

# SALARY BUDGETING SEASON: BUILDING THE BEST COMPENSATION BUDGET FOR YOUR ORG

What to consider when building your budget, including considerations for different organizations and different roles.

Getting pay right is crucial for 2023 as we continue to face labor market challenges, high inflation and rising cost of living, and increased demand for pay transparency. Salary budgeting might feel overwhelming given the current macroenvironment, and organizations need trusted data to inform building out a compensation budget that supports the growth of the business while paying fairly and competitively for hiring and retention.

## COMPETITIVE PAY STRATEGIES

To be effective, compensation strategies must foster talent retention by meeting employee expectations without upsetting budgetary limits and the bottom-line. [Payscale's Annual Budget Survey](#), a freely available data resource to help organizations get pay right, shows that:

- One-half of U.S. organizations expect to increase their salary budgets for 2023
- Reasons salary budget increases are expected to be higher than 2022 include increased competition for labor or labor shortage **(85%)**; change in compensation philosophy or competitive positioning **(26%)**; improved economic conditions or business performance **(19%)**; prior year increases were lower than usual **(10%)**; other **(16%)**



## ABOUT PAYSCALE

As the industry leader in compensation data and technology, Payscale helps organizations leverage the power of pay. Payscale is the only technology solution for managing compensation that provides multiple streams of fresh, transparently curated and validated salary data.

To learn more about building a strategic salary budget and how Payscale solutions can help, watch the full video from Payscale compensation and HR experts: [Navigating Compensation Budgeting Season in 2023](#).





## **BUILDING YOUR BEST COMPENSATION BUDGET**

A compensation strategy built on data-driven decisions will ensure that you're securing and retaining talent—accurately, fairly, and competitively.

### **1. Understand your budget approval process**

- Where does budget approval fall on your annual compensation calendar?
- Who are your key stakeholders and what role will you play?
- How does budgeting and revisions fit into your comp plan for the year?
- When do you normally run market pricing?

### **2. Develop a budget proposal**

- What processes are included? (annual increases, adjustments, promotions)
- How are you maintaining alignment with key stakeholders?
- What are the timeline considerations?
- Which jobs need pay structure adjustments?
- How do you plan to position the organization with certain jobs?
- What could impact the budget throughout the year? (internal and external)

### **3. Validate proposed increases against your talent strategy**

- What is your talent strategy vs. comp strategy, and how/do they overlap?
- What are your decision criteria, and when do you deviate from the plan?
- What is your methodology, the why, and are there exceptions?
- What data was used? (diverse sources, benchmarks, retention rates, etc.)

### **4. Identify the boundaries for the budget and kick-off process**

- Work through real-life scenarios and test before full scale implementation
- Evaluate and make recommendations based on market data to send to leaders
- Consistently manage and check in with the budget



## MANAGING COMPENSATION IS KEY IN A VOLATILE MARKET

Organizations need access to salary data and tools to make informed salary budgeting decisions and work through considerations to make based on the organization and the roles it has.

### Considerations for different organizations:

- 1. Industry:** What's typical in your industry?
- 2. Company size/stage:** Different company sizes or stages can change the way you view total compensation.
- 3. Remote strategy:** Are you fully remote, hybrid, or in person?
- 4. Historical context:** Is this a new process for the organization, or an old one? Is there a standard approach already?
- 5. Merit eligibility:** Are all roles merit eligible? Which parts of your program are and how often? How do you allocate? How do you reward for roles not merit eligible?
- 6. External market conditions:** The market is influx and a critical factor. What does this mean for your specific organization, or what could it mean?

### Considerations for different roles:

- 1. Compensation/Rewards:** Highly active partner with finance team to align on methodology and approach within the guidelines of the current compensation strategy or philosophy.
- 2. HR:** This role will need to step in if the organization lacks a dedicated compensation partner to ensure alignment between HR and Finance.
- 3. Finance:** Provides budgetary guidelines and boundaries.
- 4. Managers:** Gives input into overall compensation structure or approach.
- 5. Leadership:** Has involvement in developing a final budget view to ensure the business meets its organizational goals.

## Payscale Supports the Full **Compensation Cycle**



### **Best-in-Class Software**

Payscale software empowers better, faster pay practices no matter the size of business.



### **Actionable Data**

Validated, refreshed data directly from employees, employers, and trusted publishers.



### **Expert-level Services**

A range of compensation, data, and technical services to achieve successful pay outcomes.