

W E L C O M E

WEBINAR: Compensation



Are your Compensation Practices Fair and Competitive?



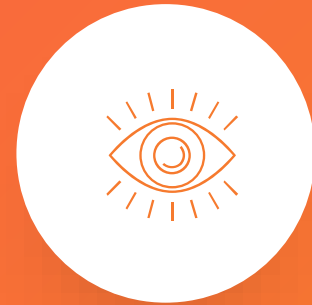
NEXT STEPS



Watch the Webinar



Send us your Questions



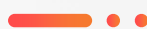
Read the Blog



Janet Salopek

President & Founder

TODAY'S SPEAKER



Janet Salopek leads a group of consultants who work across Canada and specialize in Human Resources, Strategy and Board Governance. [Salopek & Associates](https://www.salopekconsulting.com) is the outsourced human resource department for many organizations. Salopek & Associates was recently awarded the 2019 Readers Choice Award for Best HR Management Consultant, Best Talent Management Consultant and Best Compensation Consultants.



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WHO WE ARE



- A team of 20 consultants who work across Canada and support organizations with HR, Board Governance & Strategy
- Outsourced HR department for many organizations
- In business since 2006 and have supported over 200 organizations in both the profit and non-profit sector
- Consultants have designations within the Human Resource profession
- Senior Consultants have over 15 years experience and Specialists have received their Masters, PhDs or other advanced designations





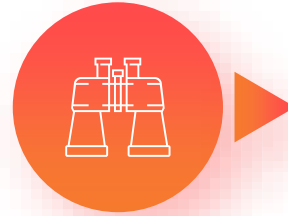
TOPIC INTRODUCTION

Compensation is important to attract and retain the right people. Ensuring fair, equitable and competitive compensation requires a process. Compensation practices need to be understood by your staff.

WHAT YOU WILL LEARN

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Learning #1



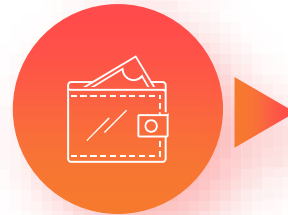
Understand best practices with respect to compensation.

Comprehend the basics with respect to compensation program design.



Learning #2

Learning #3



Discover the resources required to obtain information and data to ensure fair and competitive compensation programs.

TODAY'S FOCUS

- Compensation Philosophy
- Compensation Program Design – Best Practices
- Compensation Surveys
- Fair and Equitable Compensation





What is a Compensation Philosophy and why is it important in establishing a fair and competitive compensation program?

COMPENSATION PHILOSOPHY

- Guiding principles that drive decision making with respect to compensation
- Supportive of the organization's mission, goals and business objectives
- Outlines who the organization compares themselves to with respect to competitive positioning
- Addresses where an organization will fall relative to the competition (i.e. it's desired market position): Lead the market, lag the market, lead-lag
- Describes components that will be included in a compensation program



COMPENSATION PHILOSOPHY SAMPLE

Motivating people to be the best they can be in an environment that is warm, welcoming and trusting is important to XYZ, as is being able to attract exceptional employees to the organization. As such, our compensation philosophy enables us and is grounded in:

- Transparency
- External funding to sustain an employee population to support our programs and service offerings
- Measures to evaluate the success of our various programs and service offerings as well as the performance of our people
- Employee engagement
- Recognition programs to celebrate the success of our people and our programs
- A work environment that allows us to have work balance that enhances quality of life

COMPENSATION PHILOSOPHY SAMPLE

- Total cash compensation and group benefits at XYZ will be positioned at the median of the market for the non-profit sector in Calgary and Southern Alberta
- Non-monetary benefits that promote work and life balance at XYZ will be positioned above the median of the market for the non-profit sector in Calgary and Southern Alberta
- Salary increases will be administered according to salary grades that are reviewed annually. All XYZ employees, with the exception of those employees who are on a performance improvement plan, will be eligible for an annual increase
- The ability to provide salary increases is dependent on XYZ's continued ability to offer high-quality programs that are valued and continually funded by our Stakeholders

COMPENSATION PHILOSOPHY

What direction does the sample philosophy provide with respect to:

- Competitive Market
 - Total Cash - Median of the market for the non-profit sector in Calgary and Southern Alberta; non-monetary benefits above the median
- Fair and equitable compensation
 - Transparency
- Structuring compensation
 - Salary Grades that are reviewed annually
- Flexibility in compensating for key talent
 - Not a strong statement in this regard; placed higher than those on a PIP

MARKET POSITION

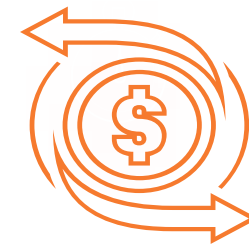
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Lead the Market



Lag the Market



Lead-lag the
Market

CASE STUDY

- What might be the compensation philosophy of a non-profit that has secured funding for the next 3 years and has an aggressive mandate to grow the programs offered by the association, and to be leading edge in its approach?
- What organizations would be in the competitive market comparison?
- What would be the target positioning in the market?
- What would be included in the compensation program?



COMPENSATION PHILOSOPHY SAMPLE

”

“Our compensation philosophy will enable us to attract and retain talented employees and align their contributions with our members’ interests in the achievement of our strategic and operational objectives.

By leveraging our various reward programs, we will differentiate ourselves within our competitive market(s) to successfully attract and retain the talent we need. We will target a competitive market median for our total reward program.”

PROGRAM DESIGN OBJECTIVES

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- Internally equitable
- Externally competitive
- Affordable
- Responsibly safeguards resources
- Understandable
- Legal/defensible
- Efficient to administer
- Appropriate for the organization
- Attract, retain and motivate employees
- Create alignment of employee efforts and business objectives



TOTAL COMPENSATION

- Base Salary
- Short- and Long-Term Incentives (STI & LTI)
- Vehicle Allowances
- Group Benefits & Pension Plan
- Health Spending Accounts
- Time off – vacation, flex days
- Consideration on hours of work
- Overtime
- Sick leave
- Staff training and development
- Recognition Programs

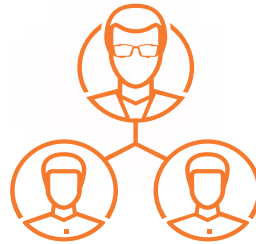


SALARY AND INCENTIVES

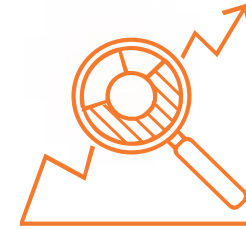
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Typically consists of
Base Pay + STI + LTI



Generally only
executive-level roles
will have long-term
incentives tied to
them



Need to consider the
proportion of each
component when
designing a
compensation program

PROGRAM DESIGN BEST PRACTICES



Competitive Base Salary



Long-Term Incentives for Executives – The hook!



Short-Term Incentives – Bonus to recognize performance



Competitive and Ancillary Benefits



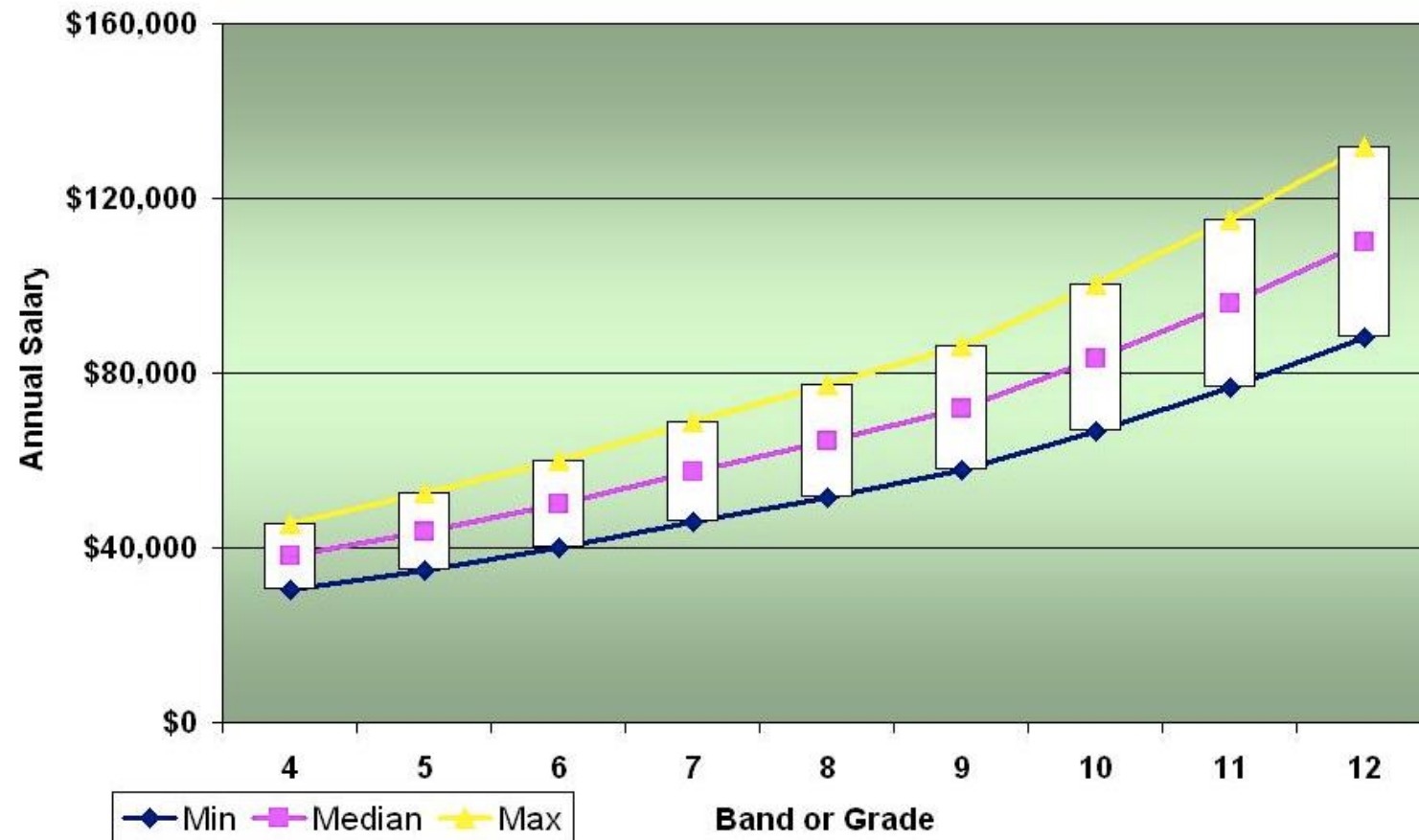
Non-monetary benefits are important – Don't underestimate the importance of time off and flexible work arrangements

BASE PAY STRUCTURE COMPONENTS

- Range Minimum
- Range Maximum
- Midpoint
- Range Spread
- Range Overlap

TYPICAL SALARY SCALES

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PROGRAM DESIGN BROADBANDING



REASONS TO ADOPT BROADBANDS

- Improve competitive advantage
- Support a new culture/climate
- Support a flatter organization structure
- Promote a broader view of work
- Increase flexibility of pay practices

DISADVANTAGES OF BROADBANDS

- Lack of structure
- Need for higher level of compensation expertise
- Salary increases may be less structured

MARKET PRICING VS INTERNAL JOB WORTH



Externally Competitive = Market Pricing Approach

- The employer pays wages that correspond to prevailing external market rates, as determined by market pricing



Internally Equitable = Job Worth Hierarchy Approach

- Refers to a fairness criterion that directs an employer to establish wage rates that correspond to each job's relative value to the organization
- Equal pay for jobs of equal worth

MARKET PRICING



ADVANTAGES



- Simple to administer and update
- Easy to explain
- Not overly time-consuming, compared to other methods
- Responsive to the market
- High degree of transparency



DISADVANTAGES

- May be difficult to obtain sufficient data
- Any market inequities are built in
- May not be aligned with internal equity



HOW IS YOUR SALARY PROGRAM DESIGNED?

- How many positions and how many bands?
- Is your organization focused on internal equity or the external market?
- Based on what you have heard should you consider discussing some changes to program design? If yes, what might this include?

RESOURCES TO ENSURE FAIR & COMPETITIVE PROGRAM

- Accurate Job Descriptions for benchmarking
- Reliable and un-biased compensation data

RESOURCES



ENSURE A FAIR AND COMPETITIVE PROGRAM



Accurate Job Descriptions for Benchmarking

- Ensure job descriptions reflect the duties and scope of responsibilities
- Accurate job descriptions are critical to the benchmarking process
 - Benchmarking: matching a job within an organization to one with similar responsibilities, skillset and education in a salary survey

RESOURCES



ENSURE A FAIR AND COMPETITIVE PROGRAM



Reliable and un-biased Compensation Data (Surveys)

- *Individual* company data will never be identified in survey reports; displaying aggregate data is the norm
- You should match your organization's jobs to the survey based on job content and responsibilities
- Matching on the title alone can be misleading
- A strong "job match" is meeting 80% or more of the job content listed
- Survey data for each position is typically broken down into geographical location and operating budget
- The more specific data you can obtain the better
- Important to always think about data integrity and ensure a minimum sample size of 5 incumbents

COMPENSATION SURVEYS TERMINOLOGY

- **Mean** – the average of the survey data
- **Median** – the midpoint of the survey data; represents the middle of the distribution; also called the 50th percentile
- **Range** – refers to the range of pay rates, from minimum to maximum, established for a job
 - P25 – the value that separates the lowest 25% of the sample from the highest 75%
 - P50 – the value that separates the lowest 50% of the sample from the highest 50%
 - P75 – the value that separates the lowest 75% of the sample from the highest 25%

PARTICIPANTS STATISTICS SAMPLE



		All Organizations	Less Than \$1 Million	\$1 Million - \$5 Million	\$5 Million - \$10 Million	\$10 Million - \$20 Million	\$20 Million Or More
Operating Budget	Number of Agencies Reporting	215	50	89	38	18	20
	Average	\$7,220,056	\$583,809	\$2,571,343	\$7,191,694	\$14,306,452	\$38,173,573
	Median	\$2,900,878	\$581,982	\$2,375,000	\$6,991,562	\$13,785,069	\$27,465,133
Staff	Average	67.3	5.1	26.6	68.3	182.1	298.8
	Median	27.0	5.0	21.0	59.0	154.6	217.0
Volunteers	Average	716.4	215.2	349.0	559.6	324.7	4254.3
	Median	75.0	47.5	72.0	62.0	179.0	405.0

Boland Survey, Alberta Region (2015)

RESOURCES FOR MARKET DATA

— ...



Surveys from independent
and reliable organizations

The Boland Survey – only
comprehensive source of
non-profit sector
compensation data in
Canada



Commissioned salary
surveys



Surveys published by
professional associations

Caution – info might be
biased



The internet

Caution – info might be
biased

BEST PRACTICE

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JOB SLOTTING WHEN THERE IS NO MATCH



Placing a job that has no benchmark into a salary structure in approximately ranked order

The comparison of one job of unknown external market or internal equity value to others that already exist in the hierarchy of jobs



E.g., if you are unable to benchmark a Specialist, but know that it should fall almost exactly between a Manager Position in Grade 10 and Director Job in Grade 12, then usually it would be slotted into Grade 11

BEST PRACTICE

TRANSPARENCY



Compensation is perceived fair and equitable when there is transparency

Publish salary scales (individual salaries within the structure remain confidential)



Keep salary administration simple and explain the structure to your employees

Teach managers on how the structure was developed – equip them to answer questions



BEST PRACTICE

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LINK PERFORMANCE TO COMPENSATION



Abolish practice of administering cost of living increases

Pay for performance

Help employees understand that performance will be rewarded and develop a performance management process that will allow pay for performance

Communicate performance expectations and teach management to be accountable for measuring performance and positioning employees within a pay grade based on performance

BEST PRACTICE LINK PERFORMANCE TO COMPENSATION



Guidance for positioning salaries within a Salary Structure					
Variables	6% - 10% Below Midpoint	5% Below	Midpoint:	5% Above	6% - 10% Above Midpoint
			Market Reference		
Job	Somewhat less than survey match	Equivalent to survey match		Somewhat greater than survey match	
Competence	Growing into job; missing some skills	Fully competent in role		Growing the job; demonstrating additional skills	
Performance	New to job; or poor performer	Consistently solid performer		Consistently (year over year) strong performer in job	

OVERALL TAKEAWAYS



Takeaway One

Compensation Philosophy is important in establishing the framework and guiding principles of a compensation program



Takeaway Two

Development of a salary structure requires a methodology and unbiased compensation data



Takeaway Three

Benchmarking is an important process in establishing market competitiveness; job slotting is important to ensuring a fair and equitable program when there is no benchmark



Takeaway Four

Salary Administration Guidelines – transparency and linking performance to positioning in the salary range are important to a fair and equitable program



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T H A N K Y O U

WEBINAR: Compensation

A thick, curved line in shades of orange and red sweeps across the lower half of the slide, starting from the left edge and ending on the right edge.

Are your Compensation Practices Fair and Competitive?

