



5 Things to Prepare for 2023 Compensation Planning Season



Today's Presenters



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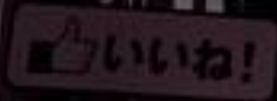
Today's Agenda

- Market context
- Our top 5 considerations
- Takeaways
- Q&A



A roller coaster track with a purple tint and Mount Fuji in the background.

**Welcome to
compensation season!**



Market context



Economic outlook

- U.S. Inflation for September at **8.2%**, and GDP contracted April to June but expect to show growth at an annualised rate of 2 per cent in the July through September period.
- Global growth has been marked down in 2022 to **2.9%**. The outlook for 2023 has also deteriorated, with output expected to advance 2.7%.
- Ongoing conflict in Eastern Europe and other geopolitical developments have driven energy and agricultural commodity prices higher.
- Businesses are still constrained by supply-chain bottlenecks adding to the costs of their operations



Labor Challenges

- Labor supply challenges - the unemployment rate edged down to **3.5%** in September and hiring stayed strong but there is an ongoing fall in the supply of labor.
- US job openings dropped to **10.1 million** in August of 2022, the lowest since June 2021, but job vacancies still outnumber available workers by a margin of **1.75-to-1**
- Worker wages are rising, but inflation is eating up those gains - increasing organized labor presence.

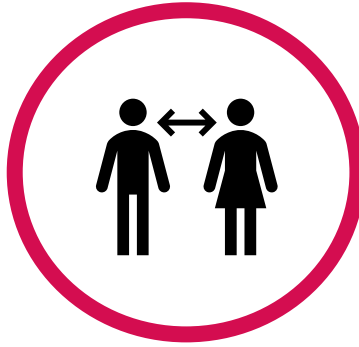
Poll Question 1: What's your biggest concern?

- A. How to align budgets with wage inflation and employee expectations
- B. Getting the right benchmark data to support budget proposals
- C. Identifying key talent to align with compensation
- D. Preparing for pay transparency legislation

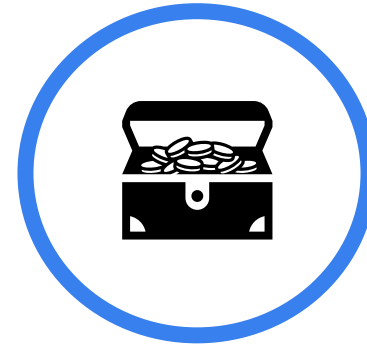
Compensation season considerations



Labor Market
Challenges



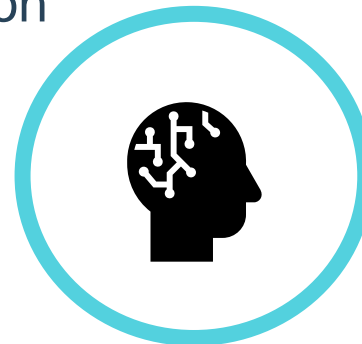
Addressing pay
equity &
compression



How to optimize
compensation
budgets



Addressing Pay
Transparency



Being data &
process ready

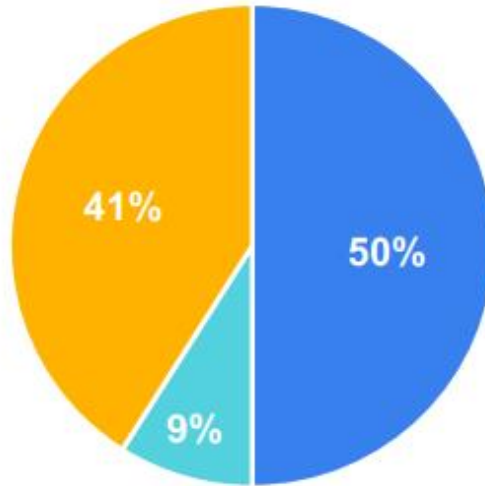


Labor Market Challenges

- Wage inflation - '23 projections moving to **4%**:
 - Payscale Salary Budget Report July USA: 3.8%
 - WAW Salary Budget Survey June USA: 4.1%
 - WTW 2022 Salary Budget Planning Report: 4.1%
- Sector and geo dependent, requires **more detailed benchmarking**
- **Manage employee expectations:**
 - Cost of labor vs CPI
 - Also compounded by impact of high compensation spend during 22
- Labor shortages prevail, need to **continue to invest in talent** – more budget for promotional increases

How does your expected 2023 increase budget compare to your 2022 increase budget?

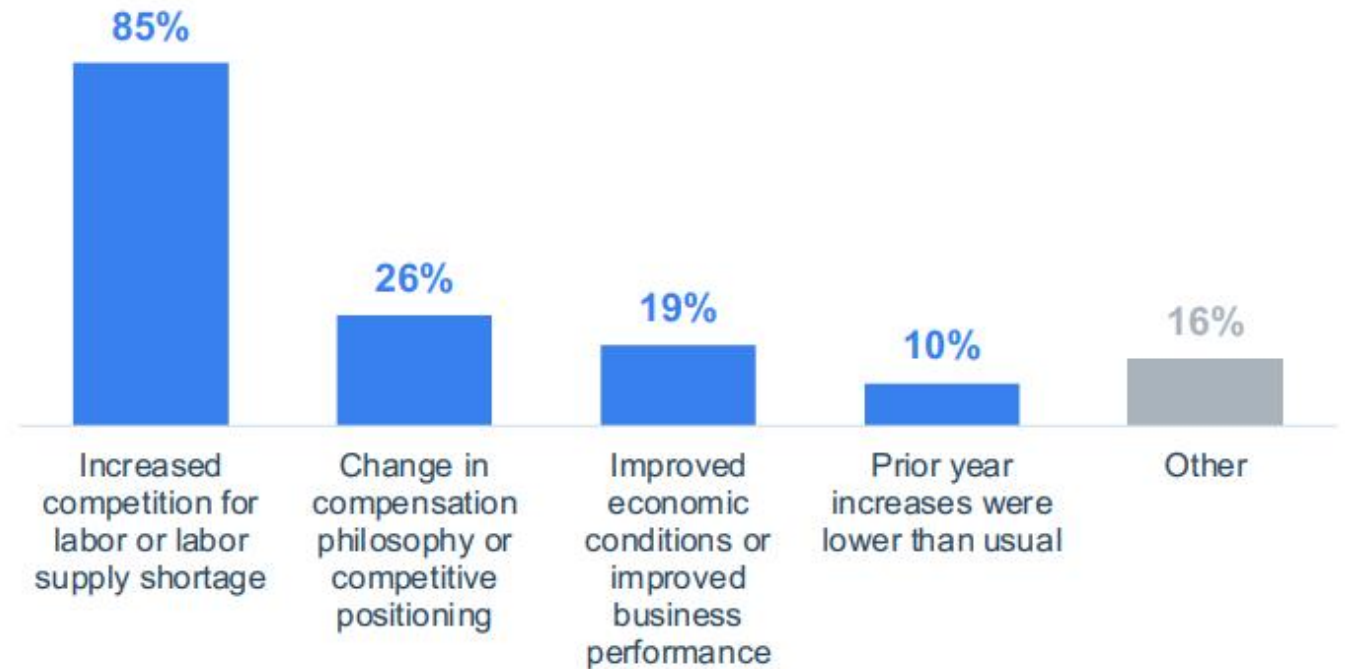
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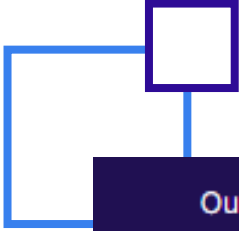


- Our 2023 salary increase budget is expected to be higher than our 2022 salary increase budget
- Our 2023 salary increase budget is expected to be lower than our 2022 salary increase budget
- Our 2023 salary increase budget is expected to be the same as our 2022 salary increase budget




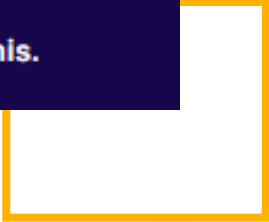
Why is your 2023 salary increase budget expected to be higher than your 2022 increase budget?

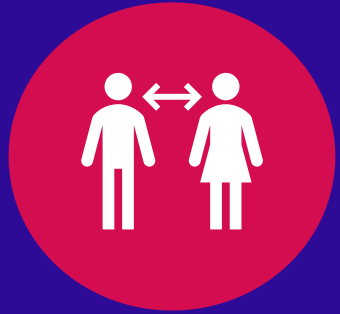
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Our whitepaper shows that real wages have been decreasing gradually for the last decade, and this has now accelerated with the inflation increases of the past year. This, coupled with the difficulty in recruiting and retaining talent, means that companies cannot afford to stick to a 'standard' two to three percent budget. They should look at various sources to determine the best way to apply wage increases (not including merit increases), including:

-  The cost of living indexes for the locations in which they are based, including the predictions for the coming months;
 -  The real-time trend data from labor market data surveys in their locations and industries;
 -  Their own internal roles and skills shortages, and any equity issues that need to be resolved; and affordability in the face of this.
- 



Addressing pay equity & compression

- Factors impacting pay equity right now:
 - Pay compression due to **wage inflation**
 - **Remote and hybrid work strategies** creating pay equity issues
- **Failure to address pay equity remains a key business risk** - in any downturn you do not want any expensive legal challenges
- Heightened employee & stakeholder expectations, together with emerging legislation **will make pay equity hard to deprioritize**
- **Before making any market or merit related changes**, consider potential pay equity adjustments that need to be made on the group or individual level
- Consider any **pay equity biases** in your compensation plans and processes

Poll Question 2: Do you plan addressing pay equity as part of this compensation review?

- A. Yes, we have done a pay equity analysis to prepare budgets
- B. Yes, we will address ad hoc through the review from planned budgets
- C. No, we have not planned this
- D. I don't know



How to optimize compensation budgets

- Retaining key talent that drives value creation becomes a priority - continue to **invest in talent programs and treat compensation as a talent insurance**
- Ensure **talent strategy is aligned** with compensation strategy
- Pay differentiation – **avoid weak pay differentiation** make every \$ count
- **Manager training and communication are key** here...make sure they know what they are paying for and can reinforce messaging

Does your organization train managers on pay communications?



Poll Question 3: What training do you offer managers for compensation review ?

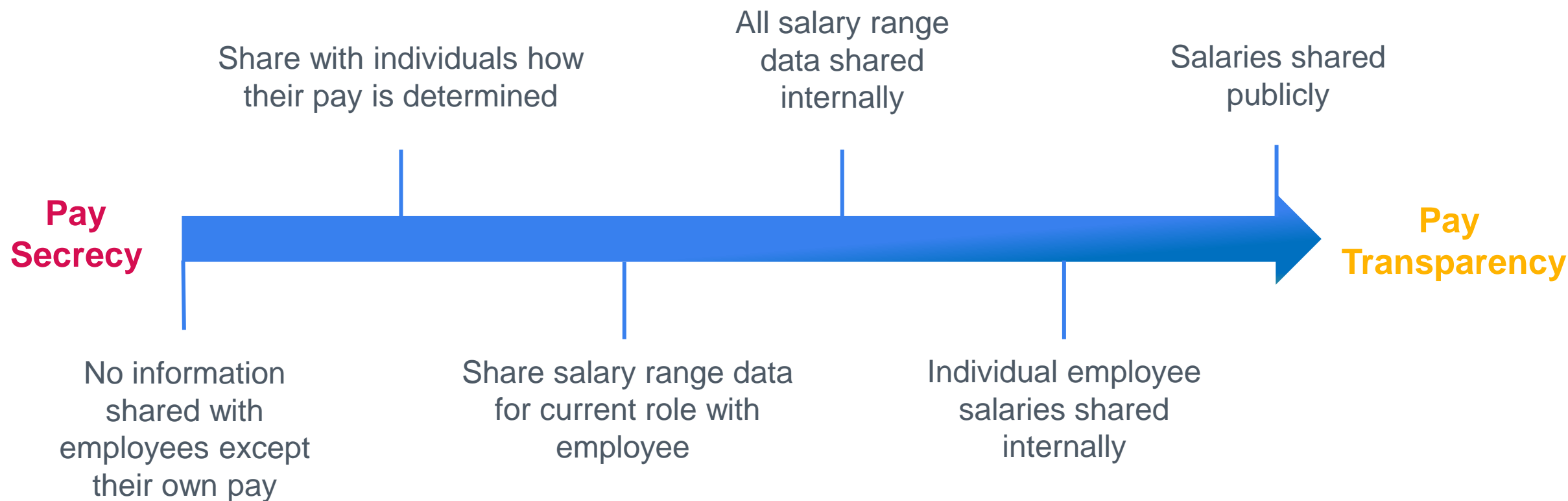
- A. We provide managers guideline and communication training
- B. We provide communication training
- C. We do not offer any specific training, other than issuing general guidelines
- D. We do not offer training
- E. I don't know



Addressing Pay Transparency

- **Emerging body of Pay transparency legislation** - in 2023 at least one third of the US labor force will be covered
- Requires a **proactive** rather than defensive approach to stay ahead
- **Identify what frameworks** you need to put in place to support a more transparent approach
- An opportunity to **consider where you sit** on the pay transparency continuum and **make progress**

The pay transparency continuum





**Be data and
process ready**

- Data readiness: Are you prepared to **provide clear evidence** linking reward effectiveness to business performance?
- Are you using information that is **accurate, relevant and timely**?
- Consider the **ease of calibration & sharing data securely**
- What is your **exposure to key man dependency**
- **Work through real life scenarios** and **test** before full scale implementation
- Avoid it being an event driven activity – **focus on outcomes**

Compensation season checklist

- ☐ Understand your own unique labor market challenges and source relevant data
- ☐ Before making any market or merit related changes, consider potential pay equity adjustments that need to be made on the group or individual level
- ☐ Always treat compensation as a talent insurance and ensure talent strategy is aligned with compensation strategy
- ☐ Plan early for manager communication and guidelines
- ☐ Data readiness: Are you prepared to provide clear evidence linking reward effectiveness to business performance?

Resources:

- Payscale Salary Budget [Report](#)
- Payscale Compensation strategy [white paper](#): Responding to rising inflation & cost of labor
- Payscale [white paper](#) How to manage pay compression with agile comp
- Compensation Best Practice [Report](#) 2022
- Payscale Pay Transparency legislation [Guide](#)
- Webinar: [Navigating Compensation Budgeting Season](#)



Gain a competitive edge in a fierce talent market while building a more fair, equitable and transparent pay strategy

Market Pricing

Pay Structures

Survey Management
& Participation

Reporting
& Analytics

Pay Equity

Compensation
Planning

Total Rewards
Statements

Job Descriptions
Management



Peer

A transparent & dynamic HR
reported data network

Employee Reported

The world's largest real-time
salary database

HR Market Analysis

A composite of analyst curated
employer reported survey data

Q&A

Feel free to ask any questions in the chat!

