



Fundamentals of Compensation

We start 3 minutes past the hour



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NAVIGATING THE WEBINAR



This session will be  recorded

ELEMENTS OF A COMP PLAN

- ✓ Develop Pay Philosophy
- ✓ Define Your Strategy
- ✓ Created Ranges
- ✓ Policies
- ✓ Processes

COMPENSATION PHILOSOPHY

❑ What are the driving factors behind your compensation plan?

- ✓ Attraction
- ✓ Retention
- ✓ Motivation

❑ What do you currently reward?

- ✓ e.g., Performance, Proficiency, Skills, Tenure

WE BELIEVE...

Our compensation program is a management tool that, when aligned with effective communication plans, is designed to support, reinforce, and align our values, business strategy, operation & financial needs with a goal of growth and profitability.

Compensation Philosophy

The philosophy behind our compensation program is to support the company's strategy, competitive markets, mission and values. We believe our compensation program is a management tool that when aligned with an effective communication plan, is designed to support, reinforce, and align our values, business strategy, operational & financial needs with a goal of growth and profitability.

Our compensation program is designed to attract, motivate, and retain talented employees who drive the company's success. We strive to provide base salary that meets the market (50th percentile) when employees are fully proficient and meeting expectations. We believe that an employee consistently performing above expectations and are proficient in the role should be rewarded with a higher base pay. Employees who are new to their role and/or not meeting expectations would be paid below the target (50th percentile).

In addition to base salary, the company will utilize incentive or variable pay as a way to meet the strategic goals of the company. Incentive pay will be available to some employees with consideration for a number of factors and will be based on individual goals that relate to the company objectives as well as overall company performance.

MARKET STRATEGY BASICS

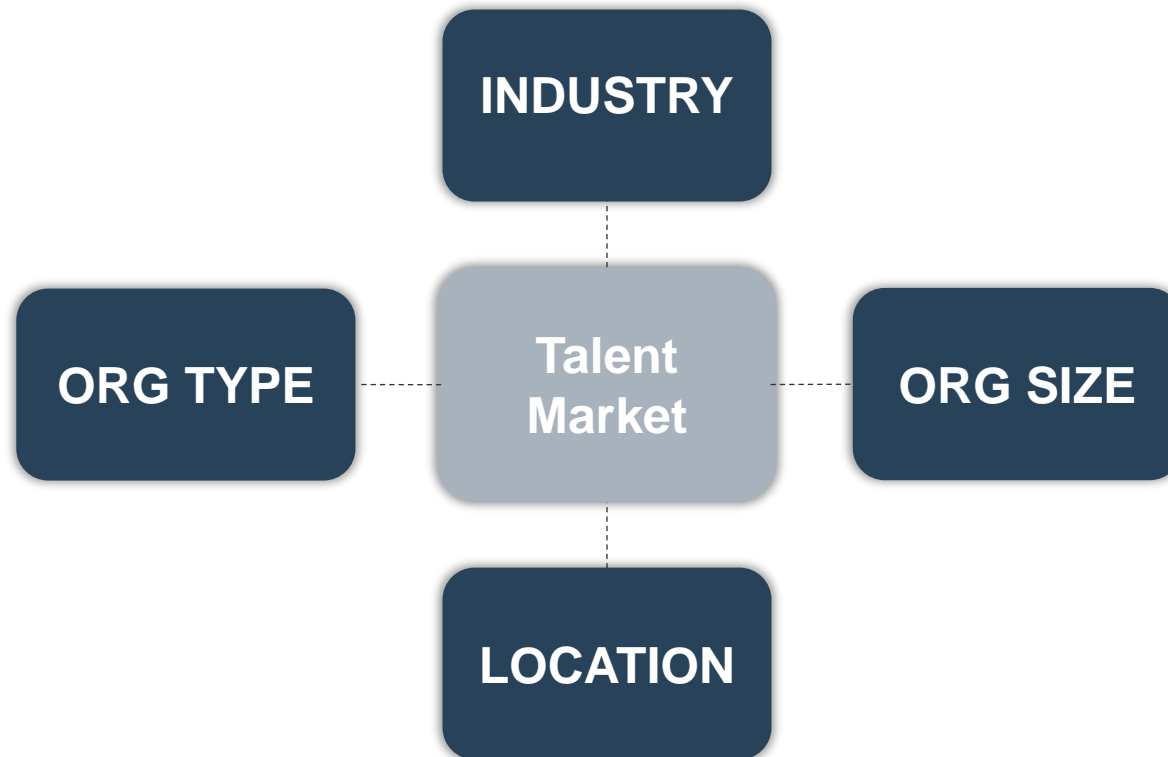
KEY CONCEPTS

- Talent Market
- A Benchmark Job



WHAT IS A TALENT MARKET?

Where do you compete for talent?





WORKFORCE SEGMENTATION

Targeting some areas of the organization differently

Segmented Workforce

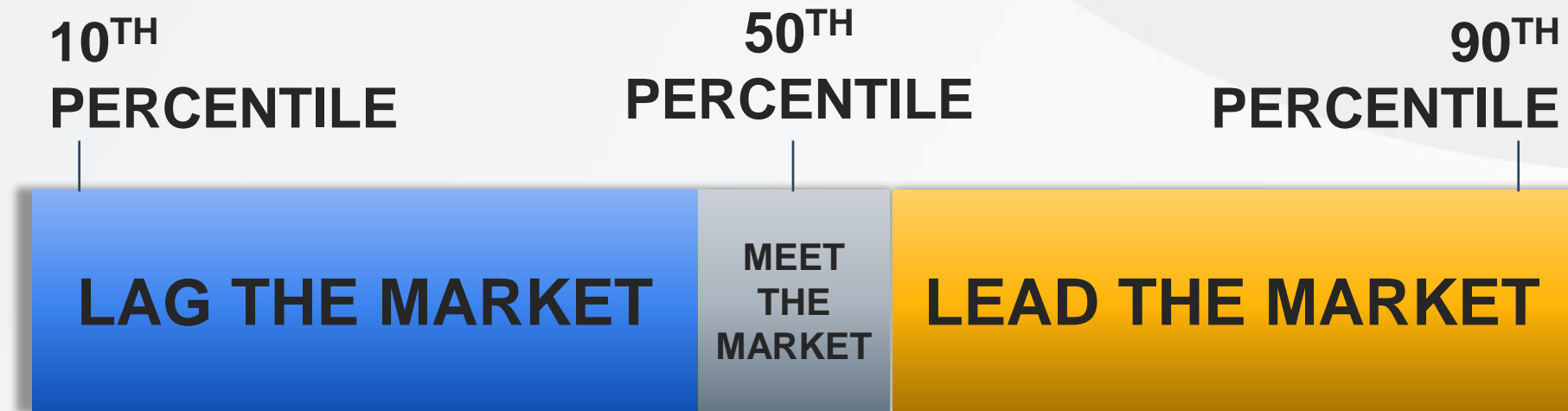


Industry: SaaS
Size: 600 EEs
Org Type: Company
Location: Seattle, WA



WOULD YOUR ORGANIZATION BENEFIT FROM A SEGMENTED APPROACH TO COMPENSATION?

YOUR COMPETITIVE POSITONING



And at what level do you compete?

MARKET DATA SOURCES

Two considerations to make when selecting your market data sources are:

- Are they current, accurate, and validated?
- Do they cover the data needs of your jobs and organizations?

Traditional (Standard) Surveys

- Well-understood
- Participant list
- Data is broad
- Lacks freshness
- Usually published annually

Pre-Mixed Data

- Cover gaps in traditional data
- Low transparency in terms of source
- Freshness is unknown

Employee Reported Data (ERD)

- Granular data
- Covers more jobs and locations
- Some groups are underrepresented
- Updated daily

“Scraped” Data

- Insight into the demand for labor
- Does not reflect actual pay

Government Data

- Broad comp trends
- Available for select industries and locations
- Fairly dated
- Free!

HRIS/Internal Data

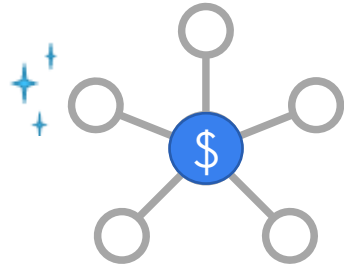
- Great for internal analysis
- Pay Fairness
- More of a manual process
- No external market
- Freshness varies

PAY RANGES

KEY CONCEPTS

- Pay Grades & Ranges
- Green & Red Outliers
- Range Penetration

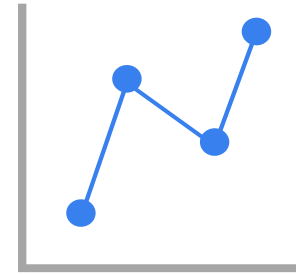
REQUIREMENTS FOR BUILDING A PAY STRUCTURE



**Compensation
Philosophy &
Strategy**



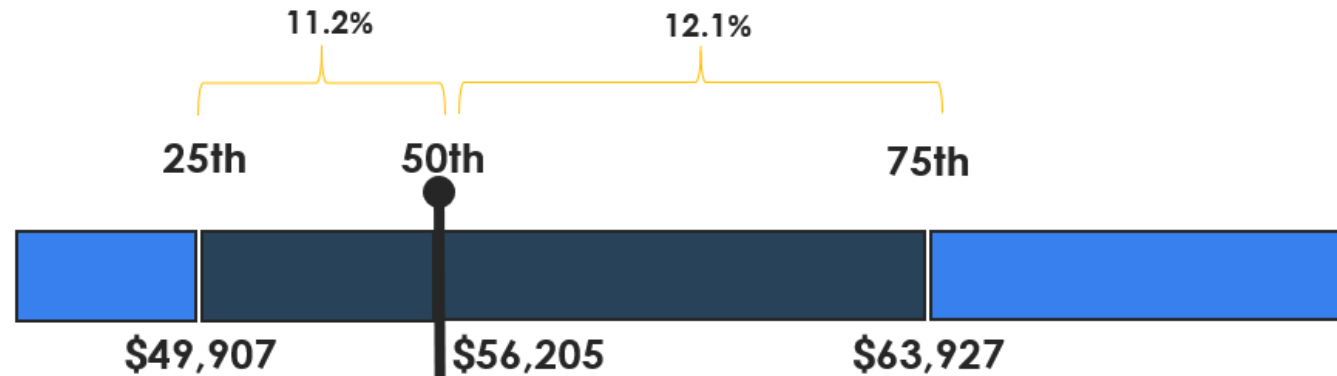
**Accurate Job
Descriptions**



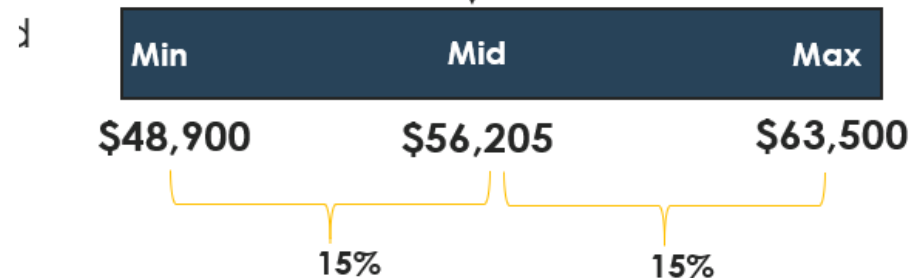
Market Analysis

MARKET DATA vs PAY RANGES

Spectrum of **Market Data** based on your **Market Strategy**



Pay Range built around your **Target Percentile**



ESTABLISHING PAY RANGES

Job	Market Data
Administrative Assistant	41,481
Payroll Assistant	47,592
Accountant	57,874

JOB-BASED RANGES

Job	Min	Mid	Max
Administrative Assistant	35,303	41,841	47,659
Payroll Assistant	40,504	47,592	54,681
Accountant	49,255	57,874	66,494


KEY POINT

Ranges are built around the **market value** for the job at the target percentile.

GRADE-BASED RANGES

Grade	Min	Mid	Max
1	35,700	41,000	46,300
2	40,600	47,200	53,700
3	46,300	54,200	62,100

KEY POINT

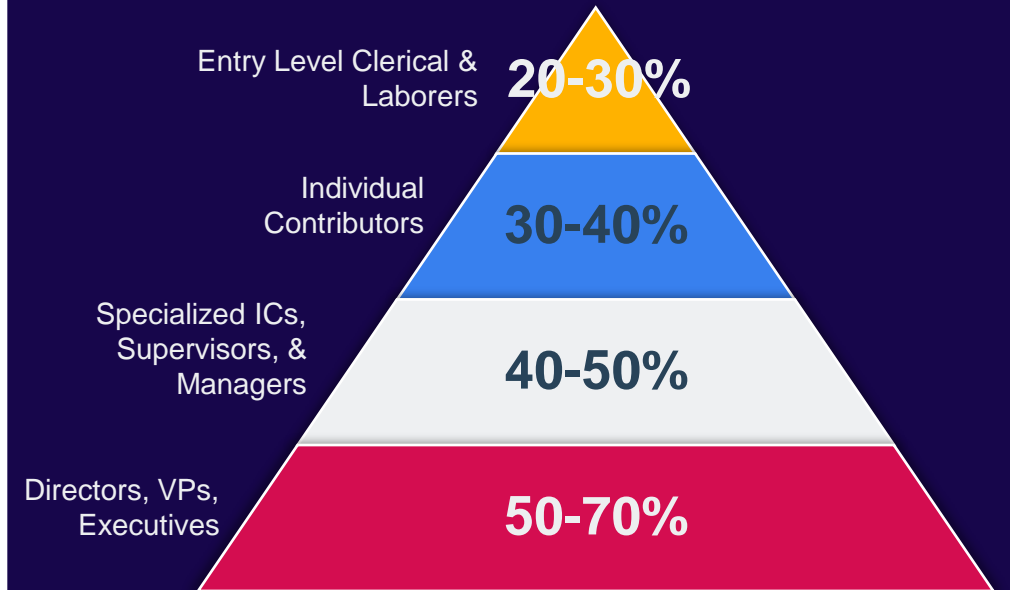
Jobs with similar market and organizational value, plus level of responsibility are  **grouped together** in a **grade range**

DETERMINE RANGE WIDTHS

- **Mitigate risk** of over/under payment
- Provides **visibility** to promotions and career pathing
- Allows for higher level employees to **continue to grow** in role
- Assists with **budgeting**

Pro Tip: Line up the market values so you can see your jobs of similar value near each other, ensuring the market points make sense for your internal organization. This will also help you set consistent range widths for the various levels and functions.

Expanding Range Widths



Which structure is best for your organization?

Items to consider:

- # of jobs in workforce
- Internal leveling
- Positions in multiple locations
- Growth Rate

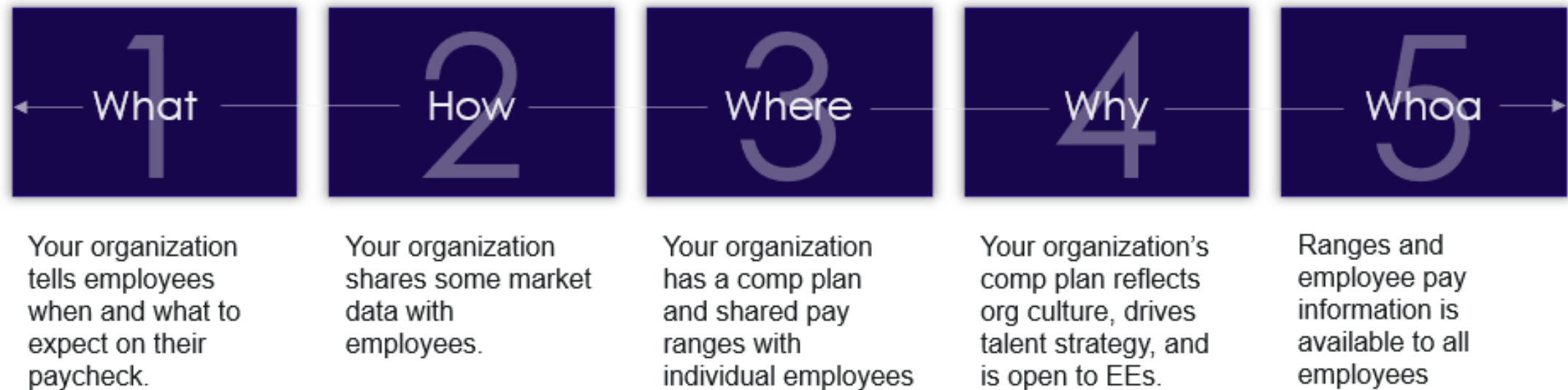
RESOURCES:

- [How Your Structure Can Make or Break Your Culture](#)
- [What Type of Pay Structure Should You Create? From an HR Leader](#)
- [Which Compensation Structure is Right For Your Company?](#)

POLICIES AND PROCESSES

WHAT IS BEST FOR YOUR ORGANIZATION?

Pay Transparency Spectrum





WHERE DOES YOUR ORGANIZATION CURRENTLY FALL ON THE TRANSPARENCY SPECTRUM?

POLICY CHECKLIST



Your policies should answer the following questions:

- How and when are merit and/or market increases allocated?
- How will we handle green-circles and red-circled outliers?
- What will happen to pay in the case of promotion, demotion or transfer?
- How is the hiring range determined for a position?
- What are the different types of compensation and which employees are eligible for which types?

PROCESSES

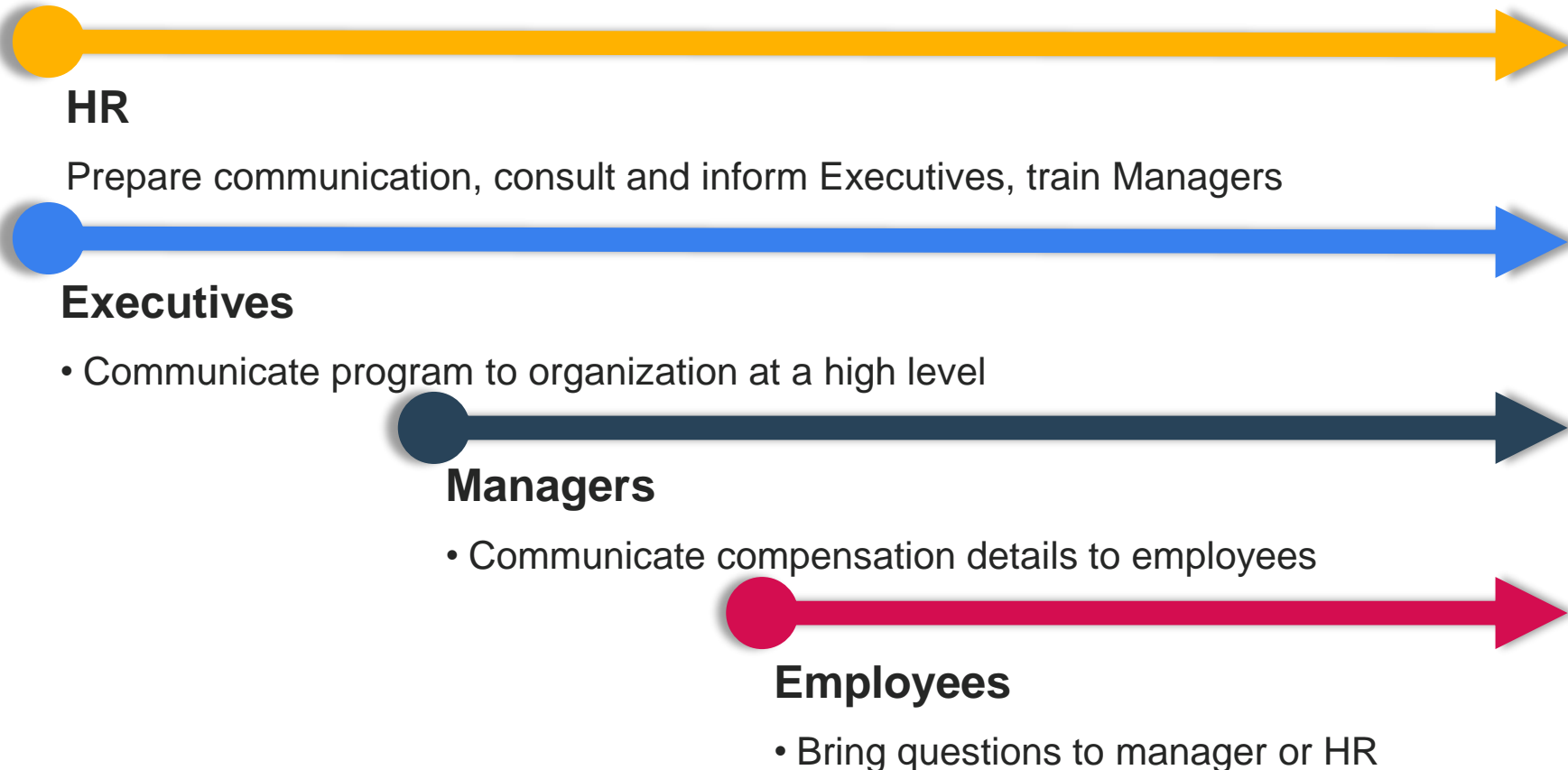


Make sure you document the steps for the following processes:

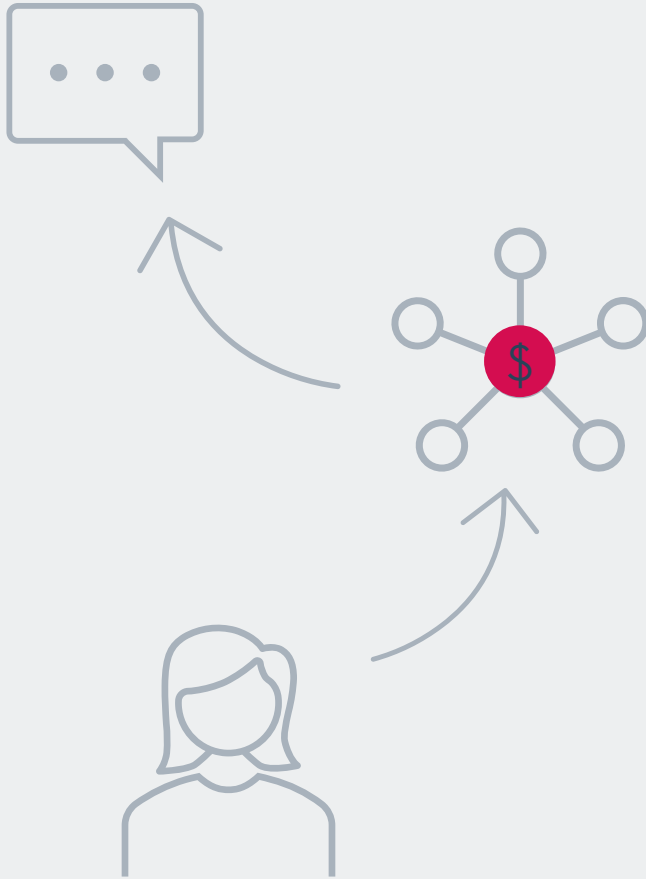
- Making a new hire offer
- Adding a new job
- Employee promotions
- Pay increases determination
- Calculation for incentive payouts
- Completing the market study

COMMUNICATION

COMMUNICATION ROLES



COMMUNICATION BEST PRACTICES



- Know your audience
- Watch the jargon
- Provide a way forward
- Have a plan & timeline
- Prepare, prepare, prepare
- Be direct and also empathetic
- Communicate early & often

YOU CAN TACKLE THE COMPENSATION COMMUNICATION PROBLEM FROM THREE DIFFERENT ANGLES:



**Increase Your
Level of
Transparency**



**Increase Your
Frequency of
Communication**



**Train Managers to
Talk Pay**



QUESTIONS?



THANK YOU!
