

Do You Have a Compensation Plan?

Part 1

Times are tough and the idea of creating a compensation plan may not be the first thing on your agenda. I would think this is the perfect time to get your compensation house in order. When things turn around you will be ready!

Any compensation plan must have the ability to attract, retain and motivate employees. Failure to accomplish any of these three will lead to employee dissatisfaction and possible turnover. One can also argue that sound compensation strategy must meet the following three tests:

1. Be internally equitable
2. Be externally equitable
3. Pays for performance

In part 1 of this three part series we will look at the concept of internal equity. Before we do though, do you have a Salary Policy? A what? Why would I need this? Simply put, a salary policy is a philosophical statement of how your organization handles pay and benefits. Here is one example:

The staff wage and salary program at Gallaudet University provides for the establishment of internally equitable and externally competitive salary ranges for exempt and non-exempt staff positions. The specific objectives of the staff salary program are to:

1. *Maintain a wage and salary system that is fiscally responsible and defensible to Gallaudet's funding sources.*
2. *Pay competitive salaries as a basis for attracting and retaining highly qualified employees and motivating them to do their best.*
3. *Establish and maintain internally equitable job relationships.*
4. *Provide opportunities for salary and professional growth.*
5. *Comply with local and federal laws and regulations.*

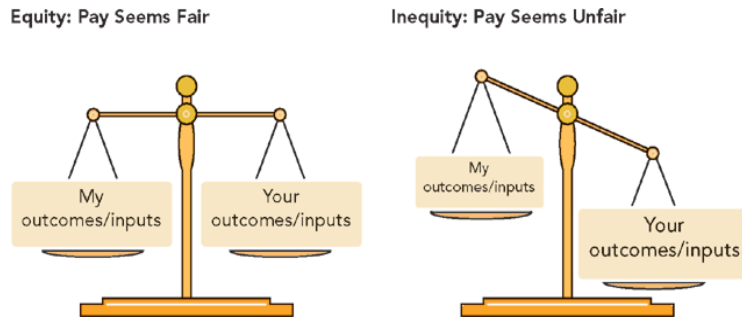
Salary survey data is collected and analyzed annually in an effort to keep Gallaudet's salary ranges competitive. In determining appropriate salary ranges, the following factors are considered:

1. *Funding levels and Gallaudet's ability to pay.*
2. *Salaries paid at local universities and school systems.*
3. *Salaries paid at educational institutions nationwide, particularly comprehensive universities and institutions of comparable size, both in terms of student population and budget.*
4. *Salaries paid at relevant industrial and nonprofit organizations, if appropriate.*
5. *The scope of Gallaudet's programs and services.*
6. *The relative value of the job to Gallaudet.*
7. *Recruitment and retention factors.*
8. *The unique skills required of Gallaudet's employees.*

Decisions regarding fiscal year adjustments to salary ranges and to individual staff salaries are made by the President based on funding levels and institutional priorities.

A policy statement shows employees that you have thought through the subject of how they are paid and that you intend to be fair about the process. But what is really fair? Consider the following scales of justice.

Opinions About Fairness: Pay Equity



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The more transparent your compensation program the more likely that employees will feel that it is “fair”. Let’s get back to the question of internal equity. Internal equity consists of the following pieces:

1. Job Analysis
2. Job Descriptions
3. Job Evaluation

Job analysis is the process of figuring out what exactly people do. It is a stuffy of job duties, records of work actually done and codifying the results, leading to a job description.

The job description contains information concerning the job including things such as:

1. Job title
2. Position purpose
3. Physical requirements etc.

It is used to evaluate positions, exchange survey data and provides a solid defence should you ever be challenged concerning a personnel action.

The job evaluation is a specific tool to establish relative value of jobs within the organization. It allows you a more objective basis for setting job grades and helps communicate management’s intention to be fair. There are a number of ways to perform a job evaluation and the appropriate method depends on your organization.

In part two we will take a look at the concept of external equity. Does this process seem overwhelming? If so GHRO has the experience and resources to help so give us a call (949) 797-2035 or e-mail me, Jeff Stinson at jstinson@ghrogroup.com

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