

Hi, I'm Rhonda Palos I'm the Vice President of human resources with the Oregon Humane Society. The Association invited me to provide provide this little mini webinar on market based compensation, and also to give you a glimpse of the study that OHS did.

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Often organizations find that employee salaries are driven by available dollars in our budget or candidates or employee needs, and then over time you find yourself out of whack with the market or with lots of exceptions and in consistencies using a system

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based on market has a lot of advantages. It ensures competitiveness, it creates consistency. It allows for transparency and legal defense ability, and it also makes it really easy to communicate.

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All of these things make it easier to administer and more fair to employees to. It allows us to periodically revisit the trends and the structure as markets change to.

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I want to share a little bit about what we need to think about when we use market to set our compensation, the process that we evaluate market, and also to develop a sustainable compensation structure, also share a few examples of the IHS market study,

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As much as we all work for the mission and of course that's why we're all here we all need financial stability to, and for entry level workers, a baseline livable wage is particularly important staff also need to feel their, their pay is fair engagement

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often comes through knowing you value them to their pay.

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Well the business has needs to though, it's crazy competitive labor market out there right now and so it's hard to recruit and retain our great talent and an engaged workforce, we all know is a productive organization.

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Some of the fastest turnover right now is happening in operations and customer service and entry level positions. According to a recent Sherm survey 40% of workers are looking for another job.

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That's twice the normal rate. The most common reason is better compensation. It cited by 53% of respondents more pay enables people to do the things they love

outside of their work.

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Other reasons were important to such as work life balance and benefits career advancement. But cash is still king.

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So before you create your compensation program though you need to identify the right things to tackle, which will also help with your communications along the way for us at OAJS.

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Pay was a top concern from our engagement survey, but compensation means different things to different people. So we did a follow up survey, and we asked what specifically about pay was their concern to make sure that we were addressing the real issues.

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Here's what we learned, number one issue was livable wage, and that means they don't have enough money to cover the basics like rent and utilities food and gas that's not to mention childcare insurance and other expenses.

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But livable wage is not the same as minimum wage, which is the legal requirement for employers to pay.

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Portland is a really expensive city to live in and I'll bet you have expensive cities to our minimum wage will increase to 1475 in the next few months, but that's not enough to live on in Portland, so we needed to determine what a livable wage was the

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second most common reason that people stated about their pay was a concern for them was how they're paid compared to the market or the community. What could they get paid if they went elsewhere.

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They want externally competitive wages, and this is where our survey data is going to come in so stay tuned on that other issues that they stated were internal equity, which is my salary compared to others at all ages equities a really big focus for employees.

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employees. They also want to career progression and pay that reflects recognition of their experience. And that's where our PE policies are going to come into play.

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So now we knew their specific concerns at OHS our priorities were reasonable entry wage market competitiveness internal equity and pay practices to keep things fair

in the future, there's three main steps to conduct a market analysis of your jobs and

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to create a solid compensation program that you can stand behind for years to come.

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First question is start by determining who is your market. Where do you lose employees to or gain them from, is it animal welfare, is it nonprofits. Is it for profits need to compare yourself to similar sized companies, maybe by the similar number of

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employees or organizations but similar size revenue. What about geographic location is your market local. Is it a wider region, or is it even national for some positions.

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These are things that you need to figure out.

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Next you're going to use your salary surveys to determine the value of your jobs in what you have determined to be your market. Meaning, what's the average rate of pay for a similar job in other companies, you'll create a salary structure and map your

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jobs to this framework. This is where you establish your internal equity, meaning how our jobs paid in comparison to other jobs, inside your organization.

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It's a hierarchy of jobs.

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So you'll need some consistent policies for salary placement within each grade using rules that are easy to explain and administer. These are rules that HR uses daily for how you'll handle things like getting credit for experience when you determine offers,

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or what happens when someone reaches the maximum of their salary range. When is someone eligible for a change of pay.

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Or if you'll pay a salary differential for lead jobs, you need to have a list of rules at OHS, we actually created a cheat sheet in HR, to help us stay consistent

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market data is the cornerstone of our compensation system. And here's a few tips about using surveys.

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First, I suggest using professionally published surveys, not unvetted internet sources. Places like salary.com, our data that is reported by employees and so it's not always consistent and reliable, not a safe bet for benchmarking your compensation.

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But this year is our compensation survey results are going to be available Pretty soon, you can participate or you can just participate or you can just purchase the survey, in my opinion, though, is the best animal welfare data source and more data is

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better because it gives you really fair results. When we just did our compensation survey, we actually use 19 different surveys and we matched 70% of our jobs.

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We also made some individual calls to employers that we knew were our competitors, the county we had some specific veterinary practices that we needed to know how they were doing things so we could stay competitive.

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The rule is to match as many of your jobs to as many different surveys as you can for the best results.

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When you're doing that matching, make sure that you read the survey job summaries, because titles can vary widely and can often be really misleading. You want to use data on jobs that are close matches to your roles, not just sort of matches.

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And don't forget that most surveys offer more than just compensation information, they usually include benchmark data and benefits and other HR practices that are super helpful, you'll find a survey it's a really good investment, because you'll refer

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back to it often.

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So here's just a quick sample look at what a market comparison data might look like.

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Our job in this example was called accounting clerk. But notice the various titles used in the surveys.

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Everything from accounting assistant to accounting clerk to to accounts payable receivable, we match duties, not the titles.

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The data before the blue line shows slice the market data that we use to help us match similar sized companies, we looked at employee sides revenue size and geographical location to make sure that we were getting good matches.

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Notice to that, on the right side of the blue line, the number of companies and employees included in the data, there's lots of data, and it gives us assurance that we're looking at solid averages, and not just some outliers.

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At OHS, we used a combination of all of these markets to determine the average value of each job. That was our market. We determine that animal welfare nonprofits and caught cross industry is where we gain and lose in place to so it's important to look

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at data from all of those sectors.

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So without analysis done. Now you know the market value of your jobs, and you must put it on a framework or a salary structure, often that's called a salary grade a salary range those terms are interchangeable, but they mean the same things.

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These have a minimum, and a midpoint and a maximum of the range. So you'll start thinking about the minimum, you want to pay at your organization. This might be the minimum wage, or it could be the living wage.

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The salary ranges have to factor that rate in, and in market driven compensation, your range midpoint is usually aligned with the average in the market.

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That's how you link your market data to your structure.

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So you're actually creating a hierarchy or jobs, when you're creating a salary structure. You make sure to seek input from managers here so that they can help you with how jobs compared to each other, such as this one has more responsibility than that

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one so we want to pay them accordingly. You need their buy in and their knowledge here. The process is about more than just numbers and data, it must include organizational knowledge to.

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And also if you have job levels like Animal Care tech one two and three. These will

go in progressive salary ranges, to allow for salary and career progression.

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This one is a snippet of what the salary structure might look like jobs with similar market values are grouped together in the same grade.

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You can have as many salary grades as you need. But 10 or so is usually plenty, the grade minimum and maximum allow for salary progression and growth.

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I'm also happy to share a template with formula for creating a salary structure that makes it really easy if that's helpful. You can contact me later.

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After you create a salary structure which includes all of your jobs, you need to identify the salaries for the actual employees. As I mentioned earlier, you need to determine the rules and policies, you're going to use this is a really critical part is

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In this particular example, this is how a salary placement based on employees experience might work and OHS, we look at how many years they have done the same or similar work, either at OHS or prior to joining our organization.

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Then we use the formula for translating the number of years into where they belong on the range. For example, if someone has five years of experience.

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We placed them at the midpoint of the range. If they have 10 or more years of experience, we might place them at 7% over the midpoint, we use the same formula for every employee that created our internal fairness factor.

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So when all was said and done, we had developed the foundation for based compensation using market data. It strives to offer a living wage and be competitive with the outside world, and their salaries compared to each other inside our company.

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Salary costs are a big investment and among our most important factors and staff satisfaction so it's worth all the time and effort it takes to do a thorough study, work on Pay systems and employee satisfaction and pay is never done because the market

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continues to change and employee needs and values continue to change. Let's start with a fair foundation and keep working on it.

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My parting thoughts on key takeaways are one. Be clear what you're trying to solve fair pay does not mean the same thing to everyone.

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State anchored in the data and try to stay focused on the jobs, not on the people in those jobs involve your managers in the creation of job hierarchies, they often are the ones that are going to be helping employees understand the compensation system.

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So they need to be part of the design process.

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Also, keep educating understanding compensation is not second nature to most people. and it's a process, not a one time event.

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I'm happy to have shared a brief look at the process of HS us to create our compensation program comp is ever changing challenge, but it's key to attracting and retaining our amazing staff so that we can fulfill our mission.