

Member's Quarterly

Summer 2018 Edition

Feature

Compensation Policies: Stay Competitive!

Review compensation and maximize employee satisfaction



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Getting your compensation plan right will help you to attract and retain the star employees. It will also create loyalty and a dedication to excellence in your existing employees.

There are seven common goals of a Strategic Compensation Policy: to reward employees' past performance – experience/education; to remain competitive in the labour market – matching norms; to maintain salary equity among employees; to mesh employees' future performance with organizational goals; to control the compensation budget; to attract new employees (not just salary, but also benefits, vacation, ongoing training and sales incentives); and to reduce unnecessary turnover.

Formal compensation policy statements cover the following:

- The rate of pay within the organization and whether it is to be above, below or at the prevailing community rate
- The ability of the pay program to gain employee acceptance while motivating employees to perform to the best of their abilities
- The pay level at which employees may be recruited and the pay differential between new and more senior employees. Be careful that in your vigour to recruit star employees, this does not get out of proportion
- The interval at which pay raises are to be granted and the extent to which merit and/or seniority will influence the raises
- The pay levels needed to facilitate the achievement of a sound financial position in relation to the products or services offered

When determining what market rates to pay employees, research the pay rates in your city and province. This is something that should be done annually, especially when the economy is unsettled.

Tips for the Hiring Process

When hiring consider the following: experience / education / extra courses / bilingual ability / communication skills / teamwork skills / collaboration skills / self-motivation / drive / energy / stress tolerance / openness to change. To ensure the perfect fit, consider investigating and using a personality testing site.

In all of your dealings with compensation, abide by the law. Know the laws that govern employment in your province.

Motivating Employees Through Compensation

Creating Pay Equity is important. *"Research clearly demonstrates that employees' perceptions of pay equity, or inequity, can have dramatic effects on their motivation for both work behaviour and productivity."* – (Ramon J. Aldag, 'Organizational Behaviour and Management')

Simply defined, pay equity embraces the concept of fairness. Individuals are paid according to their inputs (abilities, skills, experience, education), and outputs (the value of the work performed, stress level, responsibilities); and then the outcome (salary and benefits) are compared to other jobs both within the organization and externally.

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To make sure that you are fair, create a Job Evaluation System for your company. Consult the managers and star employees to rank the following: (Suggestions from www.payequity.com)

Each job would have columns for Level 1, Level 2, Level 3, Level 4. Employees would then know exactly what they need to do to move up the ladder.

Skill

Education

High School

College Certificate

Appropriate University

Experience

1-3 Years

3-7 Years

7-10 Years

10-15 Years

Additional Specific Courses

Effort

Physical Demands

Mental Demands

Problem-solving

Risk tolerance

Stress Tolerance

Responsibility

Equipment / Process

Material / Product

Safety of Others

Working Conditions

Hazards

Travel

Through competence-based pay (sometimes referred to as skill-based pay or knowledge-based pay), we are able to encourage employees to strive towards excellence in their role.

Family-Friendly Benefits and Strategies

When choosing the right benefits package consider the various benefits being offered:

health, dental, life insurance, retirement programs, employee assistance plans, stress management, family counselling, marriage counselling, legal aid, financial planning. Then, look at the type of work your employees do and what they need.

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Examine

- The relative performance shown by each benefit
- The estimated cost of each benefit
- The total amount of money available for the entire benefits package
- The possibility of a flexible benefits plan (where the employee chooses what they need)

Helping Employees Balance Work and Home

Here are some things for you to think about to assist your employees.

- Work-at-home arrangements/telecommuting
- Flexible work hours scheduling
- Customized career paths (Younger workforce wants to know where they can go in the organization.)
- Time off for child or family related activities
- Employee-accumulated leave days for dependent care
- Transportation pooling (offer special parking)
- Recreational and Social Services (Time or payment for gym, company activities)
- Charity Committee (People don't have time for it when they get home.)
- Team Sports (bowling, baseball, hockey)

Awards and Recognition

According to Gallup research, the number one reason employees leave their organization is not because they were not being paid enough; they leave because they were not given enough appreciation.

Maya Angelou said, *"I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel."*

Show your people that you care. Remember the important words: reassurance, inspiration, enjoyment, understanding, recognition and appreciation.

The success of all compensation incentives depends on communicating the plan to the employees and having a powerful and effective performance review system. When your people sense that they are valued and compensated fairly, they will enjoy higher levels of achievement and success.

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