How to Navigate Conversations About Compensation

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FirstPerson
Indianapolis, Indiana
• See the world from the employee perspective
• Define the employer perspective
• Implement communication best practices
• Repeat, repeat, repeat!
Section 1

The Employee Perspective
How can you understand the employee perspective?
What’s in the Headlines?

Women Still Earn a Lot Less Than Men

By THE EDITORIAL BOARD    APRIL 14, 2015

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What is That Chatter in the Halls?

Millions may now lose eligibility for overtime after ruling

by Jeanne Sahadi  @CNNMoney

November 23, 2010: 4:48 PM ET
Study: Indy tech labor force inexpensive, among best in country

July 21, 2017 / Jamie Cudworth

When it comes to companies looking for tech talent, Indianapolis is the top bang-for-your-buck market in the country, according to a new report by real estate firm CBRE.

In its “2017 Scoring Tech Talent report” published this week, CBRE found that only five out of 50 cities had both of these attributes: tech labor pools considered “high quality” and tech labor costs considered “low” (See the results depicted visually here).

The least costly city—as measured by the average annual software developer salary there—was Vancouver, followed by Toronto, Indianapolis, Pittsburgh and Detroit.

Twenty-three had very-high-quality tech workforces—calculated from a variety of factors, including experience, skills and city perceptions—yet the average annual software developer salary was low.
What Did Your Employee Survey Report?

How much opportunity do you have for professional growth in this organization?
Please explain why you chose your answer.

- Organization Average: 7.8
- Industry Benchmark: 6.8
- Overall Benchmark: 6.9

16C-9
You Can’t Be All Things For All People at Once

Compensation

Benefits

Culture

Work-Life

Advancement

16C-10
The Employee Perspective

- Perception matters
- Assume employees talk
- Consider generational and “place in life” differences
- Pay attention to your employee engagement survey
- Teach them how to interpret information they find on the internet
Are Online Salary Tools a Good Source of Data?

SOMETIMES

IT’S NOT CLEAR

I’M NOT SURE

IT DEPENDS

PERHAPS

I HOPE SO

MAYBE
If It’s (Maybe) Good Data . . .

Why does the data always seem off or high?

• Compensation includes many best practices and methodologies employees—and may HR experts—are not aware of at all

• There will always be data on the internet that can support each person’s “perspective”

• There is no magic number; establishing the compensation for an individual is a complicated process with many moving parts as discussed today
THE BIGGEST DISCONNECTS:
Four factors contribute greatly to the disconnect between salary information employees access and accompanying conversations.
Four Key Compensation Practices

1. Always link to the compensation philosophy
2. Match based on job duties, not title or person
3. Use multiple survey sources
4. Understand the range of pay
Always Link to the Compensation Philosophy
Always Link To Compensation Philosophy

Not all choose to or can afford the market median

Think of other benefits included in your total rewards package
A Few Familiar Brands

- Intel
- Best Buy
- Nike
- Indiana State Parks
- Disney
- Enterprise Rent-a-Car
- Indiana: A State that Works
Developing Philosophies

1. Where do you set compensation in relation to the market? Is it the same for all?
2. Who do you compete with for business and talent? Is it the same for all positions, or does a segmented approach make sense?
3. What mix of pay will support the business (fixed vs. variable pay)?
4. What sources of data will be the most relevant and meaningful?
5. What role does compensation play in a greater Total Rewards Philosophy?
There is No Magic Number . . .

“Market” is a range of pay that can only be narrowed through meaningful consideration of the:

- Strategic objectives of the organization
- Talent it needs to drive results
- Competencies and behaviors that will support the mission, vision, and values of the organization

Craft your compensation philosophy so it connects to your strategy and supports your culture—weave it into an employment story.
What Should Your Vision Be?

Speak **BOLDLY** and confidently about your employment proposition.
Match Based on Job Duties, Not Title or Person
Match Based on Job Duties, Not Title

Always pull survey data based on actual duties

Reference the years of experience needed for the job
General Rules of the Benchmark World

- **C-Suite**  
  15+ Years

- **Top/ Vice President**  
  12+ Years

- **Director**  
  10+ Years

- **Manager**  
  5-7 Years

- **Supervisor**  
  3+ Years
In Case You Are Tempted . . .

Consider this new world of innovative titles to match:

- Chief Cheerleader
- Ink Evangelist
- Director of Fandom
- Adventurer in Charge
- Creative Technologist
- Watercooler Reporter
- Ringleader
- Wizard of Lightbulb Moments
- Custodial Engineer
The Pitfalls of Title Inflation

- No support of career advancement
- Dissatisfaction about pay
- Creates confusion
- Contributes to the free data dilemma
Use Multiple Survey Sources
Use Multiple Survey Sources

There is NO magic number

The more sources, the better
Survey Data Can Very Based on Source

Market Median (50th percentile) data for a copywriter:

<table>
<thead>
<tr>
<th>Survey</th>
<th>Median (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>47,600</td>
</tr>
<tr>
<td>#2</td>
<td>46,080</td>
</tr>
<tr>
<td>#3</td>
<td>59,200</td>
</tr>
<tr>
<td>Average</td>
<td>50,960</td>
</tr>
</tbody>
</table>

Just for fun, Free Online Survey: $58,066
Why the Difference?

Survey data differences can be attributed to:

• Participant profile
• Sponsor organization
• Effective date
• Sources of data
• Difficult to benchmark positions
Good Sources of Compensation Data

Ways to access credible benchmark data:

- Purchase published surveys (participant and non-participant)
- Access professional or industry association surveys
- Sponsor a custom survey
- Partner with a consulting firm

Remember: You and your own recruitment process are good data points as well!
Good Sources of Compensation Data

Be sure to avoid the pitfalls of:

- Self-reported data
- Random internet searches
- Biased data sources
Understand the Range of Pay
Understand the Range of Pay

Consider the implicit meaning behind the full range of pay

Keep in mind the time it takes to develop needed skills varies
Assigning the Person in the Range

**Accounting Director**  
Survey Data  
(8-10 Years’ Experience)

**Accounting Manager**  
Survey Data  
(5-7 Years’ Experience)

**Incumbent**  
Outside Hire  
(10 Years’ Experience)
Create a Living FAQ Resource

How do they determine my pay?

Will I get a raise if I get promoted?

Does my performance matter?

Will I be in trouble if I ask for a raise?

Do I get paid less than my colleague?

But what if you don’t have answers to all of their questions? Well then you have some work to do and some goals to set . . .
Section 2

The Employer Perspective
“Less than half of organizations agree that their business strategy and objectives inform their talent strategies and rewards programs.”

- Towers Watson Global Talent Management & Rewards Study
One of the strongest indicators of a successful compensation program is executive support and leadership.
The Employer Perspective

- Secure executive and top leader support
- Define your compensation philosophy in the context of total rewards
- Define your total rewards philosophy in the context of the larger employment story
- Clearly link to the culture, mission, vision and core values of the organization
Developing a Total Rewards Philosophy

- What is the overall objective of our rewards programs?
- What culture do we want to create?
- What organizational mission, vision and/or values do we need to align with as we develop our programs?
- How much should individual or company performance influence our rewards programs?

- What differentiation is needed for our philosophy?
- How will we communicate the philosophy?
  - Recruitment
  - Onboarding
  - Career progression and milestones
  - Community connections

- Do we need an internal brand?
Identify Your Path Toward Transparency

I think I know how much I get paid

I know how and what everyone gets paid

I know how my pay is determined
Effectively communicating about compensation is incredibly important

- Share your compensation philosophy and strategy
- Share the connection between business results and the effect individual and company performance has on compensation
- Communicate the value of total rewards
Most employers do not share salary structures with employees.
The Case Against Pay Transparency

- Ineffective performance management systems
- Unclear job expectations and career paths
- Poorly trained supervisors and managers
- Lack of investment and attention to your compensation program to date
Transparency and Fairness

• Pay equity is becoming a priority for many employers
  – Impacts engagement
  – Affects productivity

• It’s easier for employees to gather salary information online (for better or worse)

• Employees will develop their own opinions if you don’t communicate with them directly about pay
compensation
equity
incentives
recognition awards
life and disability insurance
career advancement
opportunity
retirement vehicles
on-site clinics
workplace flexibility
performance
social connections
mentorship
professional development
sabbaticals
culture
prescription drugs
dependent care
paid and unpaid time off
leaves of absence
communication
medical benefits
financial planning
concierge medicine
mental health programs
communication
performance
financial planning
None of it matters if you don’t get the compensation piece right.
Getting the compensation piece right means **turning off the noise surrounding compensation.**
Turning off the noise surrounding compensation means **communicating it effectively and often.**
Create a Communication Plan

A sold communication plan should include:

- Timeline
- Objectives
- Key messages
- Audience
- Mode of communication
- Deliverer/signature of message
- Review of plan after implementation

See appendix for additional resources and examples of each key area listed above.
Section 3

Pulling it All Together
“Paychecks can’t buy passion.”

- Brad Federman, Author of Employee Engagement: A Roadmap for Creating Profits, Optimizing Performance, and Increasing Loyalty
WHY DO YOU WORK WHERE YOU WORK?
What You Should Do on Monday

• **Commit to facilitating key stakeholder conversations** at your organization so you can—at the very least—start to draft a compensation and rewards philosophy

• **Arm yourself with best practices and good data** to be confident in your conversations about compensation and your investment in all rewards programs

• **Set a goal to lead conversations about compensation**, not react to them when an employee comes knocking at your door

• **Craft your story**, and teach everyone how to share it with authenticity
Thank you!

Questions?
Section 4

Communication Best Practices
### Sample Timeline

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timeline</th>
<th>Activity Objective</th>
<th>Key Roles/ Responsibilities</th>
</tr>
</thead>
</table>
| Kick-Off Meeting  | 1 Hour   | Clearly communicate priorities and expectations to department                      | HR: Communicate process & expectations to dept.  
Department: Participate and ask questions                                                     |
| Department Pre-Work| 2 Weeks  | Review and update job descriptions in preparation for Consultant review            | Department: Review openly and honestly  
HR: Respond to questions and provide support                                                   |
| Consultant Review I| 1 Week   | Provide proposed job families, levels, and position matches for department and HR review | Consultant: Respond timely and accurately to information provided                           |
| Department Review I| 2 Weeks  | Review job families and levels, and position matches; provide feedback             | Department: Review openly and honestly  
HR: Respond to questions and provide support                                                   |
| Consultant Review II| 1 Week   | Provide proposed salary changes for department and HR review                      | Consultant: Respond timely and accurately to information provided                           |
| Department Review II| 1-2 Weeks| Review proposed salary changes; provide final feedback                             | Department: Review openly and honestly  
HR: Respond to questions and provide support                                                   |
| Executive Approval | 1 Week   | Provide final approval                                                            | HR: Obtain approval on final suggestions                                                     |
| Manager Training  | 1-2 Hours| Provide education and opportunity to prepare for roll-out to employees            | HR: Lead and facilitate training  
Department: Actively participate                                                               |
| Roll-Out          | 2 Weeks  | Communicate decisions to employees                                                | Department: Managers lead discussions with employees  
HR: Respond to questions and provide support; Provide SVP update and all employee communication |
Sample Timeline Approach

Cascade your communication so you can:

- **Inform** department leaders before, during and after each phase of the project
- **Educate** leaders so they are in a position to own the communication for their department and become a champion for the changes
- **Partner** with leaders so the communication cascades from the top through the ranks of management so the employee hears a personalized message from his/her direct supervisor
- **Deliver** a communication package to leaders so they are prepared to be successful
Sample Objectives

- To clearly communicate our compensation and rewards philosophy
- To provide tools to managers and employees so they can effectively communicate and support our compensation program
- To support consistency and fairness in how we make compensation decisions
- To attract the best and the brightest talent through our pay-for-performance culture and focus on results
Sample Key Messages

- Pay ranges are in place for each position utilizing published survey data to ensure we provide compensation opportunities to our employees that are competitive with the market we compete with for talent.
- High performers will be rewarded more than others via a higher annual base salary budget and additional bonus opportunities.
- We conduct annual compensation audits to ensure internal equity is evaluated and addressed when appropriate.
Sample Audience List

Audiences may include:

- CEO
- Executive Leadership
- Managers and Supervisors
- Employees
- Specialty Departments (e.g. IT, Payroll)
- Other Stakeholders (printing resource)
Sample Modes of Communication

- In person
- In writing at work or home
- Company intranet
- Via video, engagement app or social media
- Multiple channels
Sample Modes of Communication

- Decide if you:
- Need a theme or internal brand
- Should partner closely with marketing
Intranet and Engagement App

WHAT WE DO

MISSION & VISION

STRATEGIC PLAN
Custom Branding

THE WAY
WORKING TO BE THE BEST YOU

ENERGIZE
your health

2017 Benefits & Wellness Guide

Understanding Your Health Savings Account

16C-67
Sample Message Sponsor

For each phase of communication, be clear about who is the sponsor of the message AND who will deliver the message:

• CEO or top leader
• Division leader
• Human Resources
• Communication Department
• Immediate supervisor
Sample Review Audit

- Were key messages clear?
- What is employee feedback?
- What is manager/leader feedback?
- Were objectives achieved?
- How can we measure success?
- What should we do differently next time?