

# What will this session cover?

1

What is the truth?

- Overview of the trends & biggest shortages-to retain and motivate employees

What are the biggest consequences?

- What are the biggest issues?
- How do I keep my company from over-reacting?

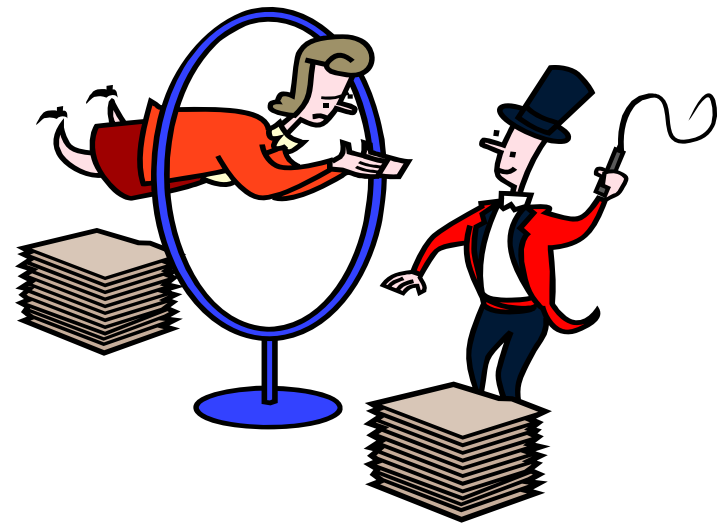
How do I prepare and use pay programs wisely?

- What does my Sr. Mgrs. need to know?
- What will your company need?

# Truth #1—Keep Up Compensation Plans!

2

- Employees want to know, “what is my deal”
- Employees are very anxious.....rumor mills are worse than the truth!



# Truth #2: Most Companies Still have Annual Pay Increases

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- Approximately 2/3 of organizations are going ahead with Pay Increases in 2009
- Most have cut back Pay Increases



# Consequences #1—No Pay Cuts

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Most employees would react very negatively to pay cuts.

- ❑ Lack of trust long term
- ❑ Living pay check to pay check
- ❑ Huge morale down-turn.



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# The New Workforce:

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- ❑ Ten million employee shortage in 2015
- ❑ Most of shortage will be in highly skilled jobs
- ❑ Multiple Generations and more diversity
- ❑ Retention—What's my deal?



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# Quick Quiz Question #1: What % of pay for benefits?

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- A. 23%
- B. 33%
- C. 38%
- D. 48%

# Quick Quiz Question #2:

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**What was the average salary range adjustment recommended for 2009?**

- A. 2.0%
- B. 2.8%
- C. 3.0%
- D. 3.5%

Source: Mercer, Hewitt and WorldAtWork

# Quick Quiz Question #3:

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- Most expensive benefit?
- A. Health Plans
- B. Training
- C. Pension
- D. Paid Time off

# Compensation Trends and Truth-2009

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- Shift to total compensation view
- Four Parts of Compensation
  - ▣ Base Pay
  - ▣ Incentive Pay
  - ▣ Benefits
  - ▣ Work Environment



# Compensation Trends (continued)

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- Cash Bonus--#1 Reward Option for 2009!
  - ▣ Does not become part of Base Compensation and Benefit Plans
  - ▣ Set up Quarterly Bonus Plans where possible
    - Mix of Individual, Group and Company
- Easy way to reward especially Salaried Employees (without overtime) for extra work.

# Introductions & Questions:

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- What is your organization doing different in 2009 than they were in 2008?
- What is your biggest headache as a HR Professional?

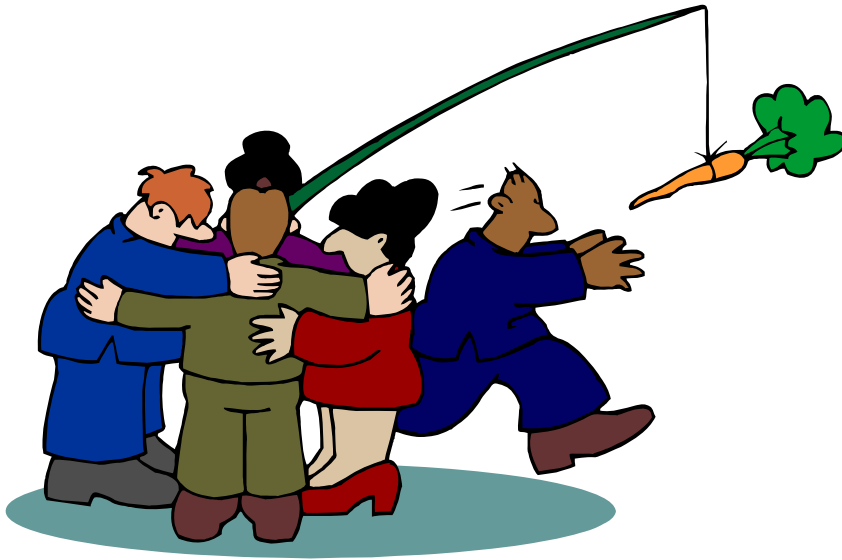
- Search for new ways!



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# Compensation Philosophy

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- Need to determine your company's compensation philosophy.
- Base compensation philosophy on:
  - ▣ In-depth analysis of current practices and results.
  - ▣ Strategic role compensation should play in your company.

# Truth..Keep Tied to the Market

- Research salary data via:
  - ▣ Published salary surveys.
  - ▣ Custom surveys.
  - ▣ The Internet.
- Achieves External Equity.
- Helps define competitive market position philosophy.

# Market Study Steps:

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1. Update job descriptions.
2. Decide on Salary Surveys.
3. Decide internal/external help
4. Every job—3 surveys
5. Place jobs in new range



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# Market Pay Tips

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- ❑ Do a full study every 2 to 3 years
- ❑ Do a benchmark job update every year
- ❑ Use a variety of surveys;
- ❑ Use the three to 5 same salary surveys for every major study.
- ❑ Average the 3 to 5 averages and get a market average.
- ❑ Match this average with the closest mid-point on your salary structure

# Working with Salary Surveys:

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- What is the labor market for your jobs?
- How will the data be used?
- How frequently do you update?
- How do you communicate the results?



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# What are my survey options?

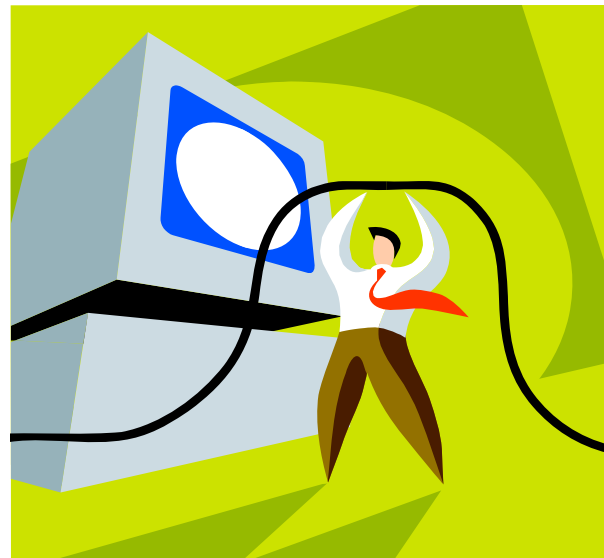
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- Traditional Published Surveys:
  - Milliman
  - Mercer\*
  - Watson Wyatt\*
  - Gartner\*
  - \* Available at Work at Work Library

# Option #2-Internet Surveys

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- Internet Surveys:
  - Payscale
  - BLS
  - Wage Access



# Survey Hints—Position Match

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- Start with job family-low to high
- Look for N/E and Exempt recommendations
- Match base pay to base pay
- Match duties, not title
- Look closely at experience & education requirements.
- Look at scope of position—company size

# Salary Range Metrics:

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- Salary Range Widths:
  - Non-exempt—40%
  - Exempt—50%
  - Executive—60%
- Salary Range Jumps between grades:
  - 10 to 14%



# Guidelines for Merit Pay

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- Have accurate performance appraisal systems.
- Train supervisors in performance appraisal and feedback skills.
- Tie rewards closely to performance.
- Use a wide range of increases to differentiate performance levels.

# Salary Increase Guidelines

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a

## XYZ Company Suggested Annual Salary Increase Guidelines

PERFORMANCE LEVEL	PROPOSED INCREASE RANGE	
	Above Midpoint	Below Midpoint
Distinguished Performance	6.5%	7.5%
Commendable Performance	4.0%	6.4%
Competent Performance	2.5%	3.9%
Some Improvement Needed	0%	0%
Unsatisfactory	0%	0%

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# Salary Compression

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- Compression occurs when the pay spread between newly-hired or less-qualified employees is small.
- Results from:
  - ▣ Organization's failure to raise pay range minimums and maximums.
  - ▣ A shortage of qualified candidates for a particular job.

# Slotting Salaries Into a Range

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Minimum	Midpoint	Maximum
\$32,000	\$37,000	\$42,000

↓  
**Below  
minimum:  
Green circle  
job**

↓  
**Market average  
reference point:  
100% compa-  
ratio**

↓  
**Above  
maximum:  
Red circle job**

# The New Deal...

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## Quick Quiz...

When was the FLSA passed?

- 1938
- 1950
- 1945
- 1967



# Question Time...

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- Is it legal to say in an interview, “Due to our organization’s financial difficulties, we require our employees to work a minimum of 50 hours per week.” ?

- Yes
- No



# Question Time...

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□ Keeping Track of Exempt Employee's Time—When may a company legally track an exempt employee's hours?

- a. For Comp Time
- b. For business purposes only
- c. Clear policy
- d. Not allowed



# Exempt Classification

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Paid by  
Salary\*

Not paid for  
overtime

Fit into 1 of the  
4 “white-collar”  
exemptions

# Types of Exemptions

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- Executive Exemption
- Administrative Exemption
- Professional Exemption
- Highly Compensated Exemption
- Outside Sales



# Important things to remember...

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- With the “White-Collar” Exemption, each employee must be judged on a case-by-case basis
- It is the job duties that determine whether the position is exempt or non-exempt, not the other way around
- If the DOL questions your classification and finds doubt, they will generally reclassify the position as non-exempt

# The Case of the Runaway Blackberry ABC News...

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- Blackberry overtime is now a potential lawsuit
- Blackberry use of a couple of minutes vs. 20 minutes
- Blackberry use afterhours and during vacation time
- Should this use of time be compensated?

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# Maintenance of Your Salary Plan

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- ❑ Study your key jobs every year.
- ❑ Do a major study every 2 to 3 years
- ❑ Keep job description process active and up to date



# Employee Morale Suggestions

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- Recognition
  - No Logo
  - Keep individualized
  - Public or Private?
  - Small cash vs. gift cards??
  - Your ideas?



# Discussion Question

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- One of your best, long term IT employees who is within 6 months of finishing a key project receives another offer letter. What do you do?

# Trends in Variable Pay:

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- Number of organizations has doubled since 1990—now 80%.
- Variable Pay is now part of pay for lower level employees.
- Stock options used sparingly.



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# Is My Organization Ready for Variable Pay?

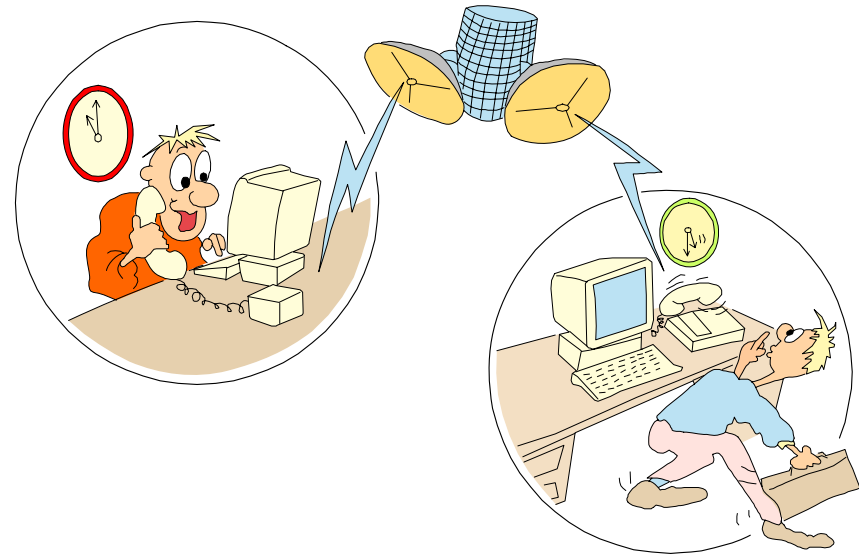
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- ❑ Base Pay—perceived as fair & accurate reflection of the market.
- ❑ Trust in Senior Management
- ❑ Culture of risk is positive—entitlement rewards the wrong employees.
- ❑ Not easy—must be specifically designed for your organization—boiler plate won't work

# Overview of Sales Compensation:

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- ❑ Decide on what/how you want to reward
- ❑ Know your sales cycle/methods
- ❑ How does your sales comp fit with the type of sales?
- ❑ Get Sales Management involved



# Sales Commissions—Design Features:

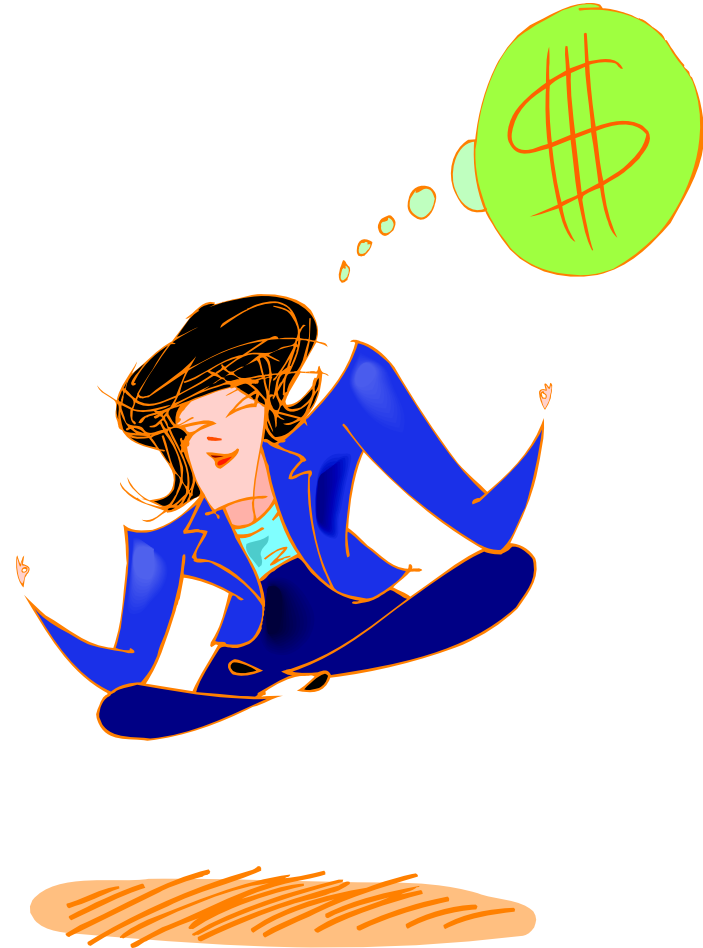
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- ❑ Look at Total Compensation—Base Plus Sales Incentives.
- ❑ Keep base competitive—this is what determines standard of living.
- ❑ Start with Non-Recoverable Draw?
- ❑ In most cases, do not cap the commission
- ❑ Sunset Clause

# Tale of Two Sales Teams:

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- Two Retail Stores:
  - ▣ One Emphasizes Customer Service, selection and positive customer experience.
  - ▣ One Emphasizes Cost, fast turnover of merchandize and self service.



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# Executive Staff Pay

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- Most organizations have a separate plan
- More individualized “the person makes the job”
- Need to compare size and industry



# Management Group Bonuses

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- Mix of Individual, Department and Company Goals.
- SMART Goal Setting
- Quarterly Review—does this make sense?



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# Final Consequences...

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- Keep up-to-date with ALL the new laws!
  - FMLA
  - Lily Ledbetter
  - COBRA
- Ask for resources—don't try to do it all yourself.
  - Make a business case for your function
  - Spend time on value added

# Session Take-Aways:

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- Use Your Industry Resources!
- SHRM
- World At Work
- Sharon's website:
- [Kosshrexpert.com](http://Kosshrexpert.com)