# YOUR RECRUITING ECOSYSTEM

Managing the Employee Life Cycle

**JD Conway**
Head of Talent Acquisition
BambooHR



**Brian Webber**
Sr. People Business Partner
PayScale

# Short-Sighted Recruiting

# Recruiting Trends

- Since 2015, there has have consistently been more job openings than job separations

- SHRM estimates the average cost-per-hire at $4,129

- The race is on to attract and retain top talent

# Short-Sighted Strategies

- **Golden Handcuffs** – Starting at the top of the salary range

- **Sweetening the Deal** – Even small increases leave less room to grow

- **New Hire Haggling** – Would you accept less to start?

- **Buddy Inflation** – Friendship and persuasion replace salary data

# Short-Sighted Recruiting
## Consequences



- Toxic Culture Change

- Failure to Thrive

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# Epiphany Moments

**Job-hunting activity jumps when employees make comparisons.**

- **6% increase** on the anniversary of a hire date

- **9% increase** on the anniversary of a promotion

- **12% increase** after birthdays, especially milestone birthdays

- **16% increase** after attending a high school reunion

*Research from CEB, as reported in Harvard Business Review*

# The Importance of a
# Formal Compensation Plan

# What does a good comp plan consist of?

| | |
|---|---|
| **Develop Your Pay Philosophy** | • High-level view on the goals of the organization with regard to compensation |
| **Define Your Strategy** | • Define your talent market(s)<br>• Determine level of competitiveness<br>• What do you want to reward? |
| **Create Pay Ranges** | • Provide guidelines for paying people based on the market value for the job |
| **Update Policies** | • Ensure that the comp plan is carried out as intended |
| **Clarify Processes** | • Provide tactical steps for the organization to follow |

# Your compensation strategy should answer these q's:

1. What talent market(s) do you intend to use for comparison for your org?

2. How competitive do you want to be relative to your talent market(s)?

3. What do you want to reward with your compensation dollars?
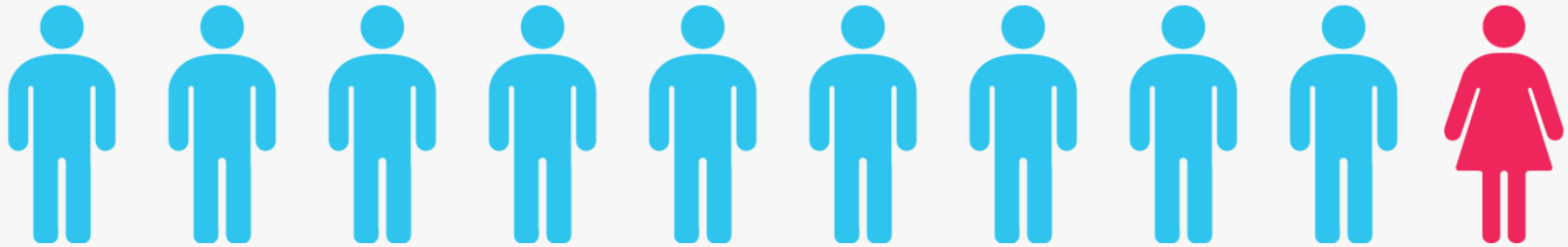
4. What are your goals?

# Having accurate job descriptions is the starting point

36 % of surveyed executives felt that the top factor leading to a failed hire, aside from performance issues, is a **poor skills match.** (Robert Half, n=1400)
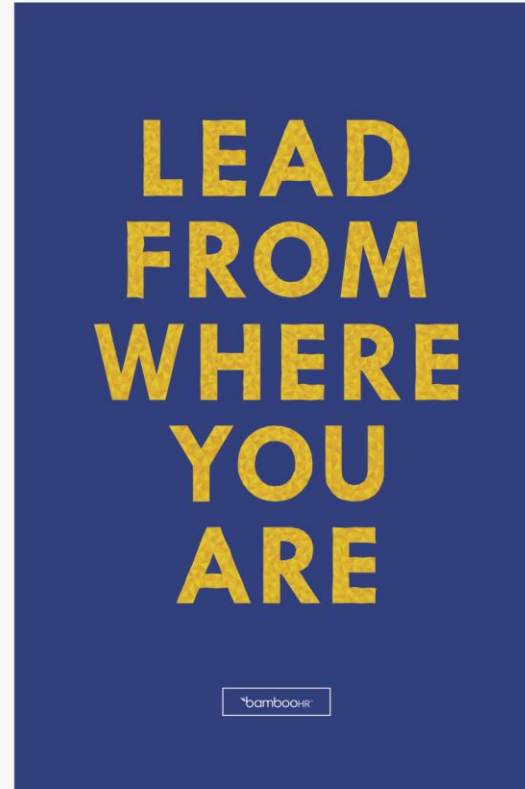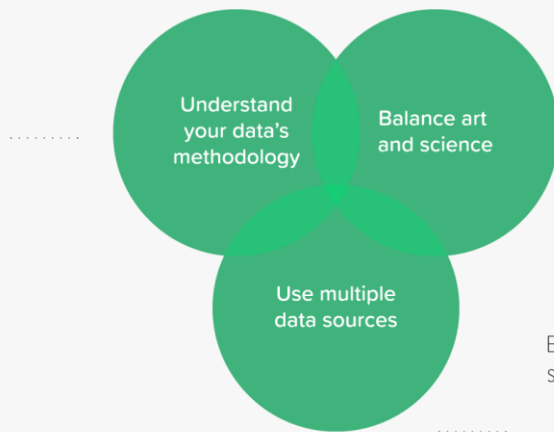
**Job
Description**

**Job
Posting**

**Job
Candidate**

**Job Description**

**Job Posting**
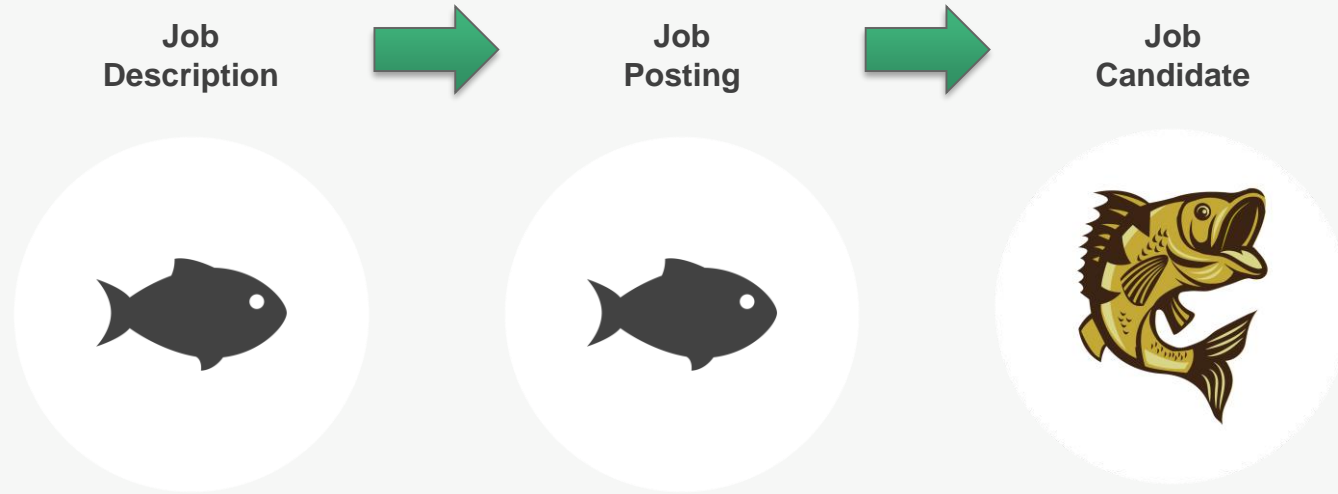
**Actual Candidate**

# Take care to select the right data sources

Knowing where your data is coming from will tell you what its strengths are, what its faults are, and how to best use it.

Understand your data's methodology

Balance art and science

Quality data provides the science, HR/Comp perform the art of storytelling with that data.

Creating an effective comp plan requires both.

Use multiple data sources

Every source of data has its strengths and weaknesses.

Using multiple data sets may give you a more complete picture.

# Elevate your talent analysis
# with multiple data sources

**EMPLOYER - SOURCED**

**CROWD-SOURCED**

Salary Structure
Design and
Management

Peer Group
Benchmarking

Total
Remuneration
Analysis and
Benchmarking

Knowledge and
Control of
Sample/Market
Participants

Personalized
Total Rewards

Monitor
Market
Volatility

Employee
Preferences
and Pay

Fast Fact
Access to
Information

Skills-
based Pay

# Employees want clear career progression and multiple career paths

# Salary ranges should be accommodating

**Considerations for building ranges:**

- Make sure they reflect your comp philosophy and strategy

- Do what's right for you

- Build in flexibility for your general employee population

- Allow for lateral moves and promotions

# The Power of Growth and Recognition

**35 percent** of workers who are **overpaid** compared to their market value **feel underpaid.**

# Growth and recognition are powerful motivators throughout the employee life cycle.

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# Room to Grow

- Prospective candidates assess their potential for growth before deciding to join your organization.

- Don't focus on salary numbers, but on a career path

- Without potential for growth, there's little incentive to improve performance.

# Why open and honest pay communication is crucial for employee engagement

PayScale conducted new research on who asks for **pay raises,** who gets them, the justifications employers provide for denying a request for a raise, and employee engagement.

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| Rationale provided | Overall |
|---|---|
| **Budgetary constraints** | 49 % |
| **No rationale was provided** | 33 % |
| I asked outside of the established time of year for asking for raises | 9 % |
| I had not been in the role long enough | 7 % |
| My performance did not warrant the raise | 3% |

Of workers whose request for a raise was denied, the vast majority do not believe the rationale their employer provided.

"Do you believe in the rationale provided by your employer?"

# 77% - "NO"

# 23% - "YES"

| Rationale provided | % who believed it |
|---|---|
| **Budgetary constraints** | 22 % |
| I asked outside of the established time of year for asking for raises | 33 % |
| I had not been in the role long enough | 29 % |
| My performance did not warrant the raise | 13% |

# Whether workers believe in the rationale provided by their employer has a big impact on their job satisfaction and intent to leave.

"Do you plan to look for new jobs in the next 12 months?"

| | | % Plan On Seeking New Job |
|---|---|---|
| **Asked for and received a raise** | **Overall** | **50 %** |
| | **Received a raise they asked for** | 42 % |
| | Received a raise, but for less than they asked | 59 % |
| **Asked but were denied a raise** | **Overall** | **69 %** |
| | Believed rationale provided | 57 % |
| | Did not believe rationale provided | 72 % |
| | No rationale was provided | 71 % |

Even if *denied a raise*, as long as workers believe the rationale, they are similarly satisfied with their employer as workers who received a raise.

**% Highly Satisfied with Employer**

| | | |
|---|---|---|
| **Asked for and received a raise** | **Overall** | **55%** |
| | Received a raise they asked for | 65 % |
| | Received a raise, but for less than they asked | 44 % |
| **Asked but were denied a raise** | Overall | 32 % |
| | Believed rationale provided | **50 %** |
| | Did not believe rationale provided | 29 % |
| | No rationale was provided | 27 % |

# Summary of Key Findings (multiple studies)

Even if you feel like you have a credible rationale for denying a worker a raise when they ask, most employees won't believe your justification *(Raise Anatomy Study, PayScale 2018)*

Most workers do not think they are paid fairly *(Compensation Best Practices Report, PayScale, 2018)*
- Only 1 in 5 workers report that they feel fairly paid.
- 43 % of HR professionals report they think that their workers are fairly paid

How people feel about the pay process at their workplace has 5 times as much impact with on workplace satisfaction versus their actual pay. *(Employee Engagement Study, PayScale 2017)*

**Open and honest conversations about pay can move the dial on employee engagement, regardless of how employees are actually paid.**

# Managing Compensation and Performance

# **Keys** to Effective Performance Management

- Encourage shorter, more frequent feedback sessions

- Include in-the-moment feedback and formal one-on-one meetings between manager and employee

- Focus feedback on employee growth

# Keys to Unbiased Performance Management

- 61% of a manager's ratings reflect the manager's own experiences, not the employee's actual performance.

- It's impossible to remove bias, so account for it.

- Ask questions that focus on the manager's experience instead of asking the manager to interpret the employee's motivations and feelings

# Manager-focused Example Questions

- If [Employee] left the company, what would I do?

- What are some things [Employee] does well?

- How can [Employee] improve?

# The Pay Transparency Spectrum



Current and Desired Pay Transparency Levels
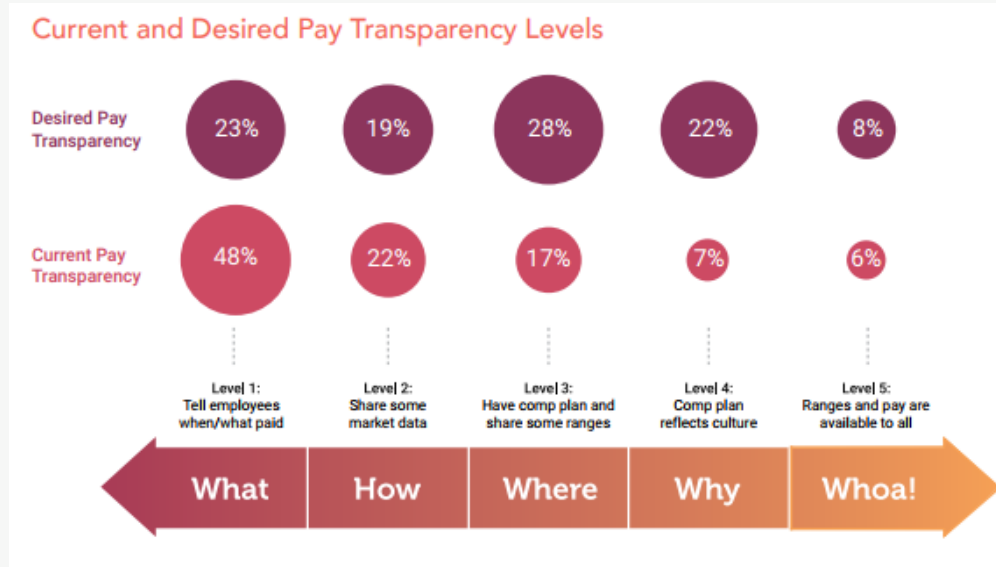
# Offer Communication Tips

# Offer Tips: Static Starting Pay

- Discuss salary early with great transparency

- Discuss other items that add value to the position
  (company mission, benefits details, team culture, etc.)

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# Offer Tips: Negotiable Range

- Start the search within the pay range for the position
  (No shiny candidates)

- Address compensation at the end of the process

- Never start with "What are you making now?"
  Instead, ask "Can you give me a comfortable range?"

# Offer Tips: Negotiable Range

- Be open if their requested salary is high or low

- Identify what's important to your organization and test the alignment with what the candidate finds important.

- Use their desired pay as part of the interview/assessment process

# Final Takeaways

# Thank you!

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# Questions?

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