Communicating Pay to Employees

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Hi! We’re PayScale.

15,000 Positions  3500 Customers  11 Countries

54 Million Salary Profiles

250 Compensable Factors
Agenda

Why communicate?

Communication Tips

• Train managers to talk about comp
• Anticipate employee questions
• Get specific. Use data
• Additional tips

Immediate Actions
Perception of pay matters

What We Believe About Pay
A survey of 71,000 people shows that most can’t identify how they’re paid compared to the market.

People who are actually paid above market believe they’re paid:
- Below market: 35%
- At market: 45%
- Above market: 21%

People who are actually paid at market believe they’re paid:
- Below: 64%
- At: 30%
- Above: 6%

People who are actually paid below market believe they’re paid:
- Below: 83%
- At: 14%
- Above: 3%
Workforce Demographics...

- **Baby Boomers** 1946-1964
  - Communication about comp: MOSTLY PRIVATE
  - Average Tenure: 15+ YEARS
  - Career Mindset: RETIREMENT WORK/LIFE BALANCE

- **Gen X and Busters** 1965-1983
  - Communication about comp: SOMewhat PRIVATE
  - Average Tenure: 5+ YEARS
  - Career Mindset: MANAGEMENT WORK/LIFE BALANCE

- **Gen Y and Millennials** 1984-2002
  - Communication about comp: PUBLIC
  - Average Tenure: 15-2 YEARS
  - Career Mindset: GO-GETTERS ADVANCEMENT FLEXIBILITY
... are changing


In millions

Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.


PEW RESEARCH CENTER
Lead The Conversation

80% of employees will compare pay

Source: Card, D., et al., (2011); “Inequality at Work: The Effect of Peer Salaries on Job Satisfaction.”
Train Managers to Talk about Comp
73% of company leaders do not feel confident in their managers’ ability to effectively communicate with employees about salary issues.

2014 PayScale CBPR
Communication Roles

HR
• Prepare communication, consult and inform Executives, train Managers

Executives
• Communicate program to organization at a high level

Managers
• Communicate compensation details to employees

Employees
• Bring questions to manager or HR
Tips for Effective Employee Communication

- Know your audience!
- Watch the compensation jargon
- Don’t present issues without a way forward
- Prepare, Prepare, Prepare
- Be direct and also empathetic
- Communicate early and often
Transparency Spectrum

1. Own Pay Only
2. Manager & Employee Talk About Pay
3. Company Pay Philosophy
4. Market Study & Processes Known
5. Managers Trained to Talk Pay
6. Published Ranges & Grades
7. Everybody Knows Your Salary

www.payscale.com
Transparency of Comp Plan

Employees know...

- Only their own salary.
- Their range and where it caps out.
- All grade assignments for jobs up to a certain level.
- All grade assignments for all jobs.
- The ranges associated with grade assignments to a certain level.
- The ranges for all jobs.
- Everyone’s pay.
Anticipate Employee Questions
Employee Pay is Low

**Consider**

- Should the employee pay be low?
- Is budget available?

**Talking Points**

- Start with appreciation
- Mention market movement
- Explain position in range
- Provide context
- Share this year’s increase amount
- Open the door
Employee Pay is High

**Consider**

- Is this really another job?
- Does the organization need it?
- Is the employee qualified?

**Talking Points**

- Start with appreciation
- Mention market movement
- Explain position in range
- Provide context
- Share this year’s situation
- Open the door
Performance doesn’t warrant increase

**Consider**
- ✓ How can they get up to par?
- ✓ What future potential is there?

**Talking Points**
- Start with appreciation
- Mention market movement
- Explain position in range
- Provide context
- Share this year’s situation
- Open the door
Perception of Increase is Unfavorable

**Consider**

- Will they perceive their adjustment is fair?
- How connected are they with others?

**Talking Points**

- Reiterate accomplishments
- Re-focus on individual objectives
- Remind of market value
- Discuss why their pay is fair
- Open the door
“I FOUND A SALARY REPORT ON THE INTERNET”

- Conflicting information
- An “independent study”
- Position pricing vs. people pricing
- The conversation
Get Specific
Use Data
Employee Report (1)
PayScale Employee Report

Performance and Employee Range Distribution

Annualized Base Salary: $60,340
Range Pensation: 40%

Your Pay: $60,340

Performance Distribution: MyKah-New Demo

Your Range Pensation: 40%

You and 38% of the organization fall into the middle section of your range.

Total Cash Comp: $64,257

Benefit Notes Amount
Paid Leave  $2,811.90
Vacation & Sick $1,046.00
Personal $4,472.00
Holidays $4,900.00

Insurance
Medical $4,000.00
Dental & Vision $720.00
Life & AD&D $1,446.12

STD & LTD $164.61

Retirement/Savings
401k/Roth/403b $3,313.00

Misc
Transportation $400.00

Custom Benefits
Custom Benefit 1 Team Lunches $150.00

Total Amount $10,924.33

Report does not include Federal, State, and local payroll taxes such as Federal/State Unemployment, Workers' Comp, Social Security, and Medicare.

Frequently Asked Questions

Q: Why am I being paid more or less than other typical employees in the same role?
A: Employees are typically paid based on their level of experience, skillset, tenure, and performance. Talk with your supervisor about what knowledge, skills, abilities, and performance you need to increase your pay.

Your current position or grow into a new position. Talk with your supervisor about how your performance is being evaluated by the organization. This will help you determine if your current position or grow into a new position. Talk with your supervisor about what additional responsibilities may be assigned to your position or if any new training is needed. This will help you determine if your current position or grow into a new position.
Additional Tips for Managers
Consider the Employee Perspective

The employee is often going to want:

- More money
- Promotion
- To be paid like their peers
- To understand why others are paid more than they are
Identify Creative Solutions

Consider Workplace “Currency”

- Know what motivates your employees
- Additional/Alternative Perks
- FTE preference
- Staggered increase or offer
- PTO
- Work assignments
- Development opportunities
## Career Path

<table>
<thead>
<tr>
<th>Grade</th>
<th>Basic Function &amp; Key Differentiators</th>
<th>Degree &amp; Certification Requirements</th>
<th>Critical Skills at proficiency</th>
<th>Years of Experience</th>
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<tbody>
<tr>
<td>Grade C</td>
<td>• Administrative Accounting Functions to support AP &amp; AR</td>
<td>None</td>
<td>• Attention to Detail</td>
<td>• 1-2 at proficiency</td>
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<td></td>
<td>• Update General Ledger</td>
<td>Bachelor’s Degree</td>
<td>• Excel</td>
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<td></td>
<td>• AP / Vendor Relations</td>
<td>No certification required</td>
<td>• Data Entry</td>
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<td></td>
<td>• AR</td>
<td>Bachelor’s Degree</td>
<td>• Quickbooks</td>
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<td>Grade E</td>
<td>• Maintain General Ledger</td>
<td>CPA required at proficiency</td>
<td>• Attention to Detail</td>
<td>• 3-5 at proficiency</td>
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<td>• Prepare financial reports</td>
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<td>• Quickbooks</td>
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<td>• Interpret financial reports and statements for management</td>
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<td>• GAAP</td>
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<td>• Analyze financial data</td>
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<td>• General Ledger</td>
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<td></td>
<td>• Prepare budgets</td>
<td></td>
<td>• Monthly Reconciliation</td>
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<td>• Financial Reporting</td>
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<td>Bachelor’s Degree</td>
<td>• GAAP</td>
<td>• 5-7 at proficiency</td>
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<td></td>
<td>• Prepare financial reports</td>
<td>CPA required at start</td>
<td>• Financial Reporting</td>
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<td>• Interpret financial reports and statements for management</td>
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<td>• Financial Analysis</td>
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<tr>
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<td>• Analyze financial data</td>
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<td>• Budgeting</td>
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</tr>
<tr>
<td>Grade 7</td>
<td>• Interpret financial reports and statements for management</td>
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<td>• 8-10 at proficiency</td>
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<tr>
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<td>• Analyze financial data</td>
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<tr>
<td></td>
<td>• Prepare budgets</td>
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</table>
Immediate Actions

• Connect with your employees about what motivates them

• Identify conversations about compensation you need to have with your employees

• Develop clear career paths

• Prepare any high level messages about comp

• Prep toolkits for your managers to use when communicating with employees
PayScale Delivers Where Other Compensation Providers Fall Short

PayScale leads the world in compensation knowledge with the freshest and most detailed data from over 40 million salary profiles. More than 3000 organizations use PayScale’s software and intelligence to get the greatest return on their talent. Smart businesses use PayScale Insight to recruit, retain and motivate their people.

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