

# Compensation Philosophy and Practice Training



# A quick review

**Market Data:** A market is identified by a combination of factors, including geography (local, regional, national, international), industry, and organization size. The results of this benchmarking determines the value of a job.

**External Competitiveness:** Jobs requiring similar skills and levels of responsibility are awarded competitively, based on market data.

**Internal Equity:** Jobs requiring similar skills and levels of responsibility are rewarded comparably, with appropriate variations based on performance and individual contributions.

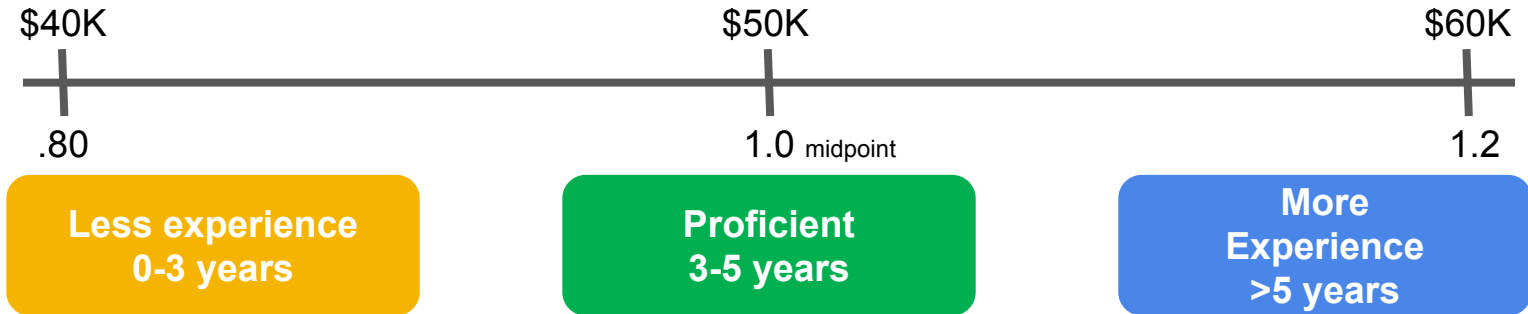
**Geographic Differentials:** Compensation rates can deviate from national averages based on the geographic market the employee is in. These can change based on market data.

**Compa-ratio:** This number expresses how an employee is compensated compared to their market. It is calculated as the employee's current salary divided by the current market midpoint and can be expressed as either a decimal or percentage.

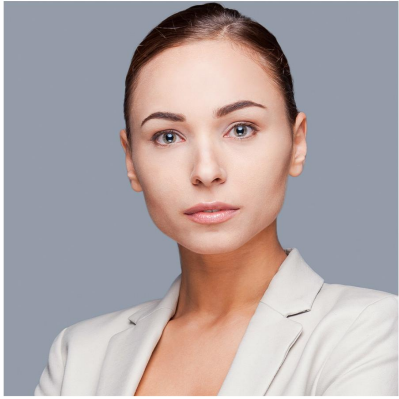


## Compa-ratio:

Calculated as the employee's current salary divided by the current market midpoint.



# Meet the team



**Theresa**  
Title: Director of Marketing



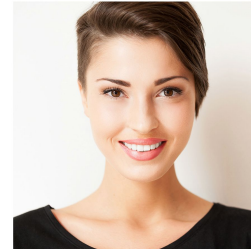
Fred



Debbie



Anthony



Reyna

# Activity: Calculating the Compa-ratio

In your participant guides on page 3 you will see four members of the team, Anthony, Debbie, Fred, and Reyna.

Step by step:

1. Look at the employee's current pay
2. Find the midpoint for this employee's job position
3. Calculate the Compa-ratio and write it in the Snapshot section of your Participant Guide
4. Repeat for each employee

# Theresa's Team: What is the Compa-ratio?

Fred



Compa-ratio: 1.13

Debbie



Compa-ratio: 0.84

Anthony



Compa-ratio: 0.95

Reyna



Compa-ratio: 0.96

# Annual Merit Pay Decisions

# Evaluating Performance

## We do:

- Consider results, behaviors, ambition, and agility
- Use these questions to help differentiate performance

## We Don't:

- Use a numerical rating scale
- Rate everyone the same





# Why Should I Differentiate?

Differentiation can increase employee commitment by up to 16%\*.

Committed employees are up to 38% more productive.

Committed employees are up to 55% less likely to leave.



# Activity: Merit Pay Decisions

With the annual merit pay discussions approaching, Theresa will have to make decisions on how much of a merit increase each of her employees will receive.



Fred



Debbie



Anthony



Reyna

# Activity: Merit Pay Decisions

Using the information in your Participant Guide, help Theresa decide how much of a merit increase Anthony, Debbie, Fred, and Reyna should get.

Step by step process

1. Consider their performance
2. Consider the employee's current compa-ratio
3. Consider the recommended merit increase guideline
4. Decide on a compensation increase
5. Repeat for other employees

# Activity: Merit Pay Decisions

Fred



1.13 → 1.18

\$XX,000 → \$XX,XXX

Debbie



0.84 → 0.87

\$XX,000 → \$XX,XXX

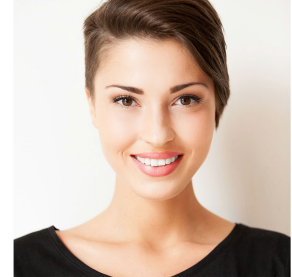
Anthony



0.95 → 0.98

\$XX.00 → \$XX.XX

Reyna



0.96 → 0.98

\$XX,000 → \$XX,XXX