

Are You Ready for Compensation Planning Season?

Today's Presenters



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Agenda

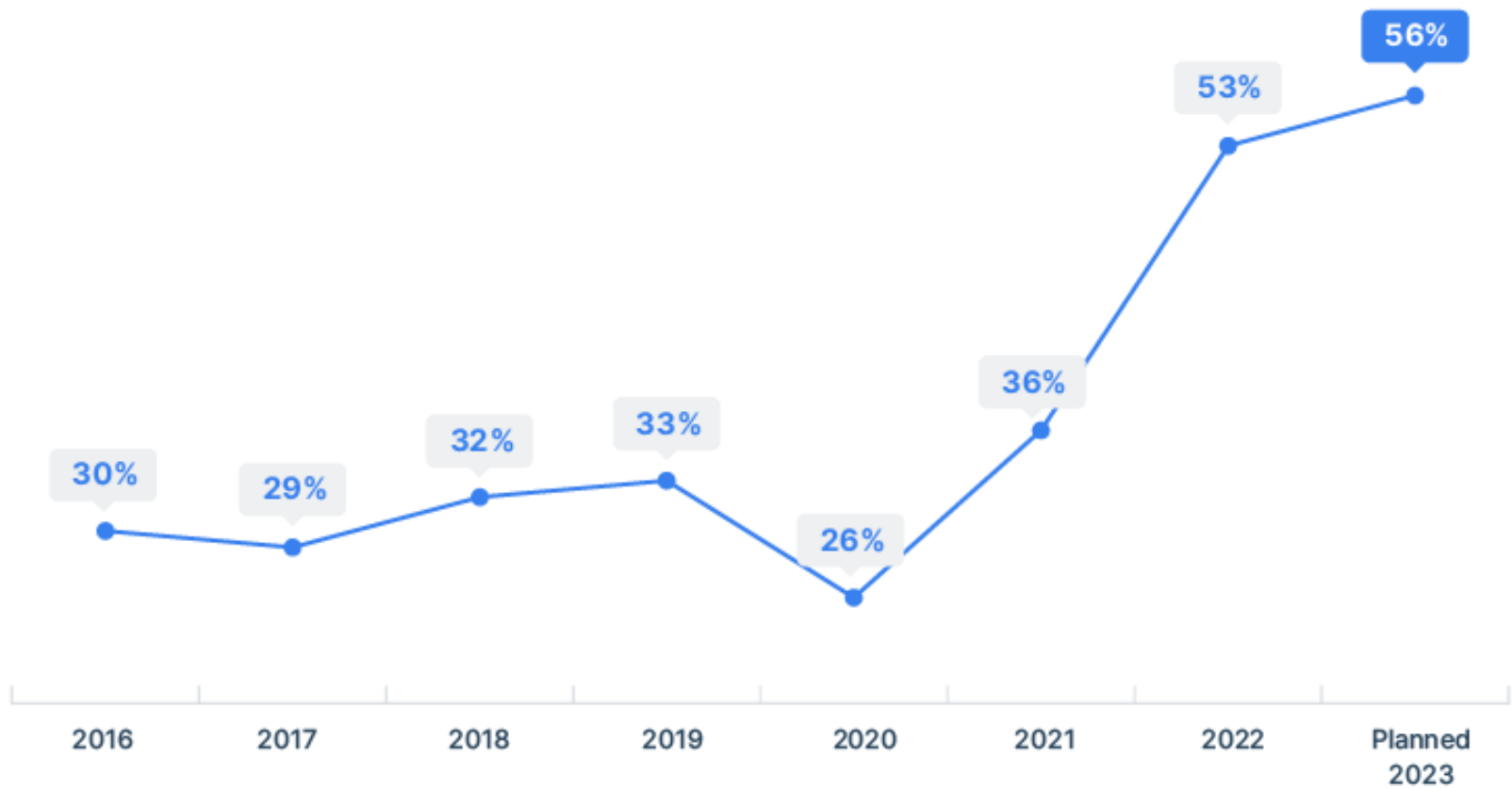
- Reminders and tips as you enter the end of year comp cycle
- What you can do now to set you up for success through the end of the year
- How Payscale has reflected on and optimized our year end planning processes
- Manager perspective on communicating with employees
- Big wins with Payscale Compensation Planning

Reminders and tips as you enter the end of year comp cycle

How often does your organization formally give pay increases?

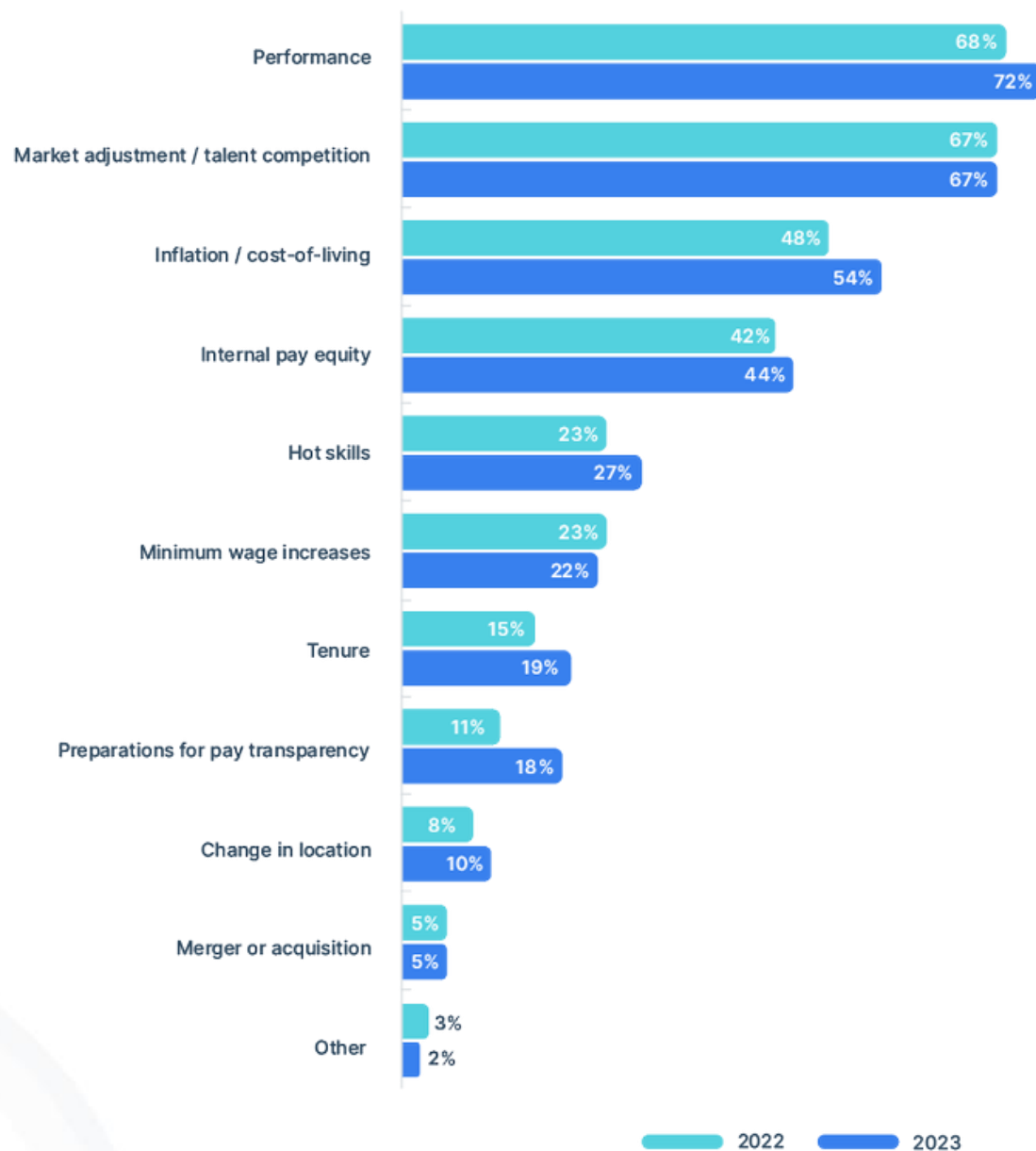


What percentage of organizations are planning to give over 3%?

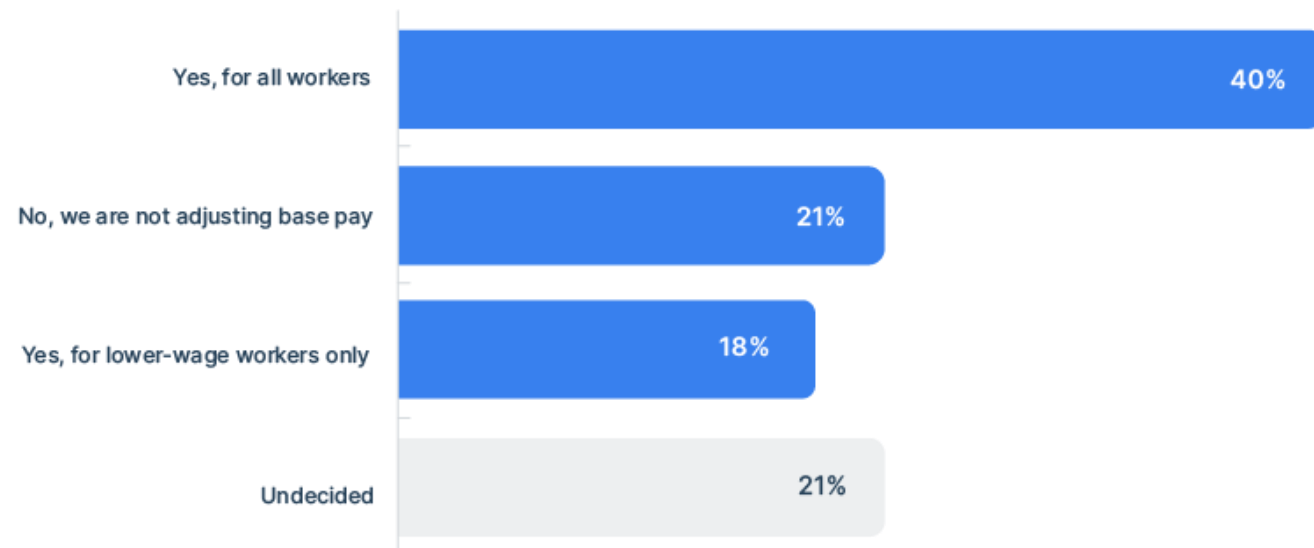


What goes into base pay increases?

Which of the following will be factored into base pay increases in 2023?

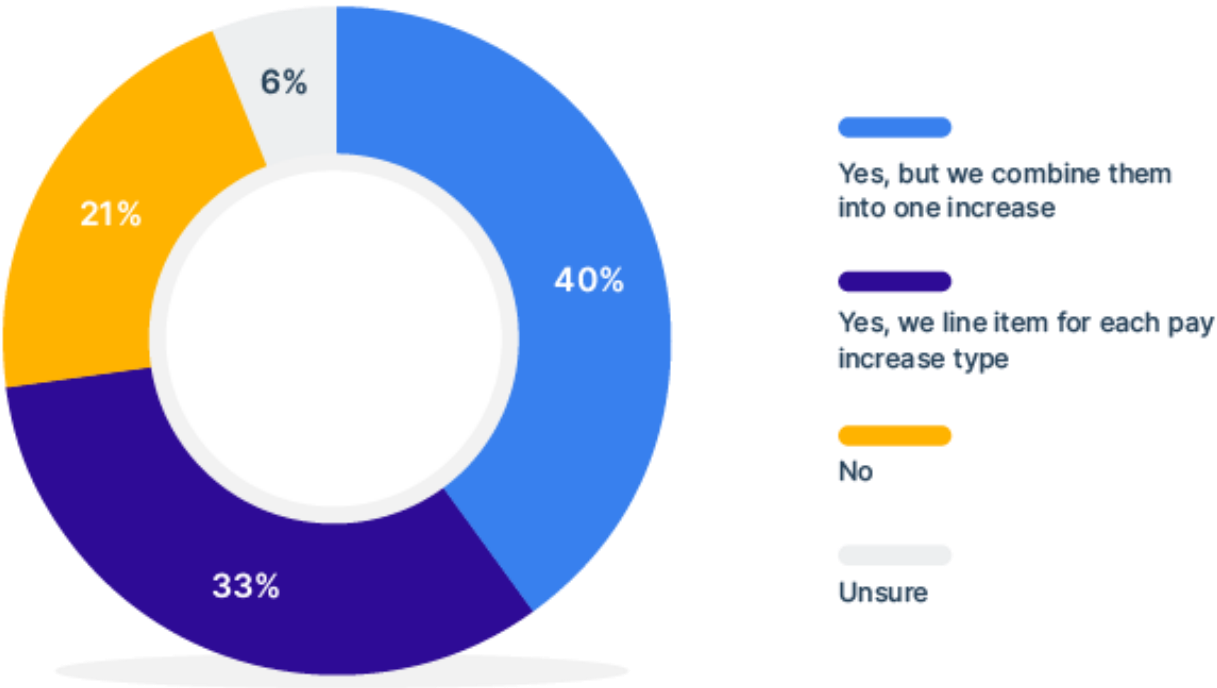


Are you addressing the impact of inflation on wages by increasing base pay to retain workers?

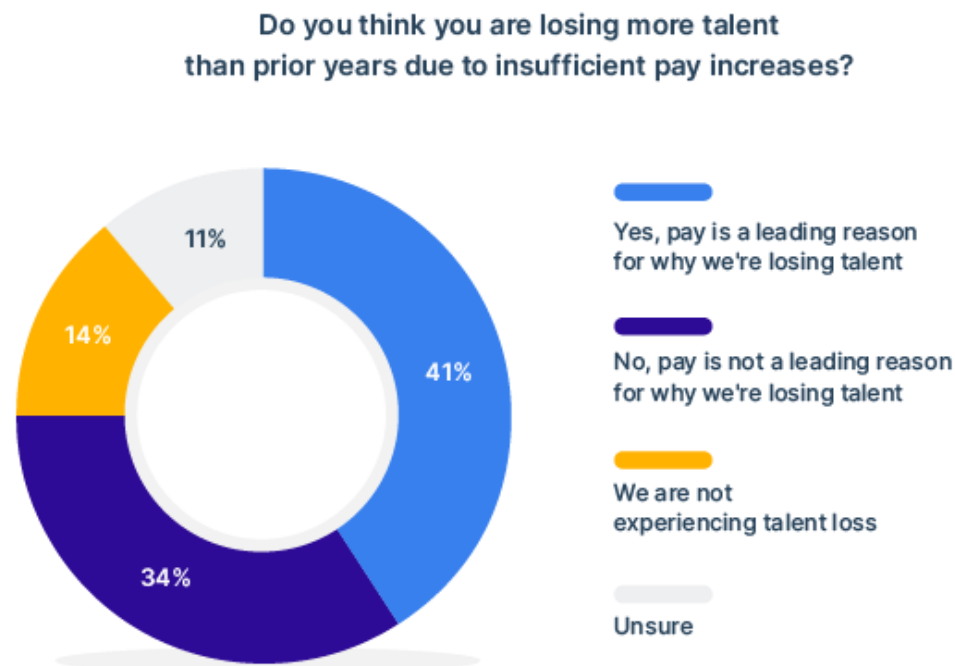


Delineating pay increase factors

When providing pay increases, do you make a distinction between merit increases, market adjustments, increases for inflation, minimum wage, pay compression, or internal equity?



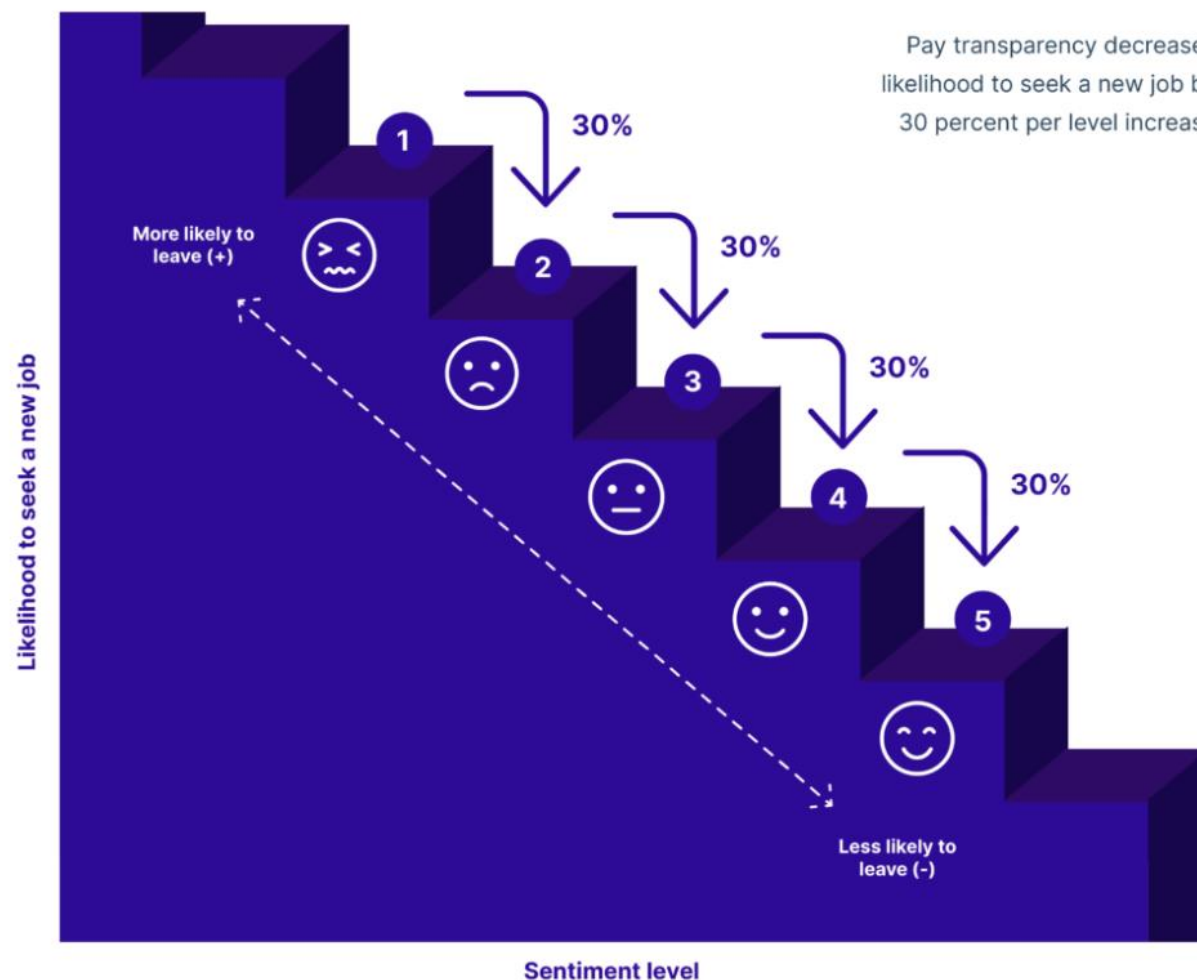
People aren't just leaving jobs due to compensation...



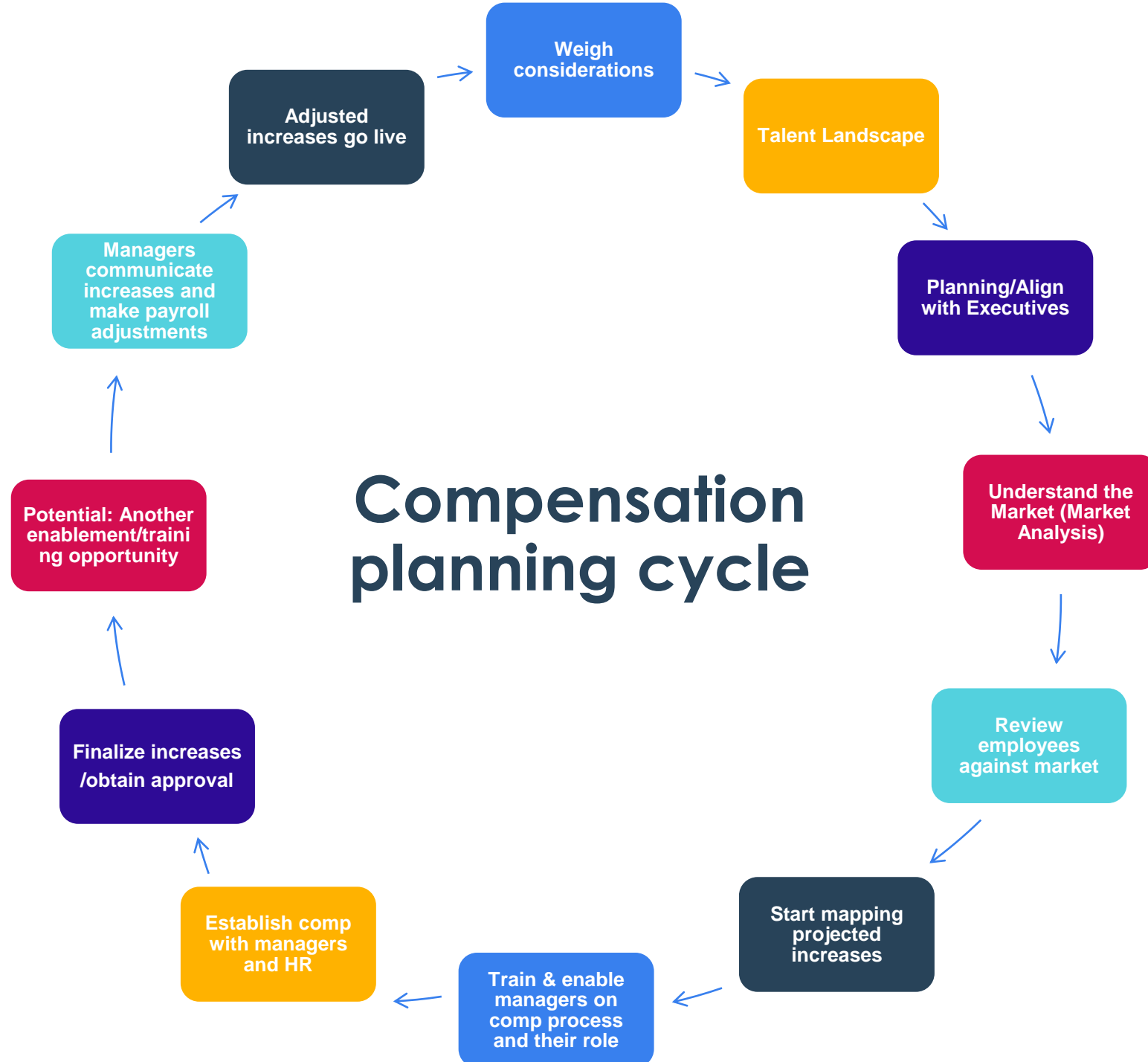
Pay transparency

How pay is determined at my company is a transparent process.

Pay transparency decreases likelihood to seek a new job by 30 percent per level increase



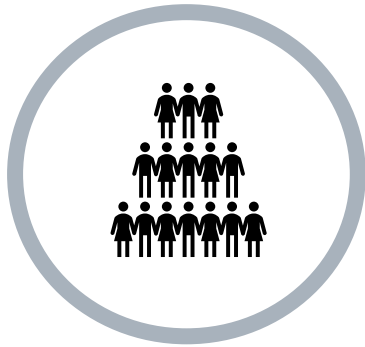
**What you can do now
to set you up for
success through the
end of the year**



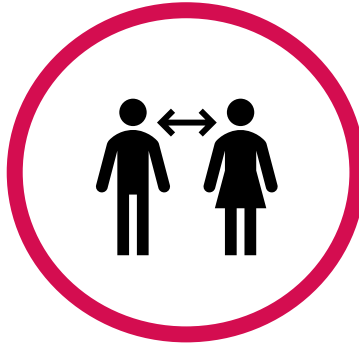
Questions to consider as you prepare to take on comp planning season?

- What considerations need to go into this year's cycle? Have things shifted **internally** to the company or **externally** in the market that you need to think about? What changes do you want to make **from prior cycles**?
- What does **the talent landscape** and **labor market** look like? Any impact to compensation?
- What are **your executives thinking about** or what is top of mind when it comes to their talent and compensation?
- Do you feel like you understand **the current market** and any **impact to your employee population**? When was the last time you ran a market analysis? Are you confident in the data?
- **How transparent are you** as an organization and what does that mean for any communication, training or enablement efforts?
- **How confident do you feel** about your managers having compensation conversations? Where do you think they need **more support**?

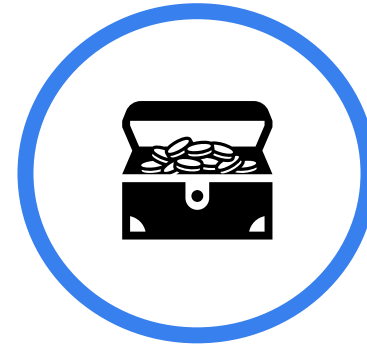
Compensation season considerations



Labor Market
Challenges



Addressing pay
equity &
compression



How to optimize
compensation
budgets



Addressing Pay
Transparency



Being data &
process ready


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?

Payscale's high level 2023 plan




Finance shares their strategic planning calendar (~early Q3)




The People team aligns on timing and initial assumption with the Finance team, based on a few factors:

- 1) Historical methodology
- 2) Any intentional strategy or plan changes (ex. structural changes)
- 3) Any external market factors or internal factors we may need to consider (ex: 2022 was a unique year for planning internally)




Review the current market for any potential future market adjustments

- The intention of this step is to review 'is my normal budget enough or do we need to make a larger ask'



Review the initial budget against our normal performance & talent process (we use a 9-box based on 'the what' and 'the how')

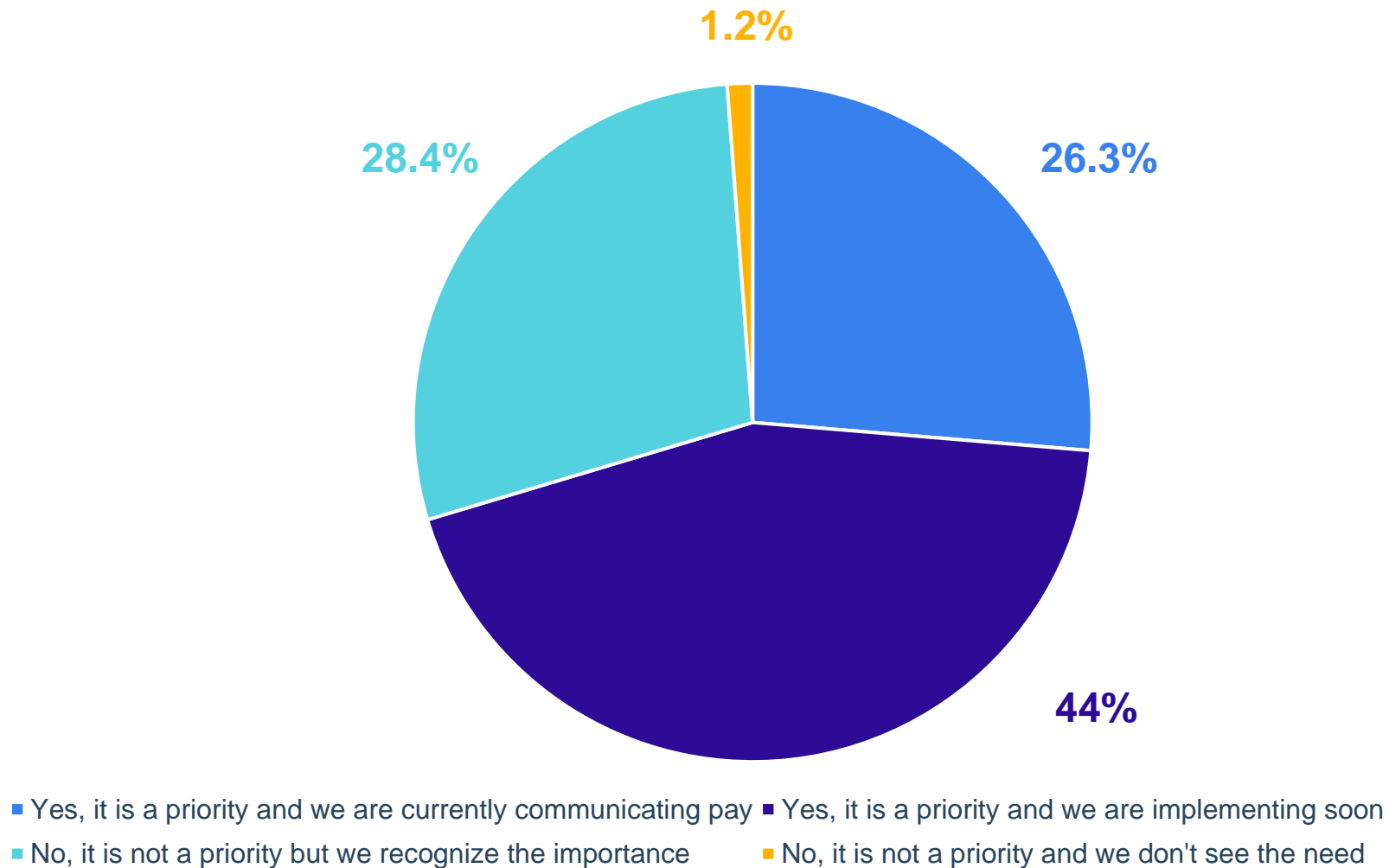


Factor in any assumed promotion % (we assume the company will promote between 17-20% of our population annually).

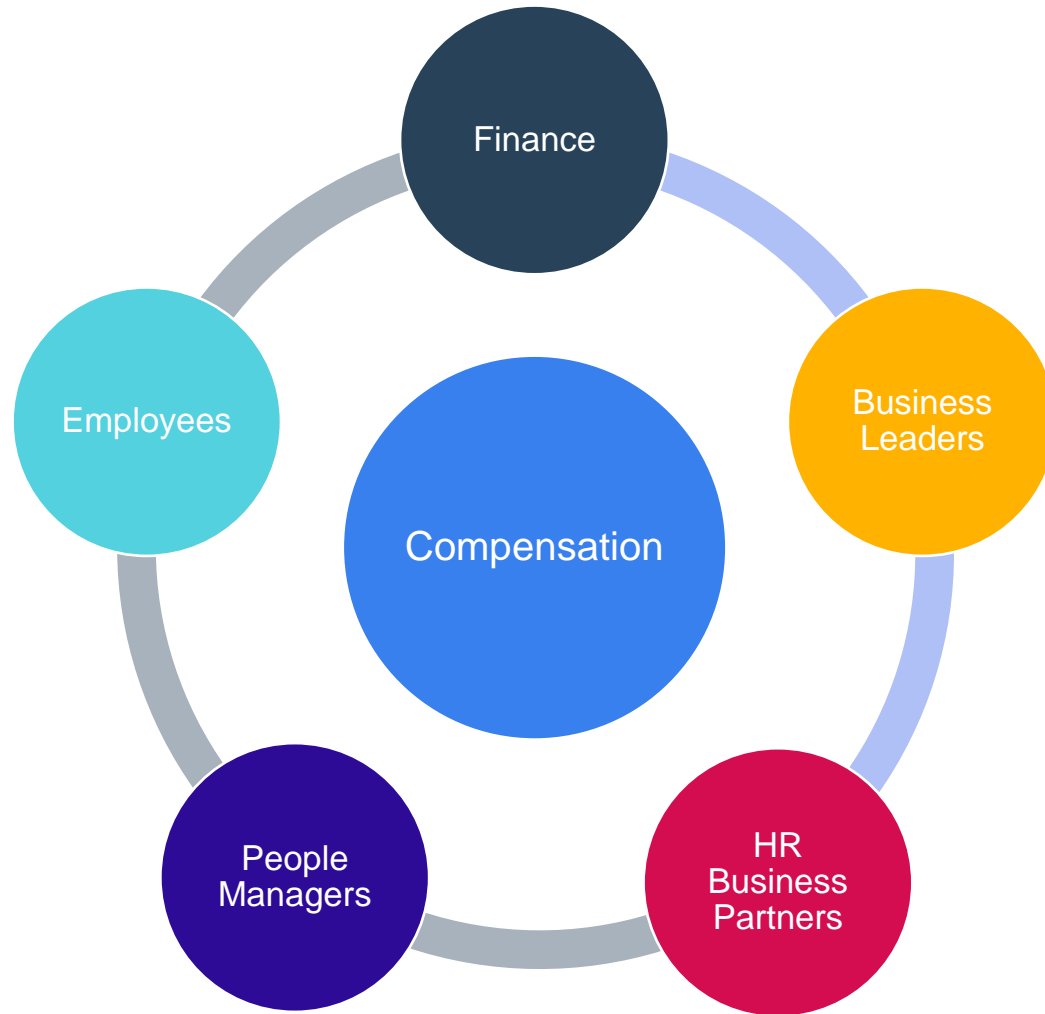
- Confirm our promotion methodology (we assume promotions will generally have a total cash increase of between 10-20%)

Manager perspective on making compensation decisions & communicating with employees

Is communicating pay internally a priority?



Pay communications are evolving the role of Compensation Professionals to center stage

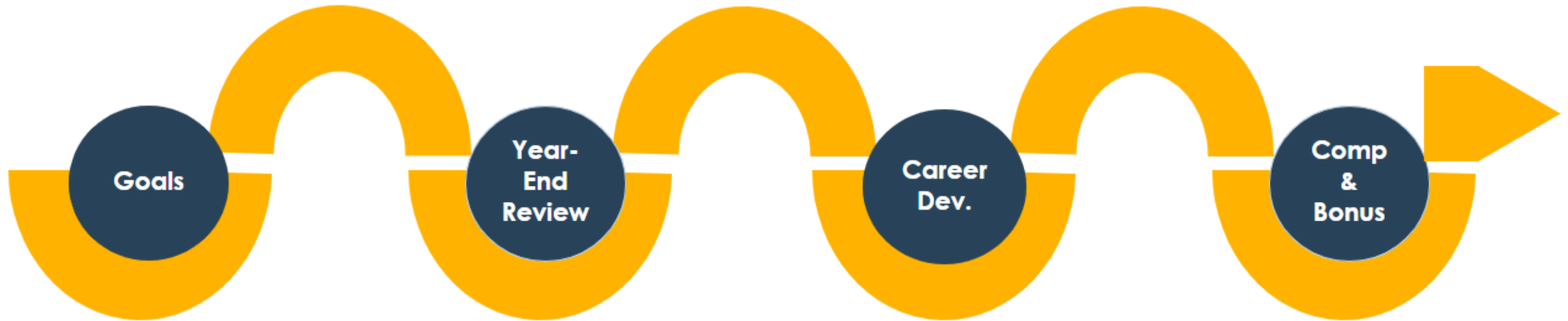


- **Trainer**
- **Educator**
- **Communicator**
- **Collaborator**

Creating strong and collaborative relationships throughout the increase cycle

- **Finance** Understanding the budget for compensation is key. There needs to be a strong collaboration here to understand what resources are available and the resources that are needed to fulfil your compensation strategy.
- **Business Leadership:** Ultimately your increases need to fit with your organizational goals and therefore you will need to ensure leadership is involved throughout the increase cycle.
- **HR Business Partners** This team is used to working with leaders and employees through a variety of issues. HR Business partners need to understand compensation strategy and be able to support the messaging coming from the compensation function within HR
- **People Managers** This group is normally the ones who are ultimately responsible for determining how to spend their allocated budget among their employees. Helping this group make the right compensation decisions with the right data is key. This group also needs support in communicating compensation decisions to employees. People leaders should be equipped to talk about those decisions and the impact it has directly with their teams.
- **Employees** Pay transparency and accessibility to data have made employees more “knowledgeable” about compensation. Compensation teams and people managers need to be more equipped than ever to answer hard questions from employees.

Effective compensation decisions & communications start with impactful talent conversations



- Goals help set expectations for deliverables
- SMART goals make metrics easy
- Reviewed and discussed throughout the year

- Review is grounded in goals
- Employee & manager feedback (360 options)
- Annual lookback and forward-looking

- Employee driven
- Forward looking to understand employee aspirations and pathways to long term success

- Provide the “what” and the “why”
- Connect employees to their review and career development conversations

The Payscale Year End Enablement & Training Plan

Training sessions & audience

Talent philosophy and review process. Held at the beginning of the review process and different sessions were held for people leaders and our employees.

Compensation methodology and communications. Held towards end of review process and held different sessions for people leaders and our employees.

Other training resources/guidance

- 1) One-pager and FAQ documents to people leaders
- 2) Held office hours to answer questions in real-time
- 3) 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

Can your managers respond to the following scenarios?

- When an employee is **overpaid or underpaid**
- When an employee **isn't eligible** for a raise
- When **more money** isn't an option
- When an employee **reacts negatively** to an increase

Do your managers
know how to respond
to the following
questions?

- Why does “so-and-so” **make more than me?**
- What is **the salary range** for my position?
- How often can I **expect a raise?**
- Where does our **salary data** come from?



Market Data Overview What data your organization is using to understand the market landscape & make market adjustments.



Team Salary Ranges Access to salary ranges for roles & understanding where employees on their team fit into that spread.



How the Increase Process Works Ability to share how increase decisions are made and what factors go into those decisions. Even if People Manager is not directly involved, they need to understand the “why”.



Conversation Best Practices Provide conversation guides for managers to talk about pay with their employees and address hard and easy questions. Help them understand when it best to pull additional resources (HRBP, Comp) into the conversation cycle.



A Plan for Employees If an employee is unhappy with how their performance has translated into pay, try to make a plan with that employee about what they can do for things to be different next cycle. *Built together with employee.*

**Ideal resource “toolkit”
for managers**

Big wins with PayScale Compensation Planning

Payscale Compensation Planning

- Streamlined the review process with one centralized, easy-to-use system
- Real-time visibility into review progress and proactive stakeholder management
- Increased manager confidence when communicating pay with employees



Screenshot of Manager Review Screen in
Payscale Compensation Planning

Before

Payscale Compensation Planning

90+day review cycle

~70% accuracy

50+ individual spreadsheets

~80% Budget accuracy

After

Payscale Compensation Planning

~60 day review cycle

~100% accuracy

0 spreadsheets

~100% Budget accuracy

Q&A

Feel free to ask any questions in the chat!



Considerations for different organizations

- **Industry:** What's typical in your industry?
- **Company Size/Stage:** Sometimes different company sizes or stages changes the way you view total compensation
- **Remote Strategy:** Are you fully remote, hybrid or in person?
- **Historical context:** Is this a new process for the organization or old process? Is there a standard approach already?
- **Merit eligibility:** Are all of your current roles merit eligible? Which parts of your program are eligible- merit and market? How often? How do you allocate? Ex: 1/3 vs half at beginning of the year, etc.
 - For roles not merit eligible, do you have a lever for rewarding additional compensation if needed?
- **External Market Conditions:** The market is in flux – this is an especially critical factor right now. What does this mean for your specific company or what could it mean?