Executive bonuses: Health care takes care of its own

With the nation’s economy in recession, it probably comes as little surprise that many companies are scaling back executive bonuses for year-2001 performance. However, if health care bonus packages are any indication, then the industry itself would seem to be more immune to the effects of the economy than most other businesses.

A survey of 350 employers by Towers Perrin, the management and human resources consulting company, found that half intend to reduce bonuses 25 percent or more compared with levels paid last year — or pay none at all. “Many companies feel that performance does not justify the bonuses paid in the last several years,” says Allen Jackson, principal in charge of data and technology for Towers Perrin’s Executive Compensation practice.

Things aren’t quite so drastic in health care, where less than a third say they’ll cut bonus packages by at least one fourth, and in fact, none plan to scotch bonuses altogether. Health care organizations make up just over 8 percent of the Towers Perrin sample.

The health care segment is heavily weighted toward life and health insurers, while not-for-profit hospitals and health care organizations round out the group. “Anecdotally, we’re not seeing drastic reductions in bonus programs among not-for-profit organizations,” says Kathy Hastings, principal and health care industry consultant, “particularly because they’re not dependent on stock price.”

A sizeable share of companies that Towers Perrin surveyed also are reinining in salary increases this year. Technology, entertainment, and financial-service businesses are among the hardest hit, while health care and pharmaceuticals report little or no change in salary increases, compared to 2001.

SOURCE: TOWERS PERRIN, NEW YORK, 2002
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