



# HRXaminer

*Examining practical HR issues business owners and managers encounter every day*

## Un-Confusing Compensation

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### Can You Quantify Your Total Rewards?

As HR professionals and managers, if we want to retain and engage our employees, we need to educate them regarding the benefits of working for us. One side of the engagement equation is creating the ideal workplace. The other side of the engagement equation is mathematical – how the employer is truly rewarding its employees.

### Basic Math

I invited one of my human resource / compensation consulting colleagues to share some of her thoughts on the area of compensation. It seems that the more we try to simplify pay, evaluate pay for performance, address pay in today's economy, consider internal equity and external market data, and resolve all the other issues surrounding compensating our employees, it just gets more and more confusing.



There isn't a simple universal solution for creating a compensation program. One-size does not fit all! Yet, because the prospect of compensation system development seems like such an enormous task to undertake, many of us either give up before we start or think we can't create a system of compensation and performance that (a) has meaning for employees and is beneficial for the organization and/or (b) that is beneficial for employees and

One successful engagement communication is providing each employee custom reports such as Benefits Statements, also known as Total Reward Statements. No matter what you call it, employees need to know how much their employer is contributing to all aspects of their compensation.

If you've ever lost an employee to another organization who claimed to pay more but whose hidden benefits/compensation fell far below your company's, then you already know that it's time to be proactive and share the true picture of your entire compensation package with employees.

So what would you include in a Total Reward Statement:

- ▶ Base Pay
- ▶ Incentive Pay
- ▶ Vacation, Sick Days or PTO
- ▶ Personal Days
- ▶ Holidays
- ▶ Other paid time off, such as bereavement days and other paid leave

brings meaning to the organization.

Take a moment to reflect on what is and is not working in your compensation methods or program. List the strengths of what you have in place. List the gaps. What concerns do you and other managers have? What bothers your employees? What are simple "fixes?" What more elaborate needs do you have? Are you making up compensation as you go or are you taking a long term strategic approach?

Perhaps Linda's story below will give you some ideas for your organization's next step.

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## Fun With Numbers *by Linda Herman*

Fun with Numbers sounds like your second grade math book, right? Hopefully, this short story on compensation will be at least as interesting as that math book was. We are all ready for some good news in the midst of this unique economic time. So, here's a true tale of what one company is doing.

The company is a mid-sized, 400-employee manufacturing company in northern Minnesota. They are one of the few larger employers in the area and things are going well in spite of the economy. The company approached us with a concern about compensation levels for their jobs. They wanted to be sure that they were being fair about pay for all employees, wanted to ensure that their key jobs were paid correctly and were hoping to create a solid framework for compensation that would be sustainable for a few years.

- ▶ All employer-sponsored insurance, specifically breaking out employer and employee contributions: medical, dental, life, AD&D, STD, LTD, etc.
- ▶ Retirement plan and pension contributions and matches
- ▶ Payroll taxes (Federal, state, unemployment, Medicare)
- ▶ Perks, such as car allowances - just be sure that you don't list items that employees are *not* eligible for and place a zero next to the item. This could be quite disengaging.

A 2008 study by MetLife stated that 43% of employers provide this key information to their employees. Where do you fall?

Of course, if you decide to provide these statements, make sure you also create a strong communication strategy to share this key information professionally, clearly, and positively.

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Here's how we approached the project: First, a solid group of jobs representing the organization was selected for market pricing. Their jobs were selected based on the criticality to the company as well as the number of people in the jobs. Second, data was compiled and, once reviewed, a graded salary structure was created. Third, all jobs were placed into the structure with confidence that the ranges for the grades were market competitive.

Here are the benefits of doing this type of project, especially now:

1. With merit budgets being thin to non-existent today, conducting a project like this can be very reaffirming to your employees, especially when coupled with a total rewards statement that captures the entire value proposition of employment with the firm.
2. Good will is created among employees knowing that their employer was willing to invest the time and money into this type of project.
3. As payroll expense is frequently the number one expense for a company, the management team has peace of mind knowing that they have a positive message to send and that they have a good tool to manage their human resource expense going forward.

If you need help with creating a meaningful compensation program at your organization, contact Linda Herman, Principal Consultant, Keystone Compensation, 612.810.3522, [lherman@keystonecomp.net](mailto:lherman@keystonecomp.net), [www.keystonecomp.net](http://www.keystonecomp.net)

Thanx, Linda!

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## About Arlene Vernon

Arlene Vernon, PHR, partners with small businesses as their Human Resource Xpert to create their HR systems and solve their HR problems.

If you have gaps in your HR operation, have an employee problem to solve, or want to enhance your managers' skills, call Arlene today. Learn how HRx can save you time and help you avoid costly HR mistakes. HRx, Inc., Eden Prairie, MN 55344, 952-996-0975, [www.HRxcellence.com](http://www.HRxcellence.com). [Arlene@ArleneVernon.com](mailto:Arlene@ArleneVernon.com)

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