

Rethinking Your Compensation Strategy

Tuesday, May 24th

Today's Presenters



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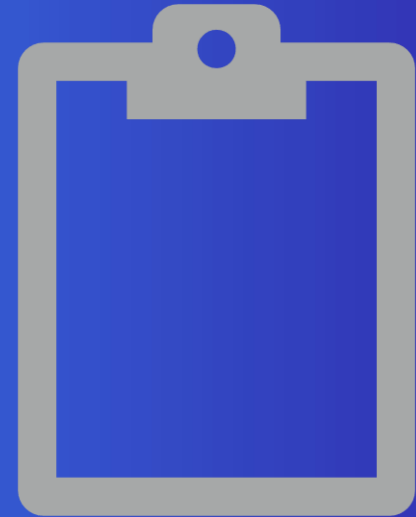
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Today's Agenda

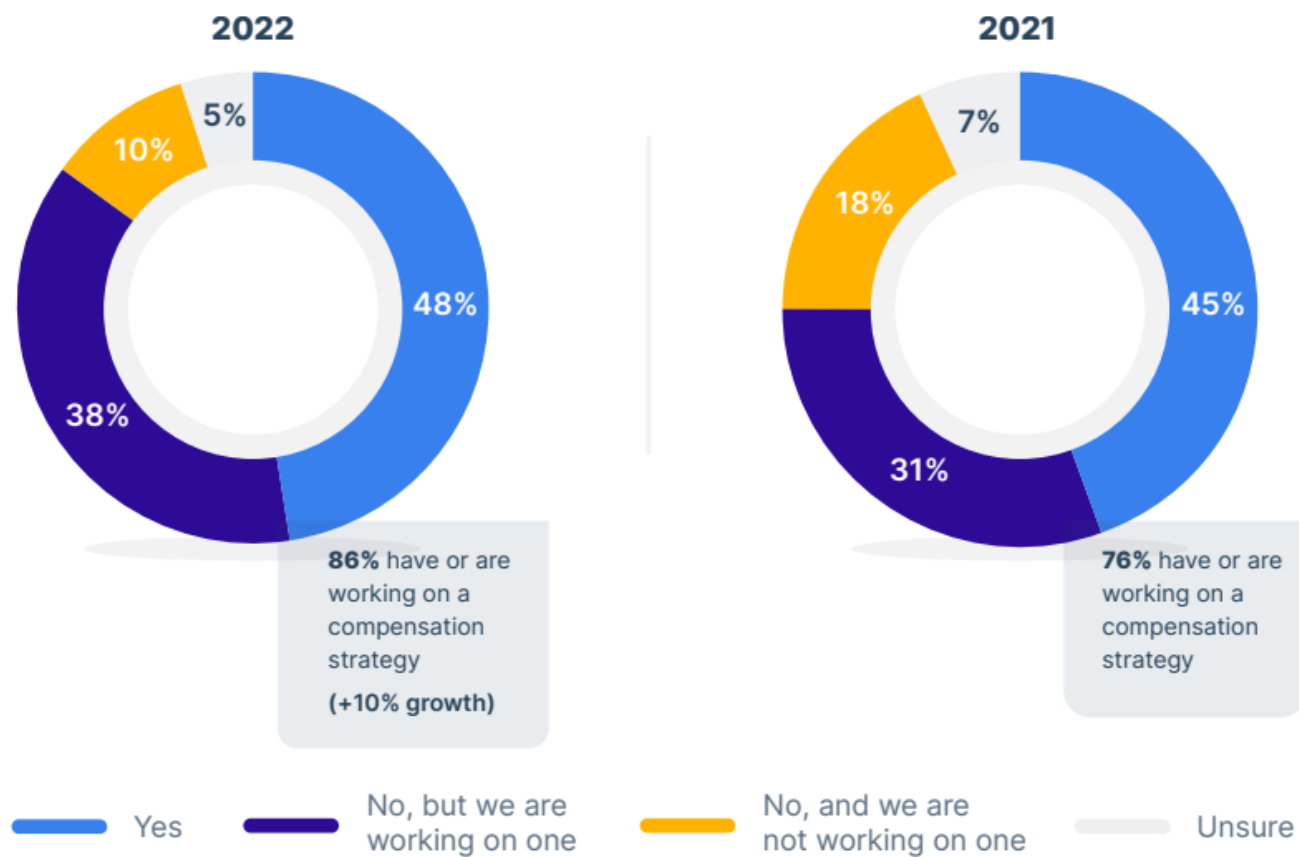
- Why create or rethink a compensation strategy?
- Your starting point & next steps
- An example case study
- What to do once you have your strategy



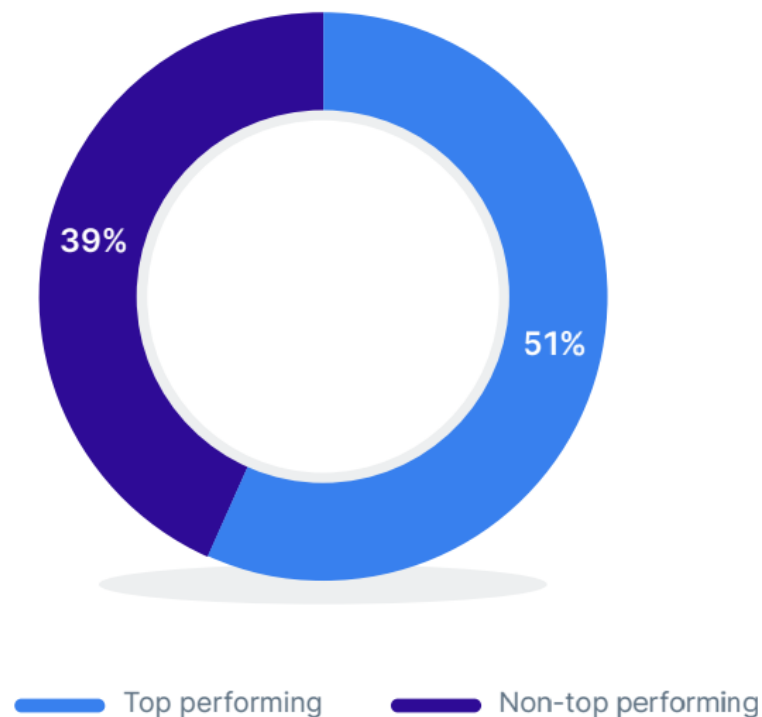
Why Create or Rethink a Compensation Strategy?

An effective comp strategy is critical, now more than ever

Does your company have a formal compensation strategy/philosophy?



Yes, our company has a formal compensation strategy/philosophy



Compensation philosophy vs strategy?

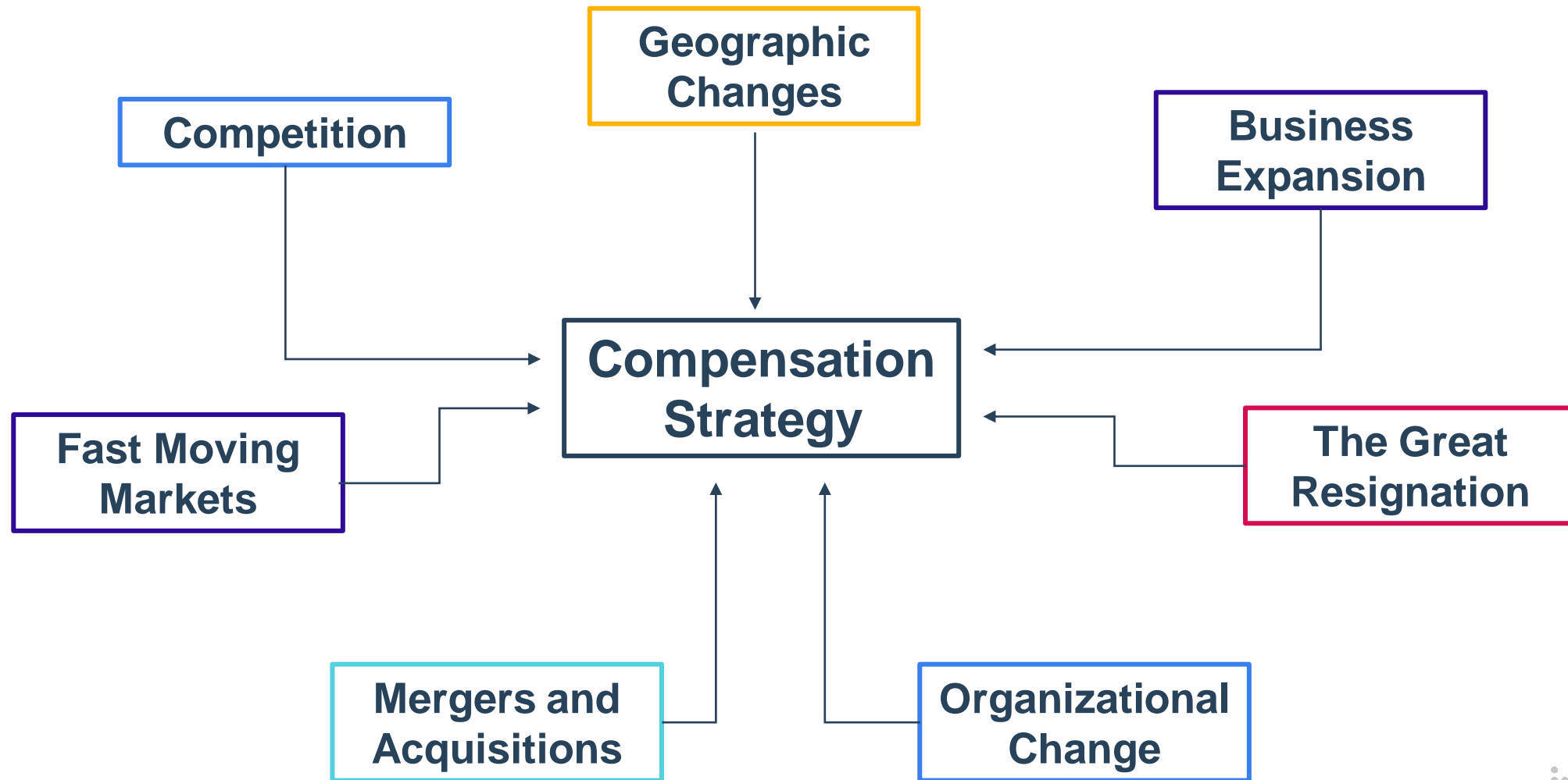
Compensation philosophy:

A compensation philosophy is simply **a company's position about employee compensation**. It explains the "why" behind employee pay and **creates a framework for consistency**. It outlines and supports the organization's strategic plan and initiatives, business goals, competitive outlook, operating objectives, and compensation and total reward strategies.

Compensation strategy:

A compensation strategy is **your company's approach to compensating employees** in terms of pay and benefits. It communicates to employees the definition of the organization's position regarding pay, and typically includes a definition of external competitive market and internal equity objectives, definition of pay programs that will be utilized and why, and information about how plans will be administered. It should support the organization's mission, goals and objectives and align with its culture.

A comp strategy will be your navigating guide in the face of...



Where do you start....

What to consider when starting/revisiting your comp strategy

- **Business Impact:**

- What is this problem we're trying to solve & why is it important?
- How will this support organizational goals and have business impact?

- **Who:**

- Which stakeholders need to be involved?
- When and where do you bring employees into the process?

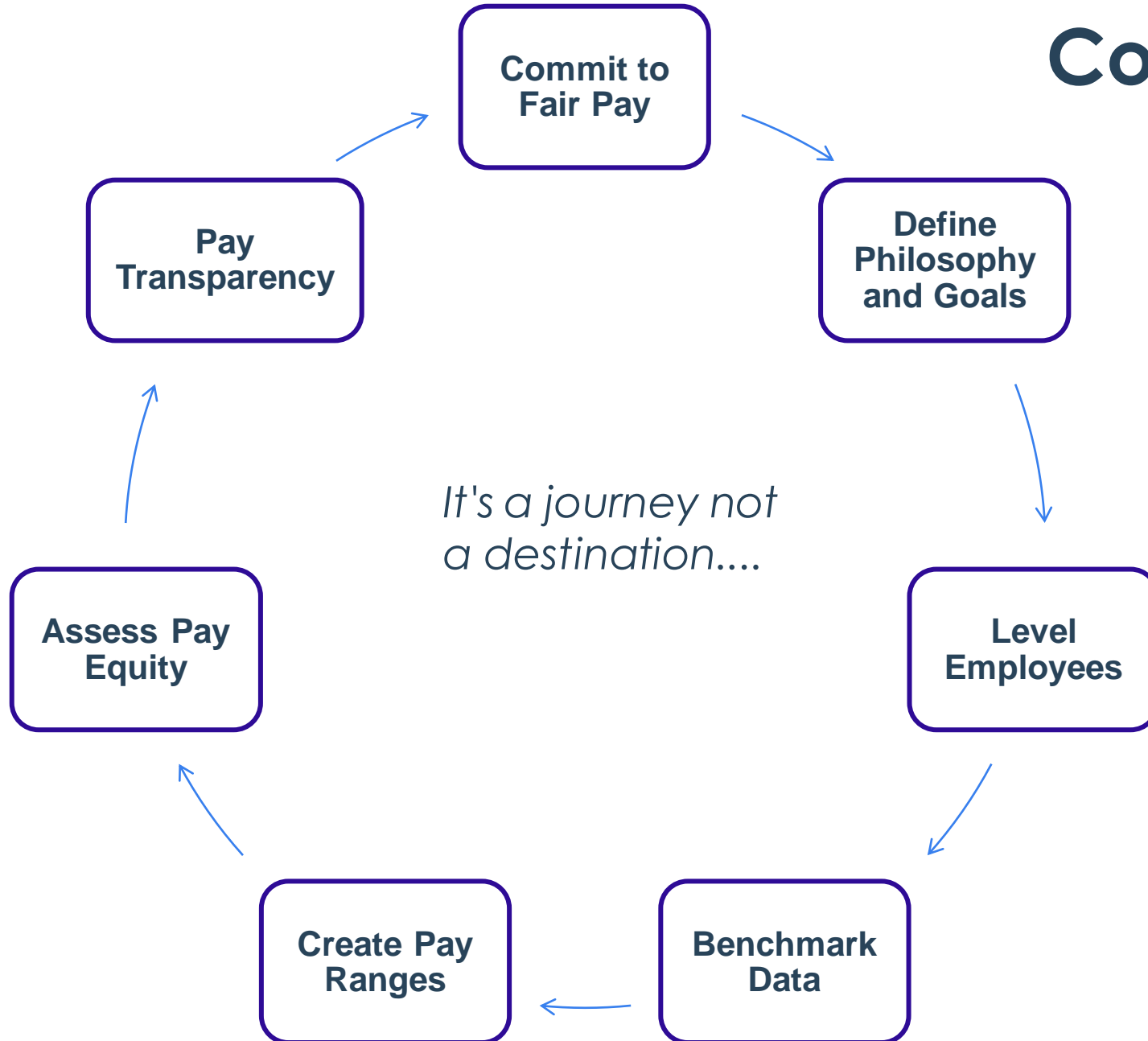
- **Scope:**

- What is the right amount to take on?
- Which areas of your comp strategy do you want/need to focus on first?
- When should I review/build the entire cycle vs. only certain areas?

- **When:**

- When is the best time to review/build your strategy?
- How often do you want to revisit your strategy/review?

Comp strategy journey



Your next steps...

Day to day Questions...

- Do you have a **leveling** structure? Are your employees in the right level?
- What **data sources** are you currently using?
- Are you currently using **pay ranges**?
- What **locations** are you currently operating in and what's your **remote pay strategy**?
- What level of **transparency** are you currently at and where do you want to be?
- When are you thinking about **pay equity** or **fair pay**?

Determine Levels

- Being able to compare talent consistently
- Provide visibility to promotions and career pathing
- Allow for higher level employees to continue to growth in role
- Mitigate risk of over/under payment

Thinking about data sources

How will this data support your strategy

- How do we define our **competitive set**?
- **Where do we want to be** relative to the competition, namely lead, meet or lag?
- How does this data support our **compensation program goals**, such as drive performance or reward longevity?

Tips for data selection for your organization

- Select **data specific** to your geography, industry, size of org, and type of org
- Choose data that covers a variety of **compensable factors** (skills, experience, education, etc.)

Create pay ranges

Job Based Ranges

- Ranges built around market value for a job at the target percentile
- Individual pay range for every benchmarked job
- Simple to set up and update
- Good for “hot jobs” and smaller orgs
- Can be difficult to administer for orgs with many jobs
- Range value may change year to year depending on the market

Grade Based Ranges

- Jobs grouped by market, organizational value and responsibility level
- Each grade has a base pay range
- Can easily level positions
- Can “slot” non-benchmark jobs
- Ability to keep current to market year-to-year
- Simpler to maintain and administer for many jobs
- Often a good fit for larger organizations

Approaches to location-based pay

Pay Zones	Developing regional areas/zones to determine pay
Pay by every Location	Develop a pay range for every location in which an employee sits
Pay by headquarter	Pay employees based on the location of your organization's headquarter location
Pay by Metro Area	Bucket pay ranges based on metro areas or cities
Pay by National Rate	Pay one standard, national rate across the board

The pay transparency continuum

1. What

Your organization tells employees when and what to expect on their paycheck.

2. How

Your organization shares some market data with employees.

3. Where

Your organization has a comp plan and shares pay ranges with individual employees.

4. Why

Your organization's comp plan reflects org culture, drives talent strategy, and is open to EEs.

5. Whoa

Ranges and employee pay information is available to all employees.

Where does Fair Pay fit in?



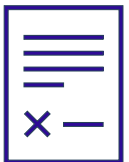
Improves employer brand and reputation



Reduces employee attrition rates



Reduces time and costs related to recruitment



Aligns business practices with legislation

Our Journey

Payscale's approach

Historical context & the challenge:

- In 2021 – We brought three organizations together into one unified company
- Each organization brought unique compensation processes, stances on transparency, and philosophical approaches.
 - **Leveling:** Each organization had its own informal career pathing
 - **Data:** The three companies utilized different data sets
 - **Tools:** The three companies utilized different tools
 - **Transparency:** The three companies had different stances on transparency
- We needed to prioritize compensation harmonization across the company while balancing other challenges
 - External market challenges (candidate's market, great resignation, etc.)
 - Sustainable compensation practices (budget parameters, scalability, etc.)

Continuous Conversations



Example: Payscale's Goals in Q1 2022

Compensation Data & Analysis:

- Utilize up-to-date market data to analyze all roles in the company for gaps, issues and challenges

Compensation Planning:

Apply the data from the market analysis to compensation planning while balancing our continued work towards an updated long-term compensation philosophy/strategy and a challenging market.

- We partnered with Finance to model an ask for a larger 2022 compensation budget

Transparency:

- Take a step towards transparent pay practices
 - Education sessions with managers & employees to share our methodology, answer questions and gather feedback
 - More transparent reward statements

Compensation Definitions

The Analysis: A benchmarking and market analysis was completed in early 2022. This analysis was done in our own platform utilizing the most up to date market data. This analysis included re-benchmarking all roles at the company (~255) at multiple market percentiles in our core locations: Seattle, Boston, National, Canada and the UK.

Market Adjustment: A market adjustment is a base compensation adjustment based solely on external labor market data and any data around market movement. Market adjustments generally occur if the market shifts upwards for any given reason. Market adjustments are not based on individual performance or performance criteria.

Merit: A merit increase is a base compensation increase that is based on established performance criteria. At Payscale, we take a performance driven approach to our merit increases, basing them on our talent processes. Higher performers are recommended higher increases while lower performers may be recommended smaller increases.

Promotion: A promotion occurs when an employee advances to a position that is classified as a higher level or has additional responsibilities/larger scope. Promotions are identified via the talent review process during our year-end and mid-year cycle.

Year-End & Mid-Year Talent Processes: Payscale currently holds two talent cycles each calendar year. The Year-End process occurs in Q1 and includes: self and manager reviews, a talent review and calibration process utilizing our talent approach, a promotion cycle and a merit cycle. The Mid-Year process occurs in Q3 includes a talent review, calibration and promotion cycle only.

The pay transparency continuum

We are here: As we came together as three organizations, we had to revisit our level of transparency, our philosophy and our approach.



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Enablement & Training Plan

Training sessions & audience:

- We ran two different training sessions during the year-end process.
 - First: Focused on talent philosophy and review process, held at the beginning of the review process and different sessions were held for people leaders and our employees.
 - Second: Focused on compensation, our methodology and having compensation conversations, held towards end of review process and held different sessions for people leaders and our employees.

Other training resources/guidance:

- We also provided the following: 1) one-pager and FAQ documents to people leaders prior to their conversations, 2) held office hours to answer any questions in real-time, 3) Answered questions in our people leader Slack channel so that everyone had visibility into the different questions and answers.

Tips for Delivering Compensation

Prepare:

- Refresh yourself on your compensation recommendation and your main drivers to the recommendation.

Review the details:

- Review the compensation adjustment detail for your employees
- Review the market data and benchmark associated with your employee's role
- Anticipate their reaction & create your notes – Will they be excited? Has compensation been a pain point for them?

If you need it: ask for support

- If you want some extra guidance/tips, loop in your HR Business Partner and/or your direct leader

What's Next?

What are the next steps?



Adjust alongside
your business



Decide when to
revisit

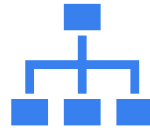


Figure out how to
loop this into your
talent strategy



How are you
communicating the
work and impact



Lay out
methodology and
gather feedback

Final Tips



Be fluid, everything is subject to change



It is a continuous process, doesn't have to be 100%



Work closely with leadership



Take your time and sit with it, not an easy task



Celebrate wins (especially right now)

Q&A

Feel free to ask any questions in the chat!

