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Compensation Tips

There is practically limitless information available on the topic of compensation and how various programs and ideas have been implemented. What works? What doesn't? Where do I start? While entire books have been written on the subject, the following are those discussed and questioned most often.

- **Determine your pay philosophy** – Focusing strictly on internal incumbents' compensation when determining a new hire's compensation displays an internal pay philosophy. The basis is a simple ranking and slotting of positions by level to determine a role's fit. Although this approach is simple to use, incorporating external data on a regular basis is essential to ensuring competitive pay.
- **Gain and maintain support from the top** – No matter the pay philosophy or plan, full support and promotion from your top management team is key. Once the top is on board, a cascade effect should follow through all levels of management, in turn promoting the plan and its benefits to employees.
- **Maintain fairness and consistency** – An unfair or biased compensation plan is often the most common issue to doom a program. Although subjectivity can creep into any plan, using as much objective information as possible assists managers in making fair and consistent compensation decisions while helping employees to understand their current pay position and how it was established.
- **Communicate** – As with any initiative, full and continual communication is essential to success. Employees want to understand their compensation and what they can do to improve it. Reducing complexity and providing regular updates displays a commitment to the plan and enhances support by the employees involved.
- **Research the market** – External data can be found in published salary surveys, commissioning and conducting your own survey or using compensation websites. Consider both geographical and industry specific data. Lower level positions are typically found within a smaller geographic area, in which case local surveys may suffice. Higher level positions may be drawn from a wider area, which may require a regional or national survey. Using job descriptions to match data will assist in using information that is as equal to your role as possible. Keep in mind that while this information is useful, not all organizations are exactly the same. Data should be used in conjunction with your organization's goals and of course, budget.
- **Know what you're paying for** – Are you paying employees to show up and display the minimum level of effort or are you willing to observe and provide feedback on a constant basis? Cost of living or inflation based increases have long been in existence, but often serve to demotivate high performers and support poor ones. Consider a performance or skill based program in conjunction with an across the board increase to monitor high performers and get others back on track, either in the job or out your door.
- **Don't reduce pay** – Unless an employee is moving to another position with reduced responsibility, pay should never be reduced. If you find that an employee's pay is high for their position, first determine how he or she got there to eliminate future problems. Such employees may need to be red circled (kept at their current rate until the market catches up) or consider other roles. Not only will pay reductions decrease morale and motivation significantly, turnover often results. If performance issues exist, coaching should be utilized. Salary is earned based on work that is already done, not what may or may not be contributed in the future.