

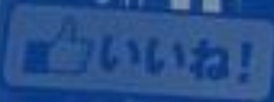


# Preparing for Compensation Planning Season





**Welcome to  
compensation season!**



# Today's Presenters



**Kim Taylor**

VP of Compensation  
Services



**Ruth Thomas**

Chief Product Evangelist



**Naomi Kauffeldt**

Manager, Implementation

# Today's agenda

- Market context Q4 2023
- Key challenges for this season
- Tips for success
- Q&A





# Market context

# Macroeconomic challenges



**Demand & Supply  
of Labor**



**Cost of Living**



**Prevailing wage rates**



**Capacity to Pay**



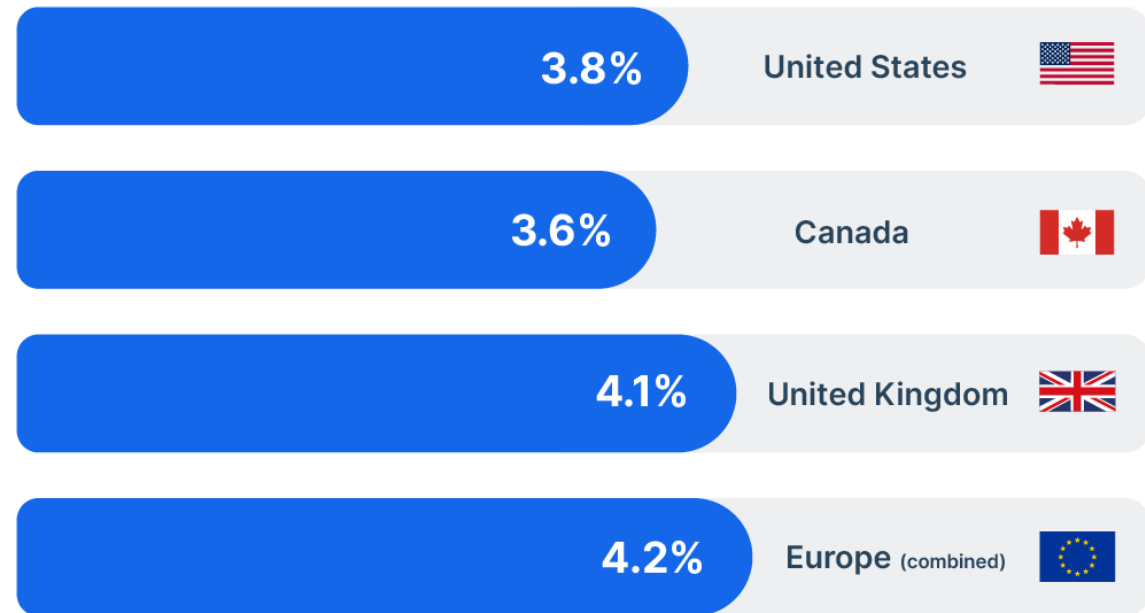
**Wage laws**



**Productivity of workers**

For 2024, planned increases are **3.8%** in the U.S. - slightly higher for UK and Europe and slightly lower for Canada.

Total planned increases in 2024



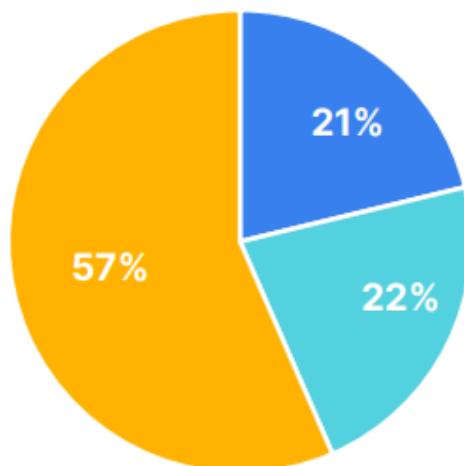


## United States

2023-2024 Salary Budget Survey (SBS)

How does your expected 2024 increase budget compare to your 2023 increase budget?

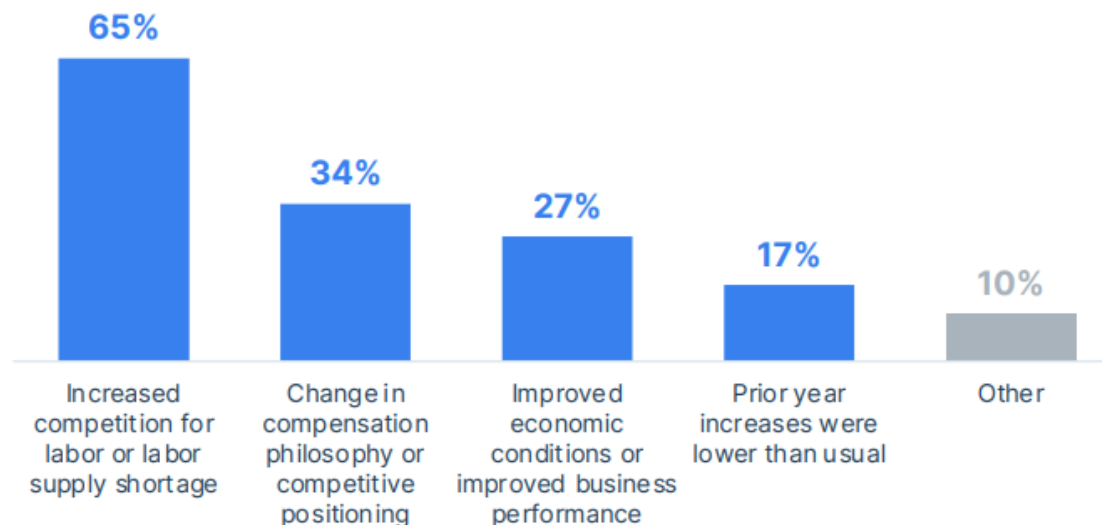
Base n=1,560



- Our 2024 salary increase budget is expected to be higher than our 2023 salary increase budget
- Our 2024 salary increase budget is expected to be lower than our 2023 salary increase budget
- Our 2024 salary increase budget is expected to be the same as our 2023 salary increase budget

Why is your 2024 salary increase budget expected to be higher than your 2023 increase budget?

Base n=309



Why is your 2024 salary increase budget expected to be lower than your 2023 increase budget?

Base n=331



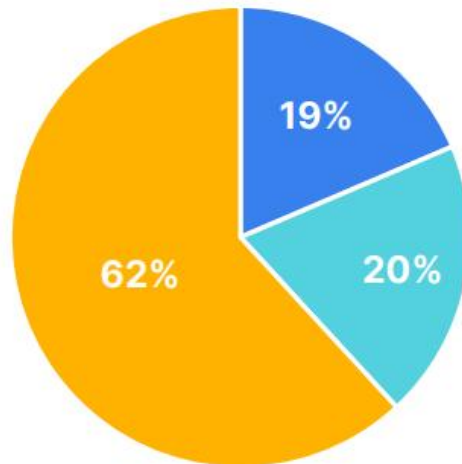


## Canada

2023-2024 Salary Budget Survey (SBS)

How does your expected 2024 increase budget compare to your 2023 increase budget?

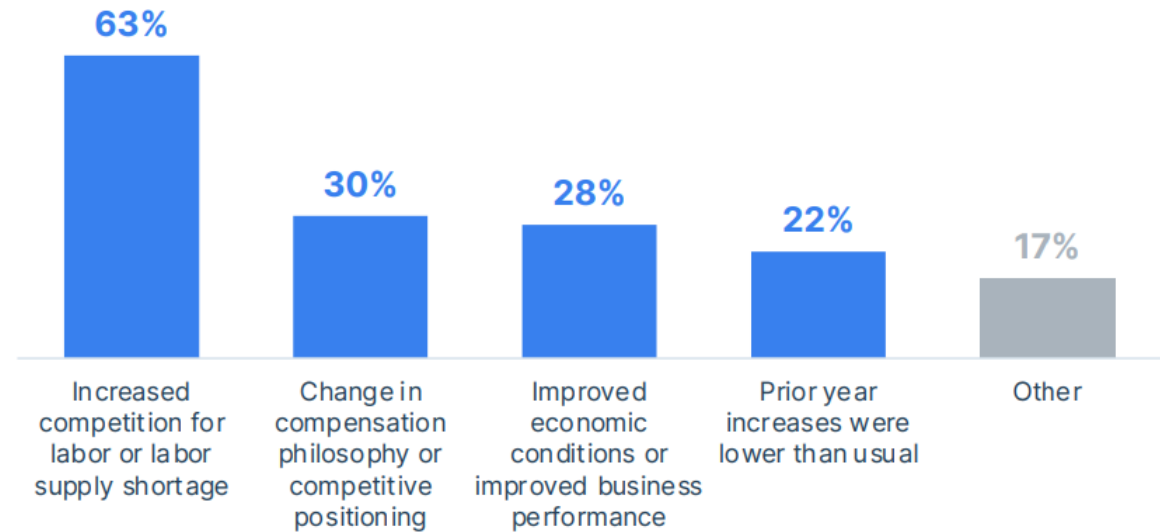
Base n=312



- Our 2024 salary increase budget is expected to be higher than our 2023 salary increase budget
- Our 2024 salary increase budget is expected to be lower than our 2023 salary increase budget
- Our 2024 salary increase budget is expected to be the same as our 2023 salary increase budget

Why is your 2024 salary increase budget expected to be higher than your 2023 increase budget?

Base n=54



Why is your 2024 salary increase budget expected to be lower than your 2023 increase budget?

Base n=58



# Understand your own unique labor market and business challenges

- 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 for your business? Any impact to compensation?
- What are **your executives thinking about** or what is top of mind when it comes to talent and compensation right now?
- 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?





# Key challenges

# Today's key compensation challenges

**Balancing cost versus competitiveness**

**Ensuring ROI on compensation spend**

**Delivering on pay transparency**

**Ensuring pay equity and fairness**



# Poll Question 1: What's your biggest concern?

- A. Balancing cost versus competitiveness
- B. Ensuring ROI on compensation spend
- C. Delivering on pay transparency
- D. Ensuring pay equity and fairness
- E. Other – add comments to chat

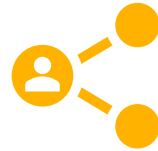
# Balancing cost versus competitiveness

- Against a background of economic instability business leaders are **conscious of capital expense** and the perception of a cooling labor market as we enter Q4
- Employees' **real wages have not kept up with inflation**, so issues of pay are keeping employees up at night, and pay is now the most important topic they are looking for when considering a job, trumping everything else
- We are now walking the tightrope between **securing the talent franchise to deliver on business strategy** whilst controlling overall spend
- Part of our role is to persuade leaders that **compensation as an investment rather than a cost**

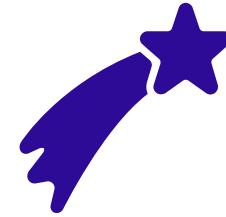
# How you can help



Set up guardrails to ensure budgets are allocated in line with business intentions and monitor



Share data with decision makers on market/internal peer relativity



Understand who your key employees are for budget allocation

# Examples: Balancing cost versus competitiveness

Manage budget allocation					
Salary Budget: Salary Pot			Overall budget: USD 241,194.72		
	Budget	Spent	Available	Change	
▼ Thomas Greene (HRD)				USD	0.00
▼ George Dunn (M129)	USD 20,390.66	USD 0.00	USD 20,390.66	USD	0.00
▼ Diana Burns (M135)	USD 5,638.80	USD 0.00	USD 5,638.80	USD	0.00
Carol Butler (M152)	USD 21,564.60	USD 2,032.00	USD 19,532.60	USD	0.00
Cheryl Mitchell (M151)	USD 25,447.37	USD 0.00	USD 25,447.37	USD	0.00
▶ Jose Gomez (M133)	USD 14,173.20	USD 0.00	USD 14,173.20	USD	0.00
▶ Janet Johnson (M134)	USD 33,975.38	USD 0.00	USD 33,975.38	USD	0.00
▶ Paul Lee (M123)	USD 4,876.80	USD 0.00	USD 4,876.80	USD	0.00

Ensure budget guidelines and guard rails are applied

Submit Recommendations				
1 Overview	2 Input	3 Progress	4 Complete	
<p><b>i</b> This process will submit all recommendations you have entered, including those that have been passed to you for approval. Once submitted, you cannot make further recommendations unless another manager returns them.</p>				
<p><b>i</b> You must not overspend by more than 0.00% of the available budget for pot "Salary Pot"</p>				

Make market data insights available for decision makers

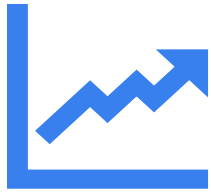
Current Benchmark Details					
25th Percentile	50th Percentile	75th Percentile	Current compa-ratio	Current market position	
USD 33,655.00	USD 40,640.00	USD 47,625.00	<div><div></div></div> 100%	At market	
USD 22,860.00	USD 26,670.00	USD 30,480.00	<div><div></div></div> 100%	At market	
USD 33,655.00	USD 45,085.00	USD 47,625.00	<div><div></div></div> 90%	Below market	
USD 33,655.00	USD 45,085.00	USD 47,625.00	<div><div></div></div> 123%	Above market	



# Ensuring ROI on compensation spend

- Retaining **key talent that drives value creation becomes a priority** – make sure this is what you are paying for!
- **Focus on pay differentiation** - avoid weak pay differentiation make every \$ count, consider if you are really paying for desired outcomes
- Do not forget to consider **from an employee perspective what elements of compensation they value**

# How you can help



Provide transparency in linking employee achievement to financial or business outcomes



Do you consider the “how” as well as the “what”? Are you reinforcing mission and values?



Manager guidelines, training and communication are key ...make sure they know what they are paying for and can reinforce messaging

# Examples: Ensuring ROI on compensation spend

Division	Award	Component	Target	Result (%)
Administration	Exec Bonus	Division Sales	€ 3,000,000.00	120.00 %
Client Support	Exec Bonus	Division Sales	€ 500,000.00	85.00 %
Finance	Exec Bonus	Division Sales	€ 2,500,000.00	102.00 %
HR	Exec Bonus	Division Sales	€ 1,500,000.00	130.00 %

Linking variable pay to company performance

Allocation guidelines through merit matrix or KPI's

Merit Salary Award		
Performance Rating	Guideline min % ⓘ	Guideline max % ⓘ
Good	3.00%	5.00%
Exceptional	5.00%	7.00%
Below expected	0.00%	0.00%

3.00%	5.00%	16.36%	6.00%	USD
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Salary recommendation is over the Guideline Maximum range suggested. Please provide a justification.

Cancel Save

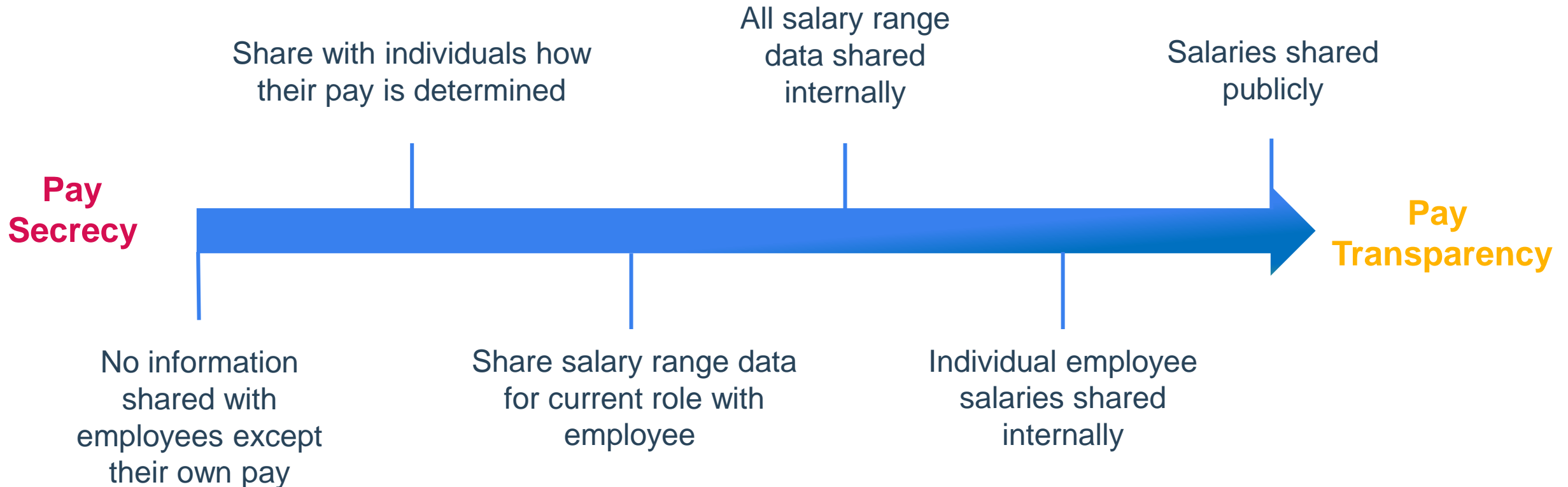
Providing alerts for decision makers

# Delivering on pay transparency

- **Emerging body of pay transparency legislation** – now at least one third of the US labor force will be impacted. 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.
- As you approach review season **consider where you sit on the pay transparency continuum**, is there an opportunity to make progress?
- What will be your **pay communications approach**?



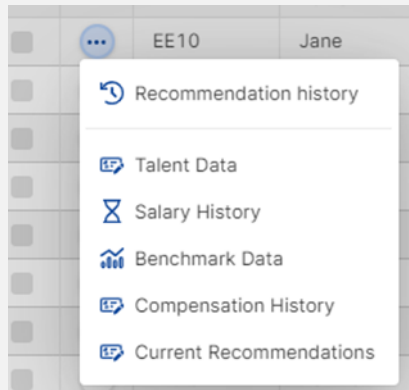
# The pay transparency continuum



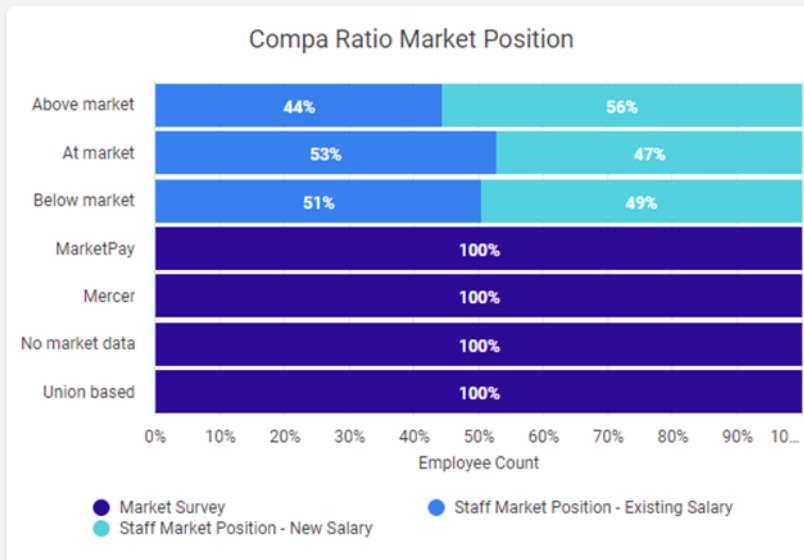
## Poll Question 2: Where do you sit on the continuum?

- A. No information shared with employees except their own pay
- B. Share with individuals how their pay is determined
- C. Share salary range data for current role with employee
- D. All salary range data shared internally
- E. Individual employee salaries shared internally
- F. Salaries shared publicly
- G. I don't know

# Examples: Delivering on pay transparency

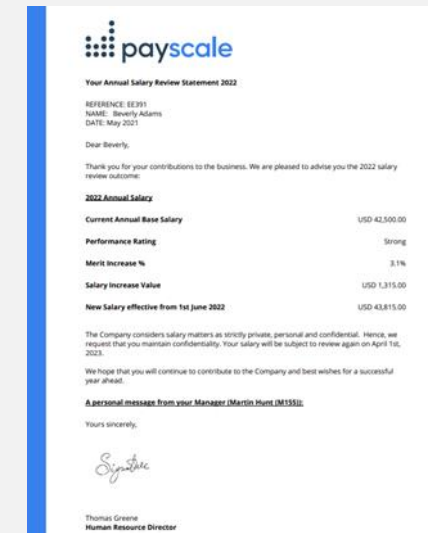


## Detailed insights on compensable factors



## Clear insights on allocation vs pay philosophy

## Pay communications to employees



## 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?

# Ideal resource “toolkit” for managers

**Market Data Overview** What data your organization is using to understand the market landscape and 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.*

# New Payscale resource



Find the ebook [here](#)

# Ensuring pay equity and fairness

- **Heightened employee and stakeholder expectations**, together with emerging legislation will make pay equity hard to deprioritize
- **Failure to address pay equity remains a key business risk** - you do not want any expensive legal challenges
- Before making any market or merit related changes, **consider potential pay equity adjustments that need to be made** on the group or individual level
- Also **consider any pay equity biases** in your compensation plans and processes

# Poll Question 3: 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 on an ad hoc basis through the review from planned budgets
- C. No, we have not planned this
- D. I don't know



# How you can help



Ensure contributions are  
assessed and rewarded fairly

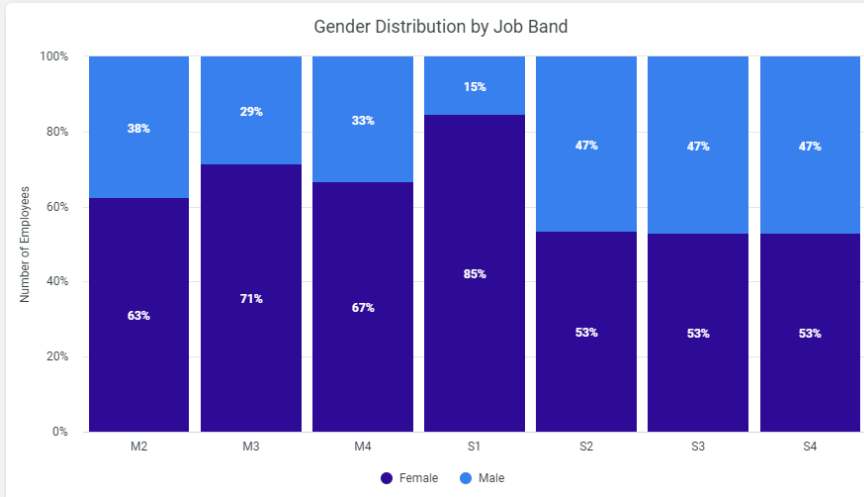


Provide real time actionable  
insights

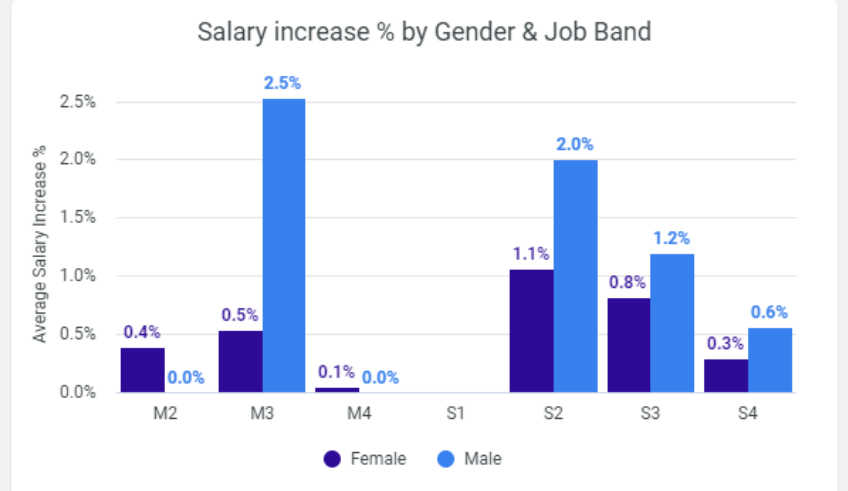


Are you highlighting impacted  
employees throughout the  
process?

# Examples: Ensuring pay equity and fairness



Easily identify outcomes



Alerts for decision makers

2.00 % 0.00 % EUR

2.00 % 0.00 % EUR

This female employee is positioned below the market median, please provide a short justification to support this market position

CANCEL SAVE

# Bad compensation management

- Lack of pay differentiation
- No strategy to look at current trends and needs
- Thinking of budgeting as simply an expense management exercise
- No focus on pay equity
- Not empowering managers or simply giving managers decision-making responsibility without education and training
- Weak communications

# Good compensation management

- Focus on outcomes
- Ensure strategic context is reinforced
- Consider pay as your talent insurance
- Address pay equity
- Move from an HR-owned process to one that empowers and engages all stakeholders
- Ensure appropriate pay transparency and good communications
- Consider compensation as a part of a broader reward package that is aligned with your company's culture and values



# Managing an effective compensation process transforms what we do

Optimizing productivity and cost effectiveness

Engaging employees

Developing and retaining key talent

Aligning human capital and reward with business strategy

# Payscale Compensation Planning

- Streamlined 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



# Q&A

Feel free to ask any questions in the chat!

