

# Is it Time to Rethink Your Compensation Strategy?

# Today's Presenters

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# Today's Agenda

- Why create or rethink a compensation strategy?
- The compensation strategy journey
- What to do once you have your strategy



# Why Create or Rethink a Compensation Strategy?

## Compensation strategy/philosophy

Does your company have a formal compensation strategy/philosophy?



**An effective comp strategy is critical, now more than ever**

# Compensation philosophy vs strategy?

## Compensation philosophy:

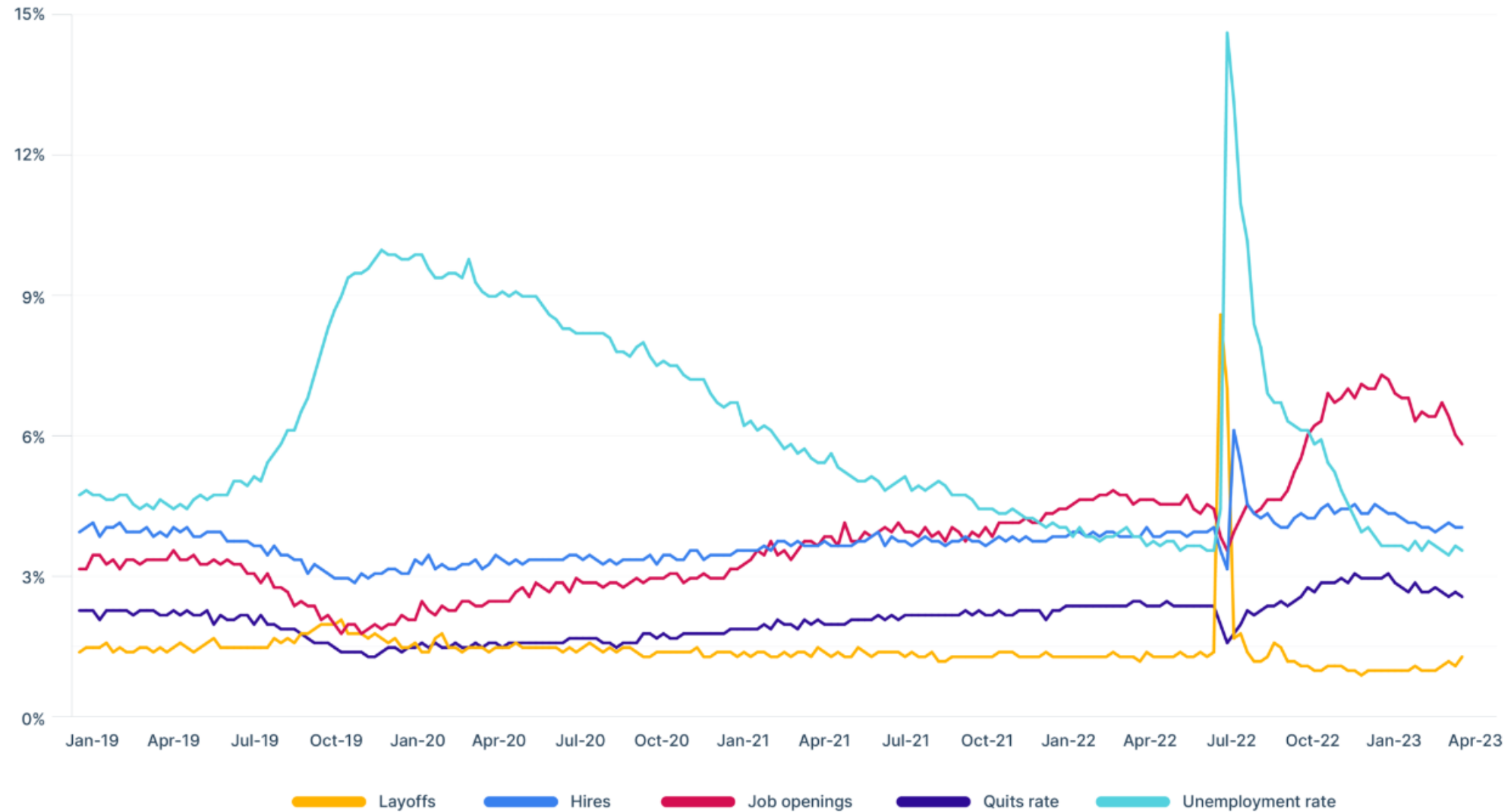
A compensation philosophy is simply **a company's position about employee compensation**. It explains the "why" behind employee pay and **creates a framework for consistency**. It outlines and supports the organization's strategic plan and initiatives, business goals, competitive outlook, operating objectives,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

## Compensation strategy:

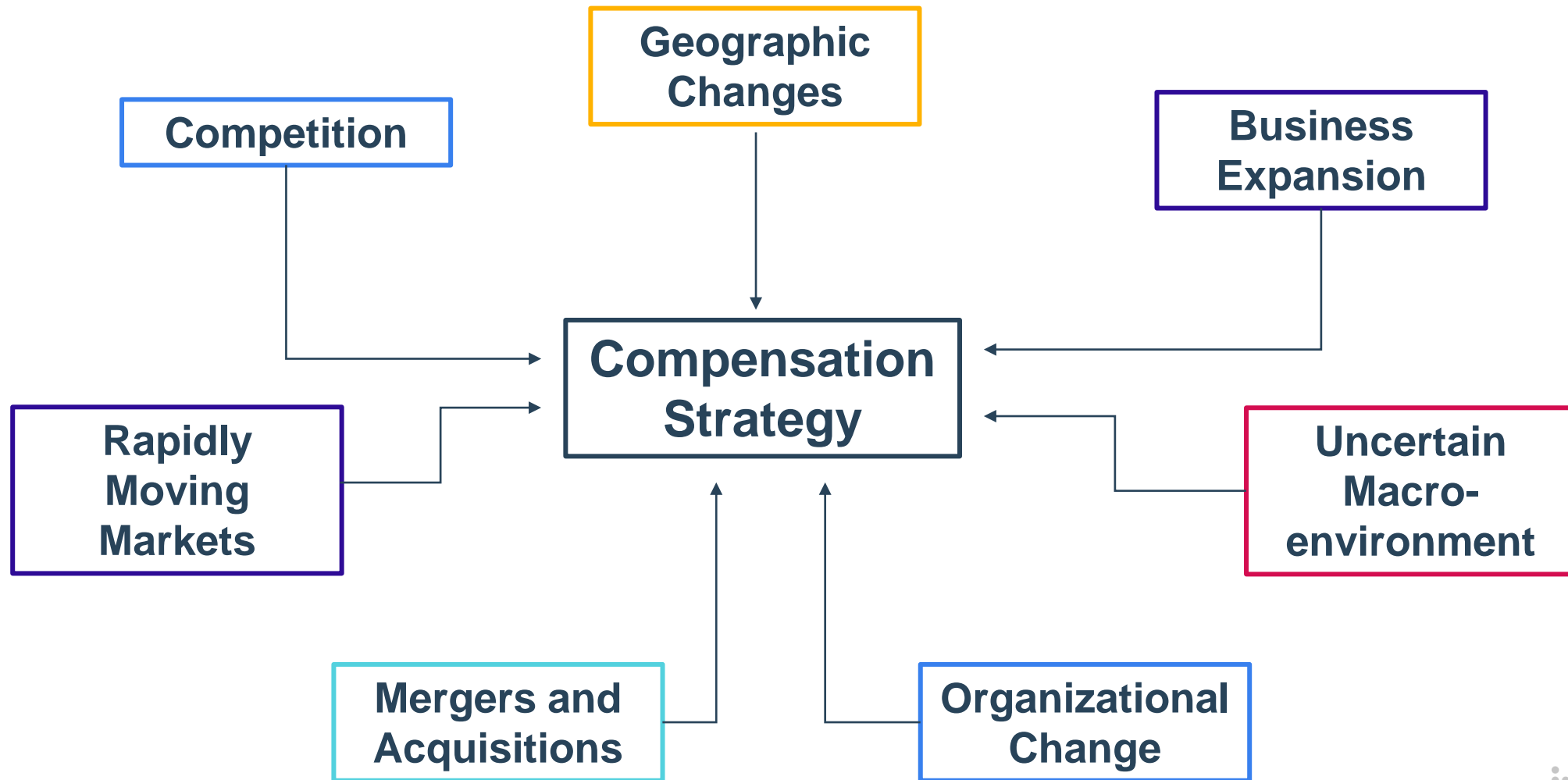
A compensation strategy is **your company's approach to compensating employees** in terms of pay and benefits. It communicates to employees the definition of the organization's position regarding pay, and typically includes a definition of external competitive market and internal equity objectives, definition 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.

## Job openings and quits remain elevated compared to pre-pandemic levels

Source: Bureau of Labor Statistics



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





**Where do you start....**

# What to consider when 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?

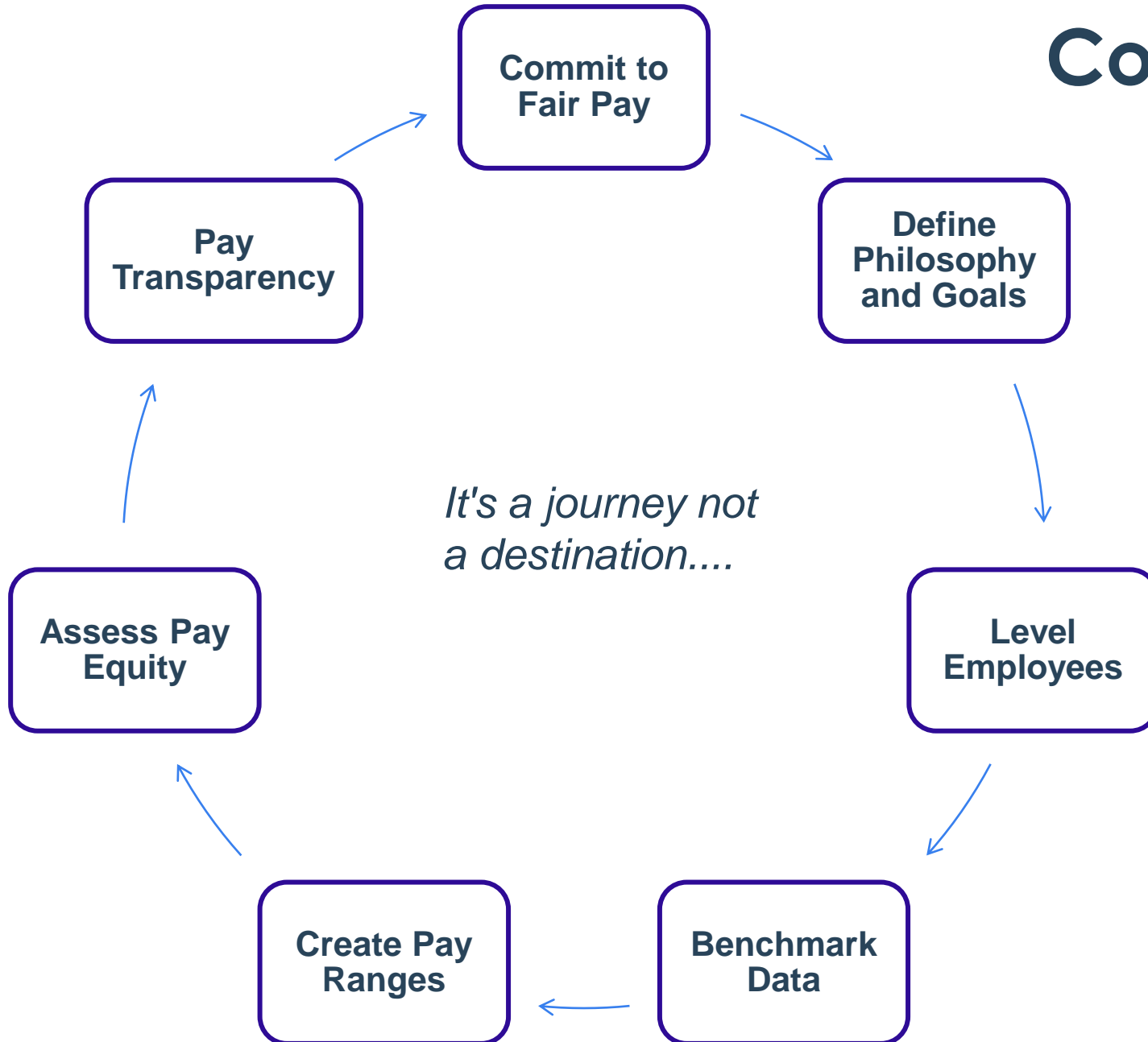
- **Scope:**

- 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

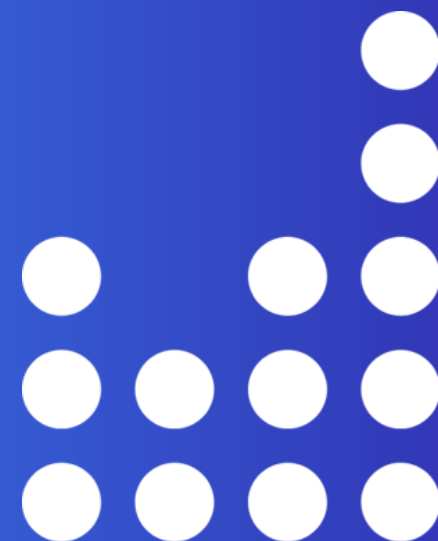


# Define Your Philosophy and Goals

- Align to your company's mission and values
- Assess internal and external landscape including talent market and any pressures
- Organize goals around key business objectives
  - Company priorities
  - Talent goals (hiring and retention)
  - Staying competitive
  - Sustainable comp approach (can operate in a hot and cool market)

# Historical Context

- In 2021 – We brought **three organizations** together into a unified company and expanded internationally
- 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/reconsideration, etc.)
  - Sustainable compensation practices (budget parameters, scalability, etc.)
  - Looming transparency legislation



# Our Journey

**2022:** The year of compensation harmonization, foundation building and internal commitment.

**Analyze & Execute (market):** Examine pay data at the macro and micro level. Adjust pay during planned comp cycles to ensure fairness and market competitiveness.

- Full company market analysis & alignment (Q1 22)
- Investment & budget for adjustments (Q1 22)
- Hiring an expert team (Q1 22)

**Share & Enable:** At each milestone, ensure communication & enablement down to leaders & employees with transparency.

- Enabled leaders & employees on comp approach (Q1 22)
- Shared ranges with merit-eligible employees (Q1 22)
- Live with initial 'job targets' in job postings (Q2 22)
- Shared ranges with any remaining employees (Q3 22)
- Live with posting all ranges regardless of location (Q4 22)
- Compensation training with employees & leaders (Q1 22)
- Communicate pay equity reporting (Q1 23)

**Analyze & Execute (fairness & equity):** Layer in pay equity checks and implement processes to minimize creating pay gaps.

- Pay equity analysis (Q1 22/Q3 22/Q1 23)
- Implement different safeguards in comp/talent processes to minimize chance for unplanned pay gaps (Q2 and Q3 22)

**Scale & Sustain:** Moving from build to scale and sustain.

- Dedicated comp calendar and strategy created – Shared with ELT (Q4 22)
- Full company analysis to support a remote first approach (Q4 22)
- Move back to a more 'business as usual' compensation cycle (Q1 23)
- Identify, assign & begin continuously tracking comp 'health metrics' (Q1 23)

**2023:** The year of refinement, continued comp maturity, stabilization & sustainability.

# 2023 - Measuring Impact & Success

It's been critical for us to continue to measure the impact of any compensation, rewards and transparency efforts and share with ELT, leaders and employees.

- **Overall company engagement score** (Ongoing)
  - We also measure: 'I believe my total compensation (base + bonus + benefits) is fair for what I do.'
  - In 2022 – We scored 11 points above the benchmark (CultureAmp). This was after initial transparency efforts.
- **Attrition/exit reasons** (Ongoing)
  - Overall attrition has continued to trend downward since rolling out an additional comp focus and pay transparency in Q1 2022.
- **Time to fill for open roles/offer challenges** (Ongoing)
  - Time to fill has held steady and we have not identified additional offer or recruiting challenges with transparency efforts.
- **Identify, track & share overall comp 'health metrics'** (Ongoing)
  - Average compa-ratio across company
  - Compa-ratio against performance
  - Pay equity (controlled/uncontrolled)
  - Compensation & DEIB metrics (avg increase by gender/race/ethnicity, etc.)
  - Ongoing talent metrics, level breakdown/span of control, etc.

# 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



# How Payscale Rethought Our Levels

## What we've done:

- Established baseline levels for the company
- Each department has rough levels

## Next steps:

- Aligning levels across the company
- Align titling & title nomenclature within the organization
- Address any outliers
  - How do you handle legacy folks?
  - How do you go about changing compensation within your new levels?

# 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

# Revisiting our pay ranges

## In the US – National & High-Cost ranges are converging:

- In general – we began to see National and High-cost come closer together, reflecting the remote world many companies began to move into.
  - We saw an average of 4%+ lift in National ranges from 2022 to 2023.
  - We saw a decrease of ~1.5% in High-Cost ranges from 2022 to 2023.
- As we began to analyze the data, we found that overall wage potential looked *more* favorable for roles/employees benchmarked in National (aka – employees could earn more in National ranges over time than High-Cost).

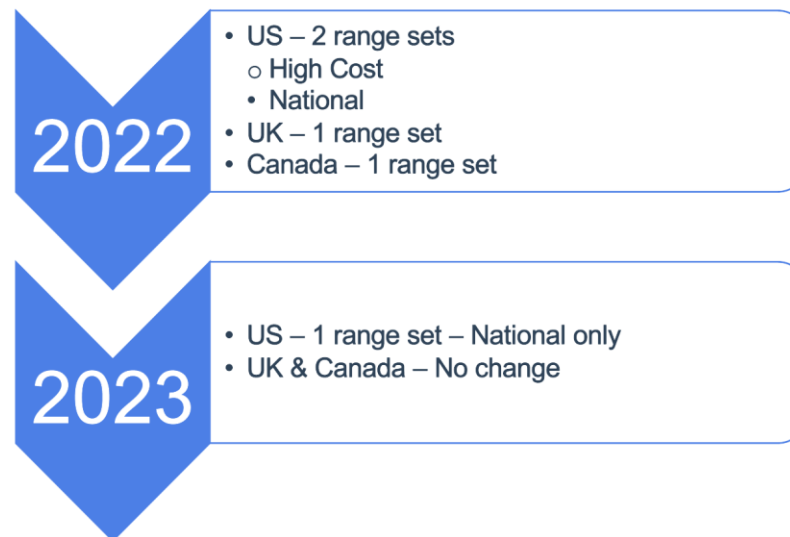
## Compa-Ratio:

- We reviewed our average compa-ratio across the company – 100.1%
- As we looked at what our average compa-ratio would look like in different remote pay scenarios, we found that moving to National had minimal impact on the company's overall compa-ratio (moving to National would bring our average to 100.9%)

## Employees below minimum/close to maximum of the range (prior to YE process):

- Found minimal impact for those below minimum or close to maximum in prior range sets

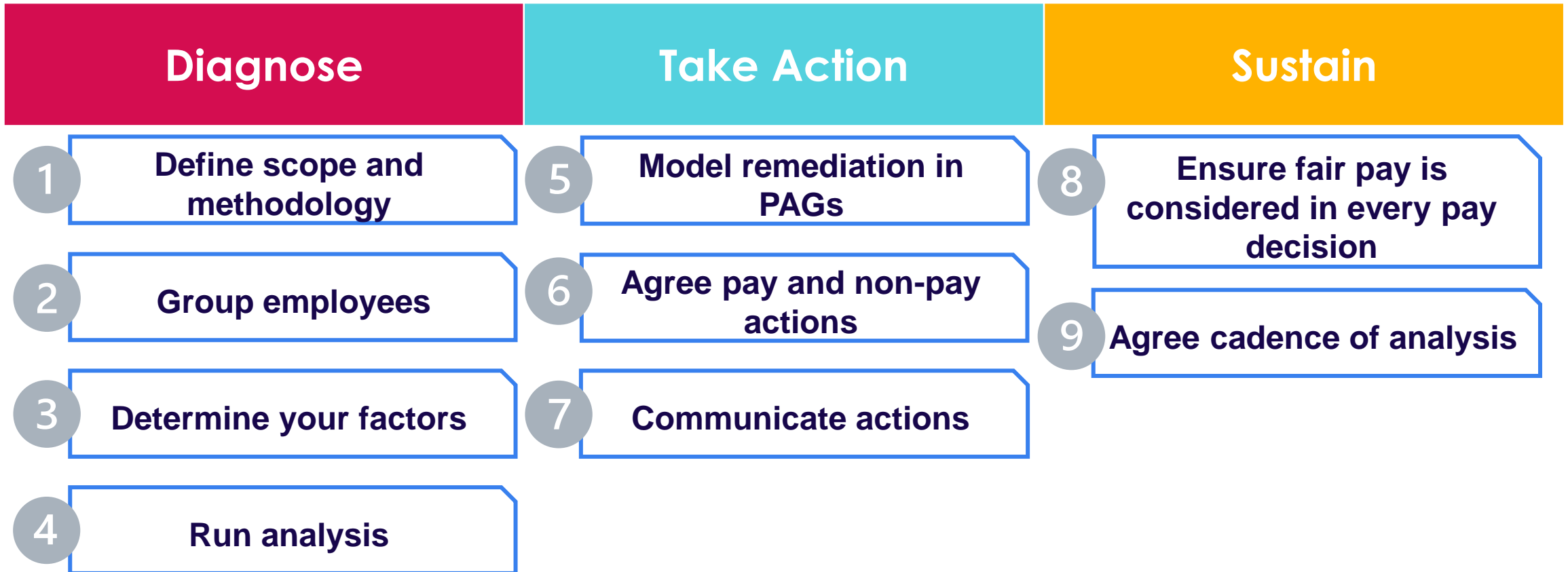
## Pay ranges



**Benchmark data sources**

US	Canada	UK
Culpepper	Culpepper	Culpepper
Peer	Peer	Peer
HRMA	HRMA	HRMA
ERD	ERD	N/A

# Undertake Pay Equity Analysis



# Shift the mindset around pay equity

## Challenge

- Identifying risk & exposure
- Is the data too sensitive to collect?
- How will I find budget?
- How do we protect what we find?
- Fear on how to disclose outcomes

## Opportunity

- Positive brand and reputation
- Improved trust & transparency
- Increased diversity in workforce
- Increased employee engagement
- Improved company performance

# Payscale's work so far...

**2022:** The year of compensation harmonization, foundation building and commitment.

- Proactively **examining our pay data at the macro and micro level and adjusting pay during each comp cycle** to ensure fairness and market competitiveness in our compensation program.
  - Market analysis & alignment
  - Investment & budget
  - Hiring the team
  - Putting proactive & reactive processes in place in people processes & with leaders
- Reviewing and reporting on workforce distribution and pay gaps internally to **ensure visibility and accountability**.
  - 3 pay equity analyses ran in 2022
- Determining our **controlled pay gap for those employees with the same job title & reviewing uncontrolled** as a part of our continued pay equity reporting.

**2023:** The year of refinement, continued comp maturity, stabilization & sustainability.

# 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.



# 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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Ranges and employee pay information is available to all employees.



On average, an increase of one transparency level rating is associated with a decrease of **30 percent** in the odds of seeking a new job.

# 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

# Committing to Fair Pay at Payscale

- In 2022, we made a commitment to fair pay and transparency to our employees and the entire company.
- We re-committed to the company on March 14th, 2023 (Equal Pay Day) by sharing our internal controlled and uncontrolled pay equity data and making the following commitments for the rest of 2023 into 2024:

## What's Next?

### In 2023:

- Post more detailed analysis and report linked on Confluence. – Q2
- Continue to work towards an aligned upon company-wide levelling framework that best fits Payscale as we continue to grow. - By EOY
- Focus future analyses not just on gender but also include race/ethnicity - By EOY

### Ongoing:

- Identify and pull metrics related to our people processes that we can monitor on an ongoing basis (breakdown of promos by gender/race/ethnicity, etc) - Establish in 2023 & Ongoing
- Continue to utilize the safeguards we've put place during our offer, promotion and merit processes to ensure that we're reviewing internal equity and pay equity at each step in an employee's journey with Payscale. - Ongoing
- Continue to run analyses prior to and after each of our compensation cycles to ensure that we're able to make plans in real-time to solve for potential pay gaps - Ongoing

### Have feedback?

- You can always provide feedback to your dedicated HR Business Partner on the People team.
- We also have great ERG groups + our DEIB council where you can provide feedback directly to those involved in the groups (Confluence page with members coming soon!)
- Your General Counsel or Chief People Officer are also always willing to talk through feedback as well

# 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)

# The Payscale Portfolio supports you through the entire compensation cycle

## Compensation Philosophy and Strategy

Develop an internal philosophy that creates consistency in **how pay decisions will be made**

## Complete Pay Equity Analysis

*Pay Equity*

Understand **representation and statistical pay gaps** within your organization

Complete **remediation planning** based on your budget

## Facilitate Collaborative Compensation Planning

*Compensation Planning*

**Automate the merit cycle** including HR, Comp and front-line management teams, empowering more meaningful pay conversations

**Enforce budgets, strategy and timelines** from a single location

## Communicate Compensation Internally and Externally

★ **NEW** *Agora Visual Offer Letters*    *Total Rewards Statements, Payfactors, MarketPay*

Communicate total compensation internally by securely delivering customized **compensation statements and experiences**

Confidently **develop competitive salary ranges** in line with your strategy for external transparency

Deliver an **exciting offer experience** that brings equity and benefits to the forefront while aligning salary bands to offers

The fair pay journey with



## Understand Employees Jobs

*Job Description Manager, MarketPay Jobs powered by JDXpert*

Rapidly **build, standardize and maintain job descriptions** to ensure accurate and consistent pay.

## Understand Competitive Market & Determine Data Strategy

*HR Market Analysis, Employee Reported, Peer*

**Choose data sources** that reflects the market & your competition around the world

Leverage **Payscale data** and/or **manage and participate in third party surveys**.

## Benchmark Jobs and Create Pay Structures

*Payfactors, MarketPay*

**Benchmark jobs** at scale in alignment with your pay strategy

Develop your **job architecture** that supports the complexity of your entire organization

**Reporting** makes it easy to make pay decisions but budget in mind

# Q&A

Feel free to ask any questions in the chat!

