

How HR and Finance teams can align for a successful compensation budgeting season

Whether your organization has a calendar year budgeting process or a January year-end process; HR and finance teams should be preparing to get into the zone for planning compensation budgets for 2024. Creating a partnership of trust between these teams is critical in getting pay right for these complex and changing times. Establishing solidity through understanding the lens from which HR and finance teams function from is the baseline for creating a true partnership that is beneficial for employees and the business.

Payscale's Chief People Officer, Lexi Clarke, and Chief Financial Officer, James Redfern, share tips for how HR and finance teams can effectively work together.

Understanding the lens and language of each function is key. HR and finance teams operate with different perspectives and speak in different terms, but need to work together for an agreed outcome from a business perspective. - James Redfern, Payscale CFO

Understanding where the dollars are coming from, going out to, the impact of our people on those numbers, and our operational metrics and has helped me become a more strategic HR leader, being able to ground HR initiatives into context that leadership can relate to. - Lexi Clarke, Payscale CPO

I encourage finance leaders to learn the language of HR. The numbers HR brings to the table aren't random. There's real data, science, and analysis on the HR side that CFOs should be excited to dig into. - James Redfern, Payscale CFO

Establish a rhythm with your HR partner so you're not talking about compensation budgeting just once or twice a year. We meet weekly to keep eyes on things like attrition, recruiting challenges, and revenue goals. Bring realistic options with pros and cons for working through challenges with finance. - Lexi Clarke, Payscale CPO



1

How should HR and finance work together?

Understanding the lens and language of each other's functions builds empathy and trust. A regular meeting cadence creates alignment all year round, and tying financial goals to your people initiatives creates a bridge of transparency, opening up dialogue that is rooted in data. Finance can help HR understand the financials and the board lens, which will have a real impact on how they frame their people strategy across functions.

2

How do you approach budgeting season together?

Understand the process from start to finish, including big milestones and constraints, and work backwards from there. Be prepared with all the components and what might change from a merit perspective, a promotion perspective, if market adjustments are needed, etc. A regular rhythm between HR and finance helps keep an eye on things outside of budgeting season, empowering HR teams to confidently articulate options, scenarios, and tradeoffs when budgeting for compensation.

3

What do you do once the budget is set?

Often, it starts getting set in November with parameters from an HR and finance perspective, then refined in January and February. Finance needs clarity of data and communication and HR teams should make it a goal of every compensation cycle to have 100 percent accuracy. This builds trust with finance and drives your HR team to be more analytical.

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What role does compensation software play?

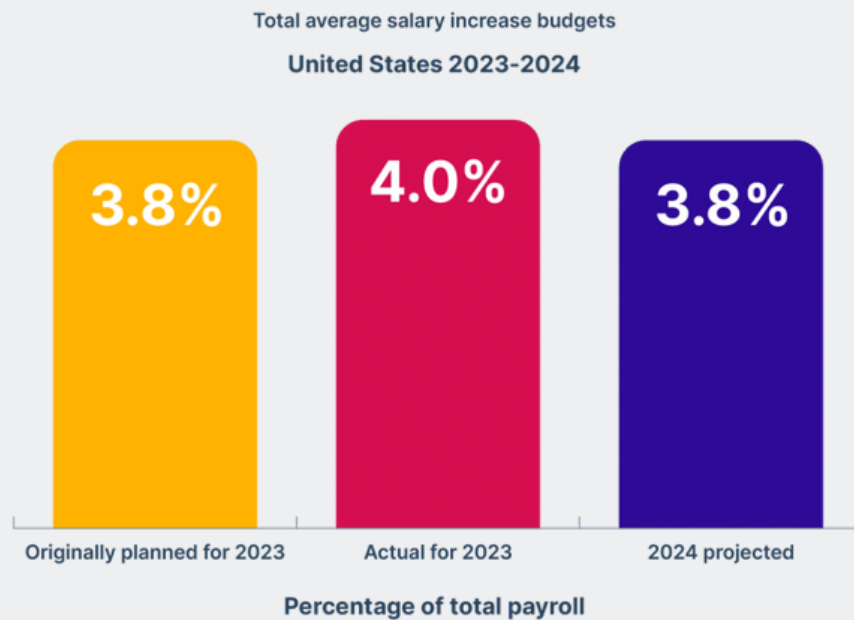
Spreadsheets are complicated and prone to human-error. In most parts of the business, there's room for a little human error, but not in accounting. Finance cannot afford to make errors and they need visibility and controls. Software enables HR and finance to talk the same language within the same process, all from one platform.





What do you expect as far as annual increase numbers?

Payscale publishes an [annual Salary Budget Survey](#) (SBS), helping organizations determine their pay increase strategy for the coming year. Research from the report shows that U.S. employers plan on 3.8 percent salary budget increases for 2024 (actual pay increases in 2023 averaged out at 4.0 percent).



Want to learn more on how HR and finance can work together?

Tune in and hear from Payscale's Chief People Officer and Chief Finance Officer as they openly discuss the keys to success for an effective partnership and a successful compensation budgeting season.

[Watch now](#)



About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees and businesses get pay right, and makes sustainable fair pay a reality. Empowering 10,000 organizations, including 53% of the Fortune 500, in 198 countries, Payscale provides a combination of data-driven insights, best-in-class services, and innovative software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista and The Washington Post and to make fair and appropriate pay decisions. Pay is powerful. To learn more, visit www.payscale.com.