed at this time.

NOTE: *Respondents could select more than one choice; totals may not equal 100%*
There were four responses to this question

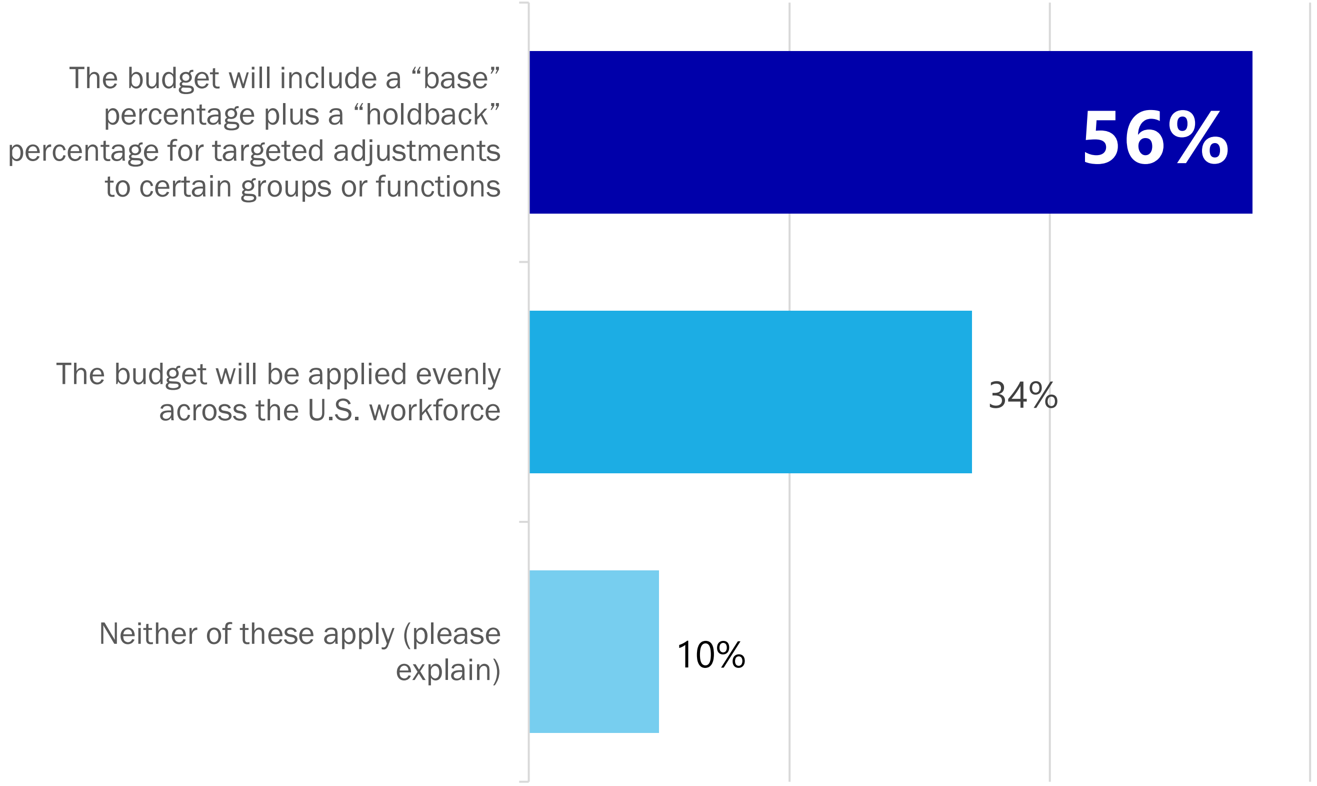
MERIT BUDGET INCREASES FOR U.S. POPULATION

Q: For your broad-based U.S. population, what is the total level of merit budget increase you are currently planning for 2023? This should include any "holdback" or "extra" for targeted positions.



2023 MERIT BUDGET DIFFERENTIATION

Q: How are you differentiating within your merit budget for 2023?



"Neither of these apply" responses:

- We haven't decided but expect it will be the base plus holdback.
- Differing merit pool % by career band. Higher pool $, and $ for lower bands (front line).
- Increases are targeted as needed based on market data for jobs.
- Non-exempts will likely receive a higher merit increase than exempt employees, as was the case for 2022 merit.
- The budget will be applied evenly, but performance and behaviors will still be the main drivers for individual increases.
- Still under consideration: (1) shift of funding from exempt to non-exempt or (2) shift of funding into hard to fill (hot) jobs.
- We will have a merit plan based on a balance of achievement of individual performance objectives and the employee's potential. Additionally, our bonus program will contemplate both individual achievement and company performance. We will also have a discretionary amount set aside to address markets with more challenging headwinds where effort was great but results may have varied.
- Targeted approach for top performers and/or roles.
- Too soon to know what we will do for 2023. We will continue to monitor and adjust as needed and as affordable.