Article

Survey Tracks Trends In Salaries, Incentives

Network Raises Get a Rise, Cost of Living Spurs Hikes

By K.C. Neel 10/16/2006

Viacom chairman Sumner Redstone may be taking a cut in pay and bonuses this year, tied to the company's recent lackluster performance on Wall Street. But the majority of programming workers in the cable industry are enjoying larger raises in 2006 than in years past, as the industry expands its product lines and business rebounds.

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The latest compensation survey from the Cable Television Human Resources Association, released exclusively to *Multichannel News* in advance of the group's Oct. 18 “Achieving Excellence” symposium, reveals that the average raise for cable programming-network employees in 2005-06 was 5.9%. That's substantially higher than the previous year's average raise of 1.9%.

At the same time, the average salary increase for multiple-system operator employees was 3.2%, off from the average 4.1% workers got in 2004-2005 and the average 4.3% in 2003-2004. However, it is slightly above the projected national average of 3.7%, according to Salary.com, a Web site that provides employee compensation data, software, and services to enterprises, small businesses and individuals.

Of all the job categories, technical workers at the networks received the highest salary increases in 2006, said Hali Croner, president of Croner Co., which conducts CTHRA's annual compensation survey.

“Many programmers are going digital and using alternative methods to deliver their products,” Croner said. “With the convergence of digital media, the demand for engineers and personnel with technical expertise has risen. And so, too, have salaries. Where we have seen overall salaries rise between 3% and 5%, we have seen changes of between 6% and 10% in those categories.”

Croner believes the salaries for those job families will eventually even out, but companies often must pay a bit more initially to either get on par with other industries or to lure new employees to the fold, she noted.

“My impression is that the increase in engineering wages at the networks is based on attracting new employees,” Croner said. “You often see this kind of thing when you need to attract and hire people. On the programming side, we paid about 10% less for engineering jobs than the Googles, Yahoos and Microsofts of the world. I think we'll see some stabilization going forward.”

Clearly, competition and geography each play a role in how much a person gets paid. In areas where telephone companies enter a market and they need installers, wages can be lifted to keep and attract customers.

Moreover, wages on the East and West coasts have traditionally been higher than in the Midwest and Mountain regions, Croner said. But this year the employees in the middle of the country experienced higher bumps in pay, most likely tied to an increase in the cost of living in those areas.

“The most interesting finding this year was the upward movement of pay in the Mountain region, with nine of the 14 major metropolitan areas,” Croner said. “In particular, Pueblo, Colo., saw considerable change.”

The regional trends experienced in the CTHRA survey mirror other industry surveys. Salary.com noted in its 2006 salary projections that workers in the Mountain region could expect a 4.2% lift in total pay. The Midwest was off slightly, with a projected 3.5% lift for employees in that part of the country.

New England (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island and Vermont) continues to pay a premium above the national average, according to the latest CTHRA survey. The major metropolitan regions continue to be the areas with the greatest differentials with New York City, Poughkeepsie and Utica, N.Y.; Trenton and Ocean City, N.J.; Washington, D.C.; Hartford and New Haven, Conn.; and Providence, R.I., experiencing the highest pay differentials.

The Pacific Southwest (California/Hawaii/Nevada) continues to pay a premium above the national average. The major metropolitan regions from the Silicon Valley to Napa, Sacramento, Salinas, Los Angeles and San Diego, including the San Francisco Bay Area, continue to be the areas with the greatest differentials.

The Pacific Northwest (Alaska, Oregon and Washington) has some pockets of premium pay as well with the greatest premiums for Corvallis, Bellington, Bremerton and Mount Vernon, Ore.

More companies — MSOs and networks — are offering long-term incentives to employees. Policies differ on to whom and how incentives are distributed throughout the industry, although there are some commonalities.

More than three-quarters of participating programmers (77%) and broadcast networks offer long-term incentives to their employees (77%), according to the latest CTHRA survey. About half have restructured their equity plans in the past year by introducing restricted stock, stock that is not fully transferable until certain conditions are met, while most networks have limited their incentive plans to selected directors and above or vice presidents and above, according to the survey.

Similarly, 75% of participating operators made strong use of long-term incentives. Half have changed their equity plans to include restricted stock; 73% offer those incentives to management.

“Operators and programmers have moved away from stock options to restricted stock,” Croner said. “This is in direct response to changes in accounting rules. It's less expensive and less dilutive to offer restricted stock than straight stock options.”

Cable companies aren't alone in changing their long-term incentive plans. Indeed, it's become the tool of choice when it comes to long-term incentives, experts say. Radford Surveys & Consulting, a San Jose-based business unit of Aon Consulting that provides compensation surveys and consulting to the technology and life-sciences industries, reported that the use of restricted stock rose for the fourth consecutive year, and the use of new-hire and retention bonuses increased over the last year as well.

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In light of new accounting regulations for expensing stock options, companies continue to incorporate restricted stock and other full-value shares in their equity compensation programs, Radford reported in its 2006 *Radford Overall Practices Report*. According to the survey, the number of companies allowed to grant restricted stock rose to 53%, up from 36%, 29% and 26%, respectively, in the three previous years. At the same time, the report found that fewer companies are offering employee stock-purchase plans.

The Radford survey reported that within the last year 73% of participating companies provided new-hire (sign-on) bonus awards, up from 67% the year before. Retention bonus awards increased to 35% of all companies, up from 27% the previous year.

“More than one-quarter of our technology clients report they are aggressively hiring,” said Radford Surveys senior vice president John Radford in a statement. “It is no surprise to see an increased use of hiring and retention bonuses as companies seek out key employees, while simultaneously trying to hold on to the talent they have.”

Bonuses were up for distributor and network employees in the latest CTHRA survey. At MSOs, bonuses were, on average, 104% of target, reflecting strong performance in 2005. The bonuses were off slightly from the 105% average posted the previous year, but up starkly from 95% in 2004; 100% tallied in 2003; and 67% recorded in 2002.

At 103% of target, bonuses were similar for programming employees in 2006. But bonuses were less robust than in years past. For instance, bonuses in 2005 were 109% of target; 110% of target in 2004; and 105% in 2003. Like MSO employees, bonuses were off significantly in 2002 at 96% of target. The bonuses given out this year clearly reflect the strength of the industry today, according to Croner.

To be sure, cable is a hot business right now, said Time Warner Cable senior vice president of human resources Tim Mathews. That means the industry is attracting a higher caliber of talent than before. But that doesn't mean the industry can afford to pay those people less than other industries.

“To attract and keep those folks, we need to make sure we give them challenging and exciting assignments, provide career path opportunities and pay them competitively,” he said.

As telecom companies launch into the video business, they are aggressively recruiting cable employees. Mathews said he has seen some employees leave Time Warner Cable to work for the competition but many have returned, even though they may be paid less.

“We have seen very little attrition, all the way down to the techs,” he said. “Some have left to make a couple more bucks an hour, but many have come back because they realize that when they go to the telephone company, they have to join a union and there are dues involved there. And then there's the whole tenure situation. They may have 10 years of experience but they are starting at the bottom at the telephone company where everything is based on tenure instead of talent.”

Human-resources executives rely on a bevy of inside and outside information when it comes to compensation. Certainly, there are numerous benchmarks executives can call on when it comes to figuring what employees ought to be making.

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For instance, careerjournal.com, which is operated by *The Wall Street Journal*, provides several salary and bonus benchmarks broken down by job category and industry. According to that site, median salaries for telecommunications company chief executives was $768,000 in 2005, up from $507,000 in 2004. Median salaries for chief financial officers working for telcos was $374,000 in 2005, up from $300,000 in 2004. The median salary for senior engineers in the telecom arena was $77,400, up from $76,900 the previous year.

Salary.com provides information for people looking for jobs. But it also has a human resources link that allows HR executives to conduct compensation market studies for regions, states and even cities. The WageAccess Compensation Survey is an Internet-based multi-industry salary survey that provides employers with current compensation information needed to attract and retain employees. The survey site says it also allows competitors to share current wage information with each other while maintaining complete participant confidentiality.

And then there's the Vault.com site where salary information from and about employees is collated for hundreds of companies, including dozens in the entertainment industry.

Although HR executives have access to all that outside information — and many use much of it as they craft their compensation plans — the annual CTHRA survey is invaluable, says Juan Munoz, vice president of employee relations for Time Warner Cable and president of CTHRA.

“CTHRA is uniquely positioned to provide our members with industry-specific resources that assist them in achieving organizational goals,” Munoz said. “While general human resources information is valuable, having industry-specific benchmarks and proven practices is an immeasurable benefit.”

And the Participants Are …

Cable operators and satellite providers that participated in this year's CTHRA compensation survey include:

Advance/Newhouse Communications

Bend Broadband

Bresnan Communications

Cablevision Systems Corp.

Charter Communications

Comcast Cable Communications

Cox Communications

DirecTV

EchoStar

General Communication

Harron Entertainment

Mediacom Communications

Midcontinent Communications

Qualcomm

RCN

Time Warner Cable

Forty-two programmers and broadcasters participated, including all of the top 20 national cable networks and five national broadcast networks. Among them:

A&E TV Networks

ABC Cable Networks

America Online

C-SPAN

Comcast for CN8

Cox Media Division

Home Box Office

Major League Baseball

Middle East TV

Playboy Enterprises

Public Broadcasting Service

Rainbow Media Holdings

Scripps Networks

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The Weather Channel

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