

Who Is Telling Your Compensation Story?

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Compensation is so much more than a single number.



In today's market, unemployment is drastically low, and the cost of turnover is high. Competitive pay is more important than ever to succeed in a crowded market; but to make matters more complicated, employees often don't know whether they are paid competitively or not. In fact, a recent PayScale study* showed that 90 percent of employees who thought they were underpaid were actually paid competitively.

The cost to recruit and train new talent can be expensive – approximately 33 percent of that position's salary. So, how do you overcome the challenge of standing out in your industry to retain the talent you have and avoid unnecessary costs? In today's everchanging market, you'll need to provide compensation and benefits that are motivating to your current and prospective employees. The first step is taking full control of your compensation story.

Telling Your Compensation Story

As your business expands, the urgency for an appropriate yet competitive compensation program grows with it. That program – and more importantly, the perception of it – is known as a **Pay Brand**.

A Pay Brand is what people inside and outside of your business believe about **how** and **why** you are compensating your employees. Every business, whether it's aware of it or not, has its own Pay Brand. And just like your business's brand, *perception* of your Pay Brand can play a larger role than the details of the compensation program itself. So how do you build a perception that will attract and retain top talent? It starts with strategic planning.

A **Pay Brand** is what people inside and outside of your business believe about **how** and **why** you are compensating your employees. That perception, just like the perception of any brand, leads to negative or positive feelings about your business, so it's important to invest in developing and communicating about your Pay Brand.



Steps to Establishing a Pay Brand



1. Determine Goals and Strategies

Similar to any process, you'll need to start with a plan. What is the underlying reason behind how and why you compensate your employees the way you do? In order to create an effective Pay Brand for your business, assess the factors that are important for your people and growth, and how this will lead to success. Start by consulting an expert who can help you shape a plan that will drive results and compete against other businesses in your industry.

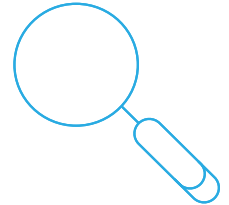
Since the goal of your Pay Brand is to reflect the goals or values specific to your organization and culture, defining your foundational compensation strategy is a crucial first step.

As an example, if your business is committed to inclusion, you may offer equitable benefit offerings such as paid paternity leave, or if your organization values learning and development, you may offer employer-sponsored educational opportunities. These culture-specific goals and strategies will set you apart in the market by clarifying who you are, so it's important to mark them down and not overlook them. When a business knows **who it is and who it isn't**, it's attractive to current and potential employees alike, and can even create a stronger bond between current employees and the business.

2. Conduct Research

The main idea behind this phase of the process is to see if your business's pay program is fair, realistic and competitive in today's market. At first glance, a compensation study may seem intimidating to a business owner, but being informed of your current internal and external compensation comparisons is vital to move forward.

Bottom line: It's better to be prepared than surprised.



"It's better to be prepared than surprised."

In fact, the insight you'll gain through this process will not only help you as you create or refine your compensation program, but it will help you build the confidence needed to have open communication with your people about compensation; a key component in job satisfaction. Research shows that 75 percent of respondents who think they were paid at or above the market rate were satisfied with their jobs, compared with only 59 percent of

workers who felt they were paid below the market rate. And of those workers who felt underpaid, 60 percent plan to leave their jobs. As such, it's important to ensure that pay levels are appropriate. To get a full view of how your compensation program stacks up, your research will be composed of two parts: an internal pay analysis and an external market study.

Part one of your research looks internally at how much each employee is paid, breaking information down by job type, seniority, performance rating, location, etc. This part of your research will reveal how fairly and equitably your current compensation program is laid out and could uncover areas that need to be reconciled.

Part two of your research looks externally, so you'll be aware of the current compensation dynamic in your market. Since this data is harder to come by, it's important to work with an expert with access to reputable compensation data sources that show market pay. With this process, you'll establish a data-driven set of guidelines for base pay structures and incentive plans, which will enhance your competitive edge in the marketplace.



PRO TIP: Go the extra step by doing research on Glassdoor, Salary.com, employee engagement surveys, exit interview feedback, or any other places you might receive feedback on your pay brand to learn more about your perception in the market. If a poor perception exists, try to reclaim the narrative by correcting any falsehoods or sharing additional insights.



3. Develop a Competitive Total Rewards Program

With your strategy and research findings in hand, you'll take time to re-evaluate your compensation program and make adjustments to reflect your company's objectives. Be sure to consider your full **Total Rewards Program**.

Your **Total Rewards Program** includes all the tangible and intangible ways in which you reward your employees, including base pay, incentives, benefits, career opportunities, and more.

As you're developing your Total Rewards Program, you'll also take into consideration what total rewards elements are most needed by your employees, and what "nice to have" can provide extra motivation. Similar to Maslow's Hierarchy of Needs, which explains elements humans need to achieve life happiness, employees may be at different points on the Total Rewards Hierarchy of Needs.

You'll need to take these differing demands into account to evolve your Total Rewards Program. In this labor market, employers need to be competitive with both pay and benefits, which are higher cost factors. However, the intangibles, which are more difficult to put a dollar amount to, are what will really distinguish your organization from competitors. While employers may communicate in terms of pay, benefits, career growth, and work-life balance, these terms don't adequately reflect the full meaning of the rewards to employees. For example, pay translates to mean "my current value"; benefits translate to "my financial security"; career growth is perceived as "my future value"; and work-life balance translates to "my quality of life." In other words, all rewards are important to the employee, and it's important to consider how they perceive those rewards when communicating about them.

Remember the Full Total Rewards Package			
Employer Perspective			
Higher Cost		Lower Cost	
Pay <ul style="list-style-type: none"> • Base pay • Guaranteed "bonuses" • Short-term incentives • Long-term incentives • Perks/allowances • Financial recognition programs • Deferred compensation 	Benefits <ul style="list-style-type: none"> • Retirement • Savings • Medical/dental/vision, prescription drug, etc • Life insurance • Short- and long-term disability • Accident coverage 	Careers <ul style="list-style-type: none"> • Performance & accountability • Career opportunity and pathing • Mobility • Leadership • Experiential rewards • Talent development 	Work-Life <ul style="list-style-type: none"> • Time off • Wellness programs • Dependent care • Workplace flexibility • Non-financial & status recognition • Commuter programs • Workplace facilities & perks
Employee Perspective			
My Value Today	My Financial Security	My Future Value	My Quality of Life

In order to maximize effectiveness of your Pay Brand, you'll have to reassess and revise your Total Rewards Program – and keep doing so at least annually. Remember, well-designed Total Rewards Programs will attract qualified people to your company and keep your current employee base motivated.



4. Communicate About Your Pay Brand

Once you've gone through all the strategy, research, and development of your Total Rewards Program, the foundation for your Pay Brand, it's important to tell that story so you can control the perception of your Pay Brand in the market, as well as with your employees.

To ensure your employees understand your Pay Brand, it's crucial to be transparent. Take the analogy of an iceberg; it's easy for an employee to see what they're paid and hear what they're told, but hard for them to understand how and why pay decisions are made the way they are. Educating them on the how and why will increase engagement and appreciation of the compensation program. In fact, research shows that a fair and transparent pay process actually boosts employee engagement more than providing additional pay.

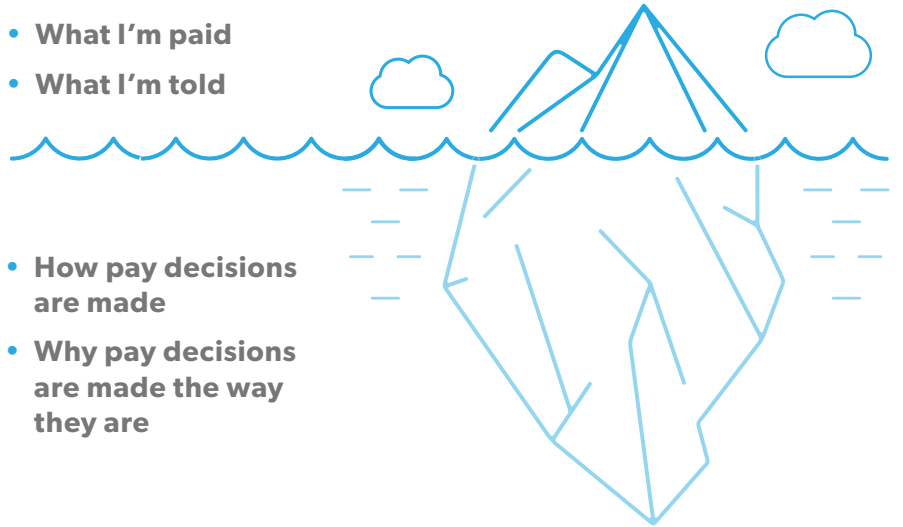
To promote understanding, businesses can create and share documents like a Total Rewards Program overview and personalized Total Rewards Statements. Businesses can also train employees on the Total Rewards program, such as via helping managers to have pay conversations with employees. Remember to consider your audience and always maintain honesty. Regardless of tactic, it's important to keep the total rewards communications regular and transparent in order to assure proactive management of your pay brand.

Your compensation story is never complete. As your company evolves, you should reassess and revise your program to maximize effectiveness. Continue to set goals, measure progress, and adapt strategies to ensure your Pay Brand stays competitive.

Transparency Increases Compensation Understanding

- What I'm paid
- What I'm told

- How pay decisions are made
- Why pay decisions are made the way they are



Employees are the greatest value and largest investment of most businesses, averaging 70 percent of operating expenses; it's a significant part of your business, and one that deserves a well-crafted strategy. Don't let others dictate your compensation story – take control of your narrative to retain and attract the talent your business needs.

Contact QTI to learn how to get the most out of your Pay Brand.

*Study available at: <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/pay-fairness-beats-higher-pay-for-engagement.aspx>

ABOUT THE QTI GROUP

The QTI Group, headquartered in Madison, WI, is a privately owned human resources (HR) organization providing staffing solutions, professional and executive recruiting, HR consulting, and HR partnership services to businesses and organizations. Our key services help businesses reach their full potential through people. The QTI Group has been an active member of the business community since 1957. With a rich history of growth, innovation, and community engagement, QTI has nine offices in Wisconsin. For more information about how The QTI Group can help you with your human resources needs, call **608.257.1057** or email qti@qtigroup.com.