JUST IN: The results are in for MRA's 2022 Compensation Trends Survey, and expert Mike Kopczynski is here to give you answers! Does your organization need to re-think its compensation strategy? We'll cover pay increase, compensation strategy, talent shortage, total rewards, and more.

Listen to Discover:

- With the dynamic environment of the last two years, more and more companies are investing in a compensation strategy. What should be included in the strategy?
- How employers can differentiate themselves and adapt quickly to the intense competition for labor
- What makes MRA's Compensation Trends Survey stand out – learn how we stay in tune with the current business trends

Transcript:

INTRO | 00;00;00;03 - 00;00;23;03
Hello, hello everybody and welcome to 30 minute THRIVE, your go-to podcast for anything and everything HR, powered by MRA - The Management Association. Looking to stay on top of the ever-changing world of HR? MRA has got you covered. We’ll be the first to tell you what’s hot and what’s not. I’m your host, Sophie Boler, and we are so glad you’re here. Now, it’s time to thrive!

Sophie Boler | 00;00;23;17 - 00;00;55;14
Well, I’m excited to continue the Compensation Trends Survey series and really move into more of the results of the survey. So last week, Brittany went into the ins and outs of the production of the survey. But this week I’m joined with Mike Kopczynski, Customer Surveys and Business Research Lead here at MRA. And Mike has over 20 years of leading research teams and really plays a key role in the production of MRA surveys, which is awesome.

Sophie Boler | 00;00;55;27 - 00;01;11;09
And you actually just spoke at the Comp Trends event last week, which was great, and I know that went well, but really this week we want to go into the results of the survey. So welcome to the show, Mike. How are you doing today?

Mike Kopczynski | 00;01;11;10 - 00;01;25;08
Great, Sophie, thank you and yeah, thank you for having me on board. Last week was pretty intense. Yeah, it was fun to express the results. Inform members, obviously, of this year’s challenges of this year’s findings.
Sophie Boler | 00:01:25:09 - 00:01:25:29
Absolutely.

Mike Kopczynski | 00:01:26:09 - 00:01:26:25
Thanks for having me.

Sophie Boler | 00:01:26:29 - 00:01:40:13
For sure. Well, really, just want to start out by asking the main question that's on employer’s minds right now, and that is what percent pay increase can employers expect based on the survey results?

Mike Kopczynski | 00:01:40:22 - 00:02:06:03
Yeah, it is typically asked in our survey, and one of the questions that we historically trended is payment merit increases. And as you alluded to, 4.0% is this year’s number. It’s the highest incremental increase that we saw in 15 years as we’ve tracked the survey and many companies are using that to pin their number based on their merit increases on top of base pay.

Mike Kopczynski | 00:02:06:11 - 00:02:08:07
So 4.0% this year.

Sophie Boler | 00:02:08:21 - 00:02:28:24
And 4%, it’s a lot. I mean, considering that past years have been 3%, but we’ve even heard this upcoming year that some companies are going as far as 4.7%, which is huge. So how can an employer really plan to adjust to this pay increase?

Mike Kopczynski | 00:02:29:02 - 00:02:58:28
Yeah, very true. In prior years, as you mentioned, most salary increases were pegged around 3.0 to 3.2%, with a great resignation, inflation and other factors, employers really had to, you know, jostle around. They had pressure to increase their budgets, increased salaries. And then that being said, all employee this year, all employee groups this year, were given at least a 4.7% increase in actually the production of workers.

Mike Kopczynski | 00:02:59:13 - 00:03:11:10
Some of those are areas or some of those industries where they work on the plant floor were given over 5%, up to 5.2%. So major differences from two years ago.

Sophie Boler | 00:03:11:12 - 00:03:26:15
Absolutely. And I mean, with the dynamic environment of the last two years, more and more companies are really investing in a compensation strategy. So what percentage of employers surveyed have a compensation strategy?
Mike Kopczynski | 00:03:26;19 - 00:03:55;17
Yeah, well, just over half of employers are saying that they've had or are creating, let me say it this way, over half of the employers surveyed said that they have a compensation strategy and another 21% are developing one. So it’s about 76% in total, if you think about it that way. The reason for a comp strategy is to help make quick decisions and to actually help communicate those decisions in a more formal setting.

Sophie Boler | 00:03:56;00 - 00:04;11;20
Right. So now that the listeners have that info, can you tell me what makes this compensation survey really stand out from the others that are out there? Brittany kind of covered some of this last week, but we want to know your thoughts on it.

Mike Kopczynski | 00:04;11;23 - 00:04;35;29
Well, Brittany's a part of our survey team, and definitely helps manage and do our reports. It’s a challenging time for employers and to offer them with timely insights and that's really a goal of MRA and MRA survey department in general. That's what we try to do is give them full access to information that we gain or them glean from employers right off the cuff.

Mike Kopczynski | 00:04;36;13 - 00:04;51;28
MRA has a history of doing this and producing accurate and timely information. Organizations understand that the changes and trends that are occurring have occurred in compensation and this year, and no doubt compensation was really a main focus for a lot of employers for sure.

Sophie Boler | 00:04;51;28 - 00:05;03;13
And Brittany also covered a little bit of this, but this compensation survey has been going on for over 20 years, which is a long time. So how do you guys do it?

Mike Kopczynski | 00:05;03;19 - 00:05;26;11
Yeah. And to your point, though, there is a lot that goes on behind the scenes. We stay in tune with the current business climate as well as trends. That is occurring within compensation. Along the way, we tweak the instrument to align with what members really need. Those needs are captured through various channels such as MRA's 24/7 Hotline from MRA's HR business partners that are actually in locations where they sit at employers' locations and then other insights gleaned from MRA's surveys. We manage about 14, 15 different annual surveys throughout the year. So compensation, we get our compensation data from all types of industries, of all types of employee groups. That said, though, and most importantly, the insights come from employers. They come from local companies with similar needs.
And as we mentioned, the survey's been going on for 20 years and it's changed a little bit throughout the years. So what have you personally seen over the years to accommodate the changing business environment?

Yeah, indeed. 20 years is a long time. If you think about it and just a historical standpoint, there has been a lot of occurred in those years, even dating back to 2008 when the Great Recession hit, people were freezing a lot of wages. So there was a lot of insights and a lot of learning from that era. Then you go back, then you add ten years after that until the pandemic, the last two years, 2019, 2020 into the 2021, there was just a whole slew of uncertainty that employers were faced with.

So wages were frozen in some remote many instances were frozen at those times. And then two years later, here we are almost a 180 degree turn with the retention and hiring efforts that a lot of companies are faced with today. So it's almost a shift or a priority shift in all that time. But basically it's a lot of a lot of research that we do internally.

The department takes its time, we walk, we talk internally to not only survey department, but also other areas of the company, as I mentioned, that help provide insights and provide us with some good questions that we could then formulate and passed back to members for their opinions.

For sure. Yeah. And like you just said, I mean, there's been a lot of different priority shifts throughout the years with business trends. And one of them right now is talent shortage. So talent shortage is a hot topic right now. What questions did you ask to address this?

Yeah, as 2022 started, it really became apparent that the great resignation would continue. In fact, it continued really strongly, much more so that many members knew about or had an understanding of the need to hire as well as retain became very crucial. Well, those recognize that base pay attracts talent and that total compensation is a significant factor in that fostering of employee commitment to a company.
The additional survey questions that we added this year, to get at inflation to get at some of the goals of what was really happening in the economic climate, in understanding what total rewards policies would change, and identify exactly how much wages and total rewards were changing and at what levels to level set and to identify with. If a company needs to add on to their base salaries or add it onto their different types of philosophies on how they formulate their business plans and then finally understand other tactics that employers are using to provide additional compensation, such as variable pay, perks, other benefits.

And all these things came into play, came into focus more this year because a lot of people that were looking for jobs, those that were new candidates or were comparing, were comparing what they had versus what they what a new company could offer. And if it was better or worse, that's how they made the decision.

Right. And I mean, given the high inflation rate now, what are companies really doing for employees that I mean, in recent months, organizations have been looking for other ways to pay. So what can you say about that?

Yeah, base pay is absolutely a critical component to an organization's philosophy and providing competitive compensation pegged to market conditions is absolutely a necessity. So that is clearly, first and foremost that employer needs to manage. However, secondly, though, variable pay options in the form of bonuses and there are many types of bonuses. There are referral bonuses, holiday bonuses, attendance bonuses.

All these new things were developed in the last couple of years to attract and retain employees. That's one of the reasons that we tried that is to promote and give additional incentives. So this year, part of the survey information we learned is that 66% of organizations are providing some type of variable pay option. Two years ago, that was only 23%.

So almost a three time increase in that behavior from employers. So it really is it really goes to show that there's a lot of activity going around compensation. And I think that's the challenge. And even the pitfalls that a lot of companies face, if they're not doing some of these things. So I think that's the whole goal, is just to let the information to our employers and employers that are MRA members and have them at least understand that these options available.
Bottom line, though, an employer’s goal is to ensure that they are retaining and keeping employees and that keep them happy in this current labor market. You know, in essence, finding the balance to offset the cost of living while also managing the cost of labor. So it’s a really a balancing act.

Sophie Boler | 00;11;04;19 - 00;11;16;03
Yeah, for sure. And total rewards is also key in the compensation conversation. So do you have any advice for both employers and employees about total rewards?

Mike Kopczynski | 00;11;16;21 - 00;11;36;23
Yeah, total rewards. And I think that’s it from the from the outlook of an employee. They may not even be aware of the total rewards, really. It’s all about. So part of the idea is really to help it understand how to communicate that better to them. Organizations really need to be quick leaders and it could be your managers. It could be for folks. Well, whenever you talk to employees, the resources to communicate, pay decisions. So how do you do that effectively, I guess. I mean, so I’ve got a couple of bullet points that actually illustrate some of these things. Also, another point would be consider using compensation statements in that communication. So if you’re not aware of what a compensation statement, it basically is a piece of paper that identifies the total reward.

Mike Kopczynski | 00;12;04;26 - 00;12;30;14
It’s got, it’s compensation, it’s benefits. It’s all those things that go into what an employee earns that is offset, offset in addition to base pay. So there’s a lot involved with that. And I think that’s what’s missed when we look at it from the from only the lens of an employee. And then thirdly, help employees understand how pay and merit are actually calculated and conducted.

Mike Kopczynski | 00;12;30;29 - 00;12;53;03
You know, a lot of companies use these, as I mentioned earlier, compensation strategies. And part of that is that they need to how do they actually collect their data? Are they using crowd sourced information or the actually using information that’s coming from employers through survey data? So that’s a huge a huge learning and a huge conversation that could happen.

Mike Kopczynski | 00;12;53;21 - 00;13;15;27
Now, providing and learning as well as what variable pay options are available for your organization. A lot of these are cultural based. So if your organization has a, you know, just be aware what your culture can stand for. And employees, you know, are definitely willing to accept whatever you have. But I think the idea is you have to make it fit within the culture that you have.
Mike Kopczynski | 00;13;17;01 - 00;13;38;10
Just a couple other things here. You know, stay in tune with the market. You know, I think a lot of companies, when they look at their total rewards, they need to be consistent with what's going on in the marketplace, doing a or having the survey that is done every year or every two years at the minimum, at least, pegs you to what the current conditions are.

Mike Kopczynski | 00;13;38;19 - 00;13;57;05
And I think that's very important that the pay is where all that, especially when it comes to retaining and even hiring some employers. And absolutely finally, kind of, you know, have the conversations. Right. And I think that's what's becoming more and more apparent to organizations yet. It's really it's not there yet, but still struggling with that.

Sophie Boler | 00;13;57;05 - 00;14;04;19
And you're saying how important these conversations are, but are organizations really having these conversations or how many are having them?

Mike Kopczynski | 00;14;04;24 - 00;14;36;06
Yeah. Sophie you're right in, they really trained 31% of those organizations that we surveyed this year are saying that they are trying to conduct have conversations, but that's only 31%, less than a third of all organizations. So, you know, it really comes down to this. If you want to increase retention, increase your communication strategy, because I think that's that would help a lot of employees understand where they are, how their salaries are pegged to market conditions and then what the organization is doing for them.

Mike Kopczynski | 00;14;36;16 - 00;14;43;10
Those are just massive, you know, indications that a company is there for you. Right. And if you don't communicate that, how then?

Sophie Boler | 00;14;43;10 - 00;14;54;04
That's some great advice you gave. But you talk a lot about compensation strategy. So if a company does not have a strategy, where do they start to begin?

Mike Kopczynski | 00;14;54;17 - 00;15;14;18
Right. Good point. You know, I mentioned the compensation statements, you know, but what it really comes down to this, employees come to work for a variety of reasons. What is the top, First and foremost, it's really to get paid. Right? Right. So pay is a huge indicator, a huge factor when it comes to what an employee really wants from an organization.

Mike Kopczynski | 00;15;14;26 - 00;15;17;05
So to be competitive, it's huge.
But employers should include more than just increasing wages, correct?

Indeed. Yeah. No, they absolutely have to. When compensation experts actually scope a project, you know, there’s a lot of things that they do in that endeavor. How do you determine how much to pay? Somebody goes back to the market you’re in, what location you’re in your city. You know what? With city and state you actually live in make a significant difference.

Where do you find your employer employees? Where do you find them? You know, how do you define your labor market? You know, are you going off to school? Are you going out to colleges? Where do you recruit? Are you recruiting directly from, you know, job postings and stuff like that? So all those all those variables come into play.

What are your current challenges? Many organizations, it’s a cultural thing. You know what your challenges internally are. You are you struggling to keep employees on all job levels? And if that’s the case, then there are certain challenges that you need to fix there. Do you have guidelines in place that provide direction and reduce ambiguity? So what are your policies?

What policies have changed? You know, maybe you need to look at that and possibly change some of those down the road. And then based on some of these answers, you can make a good guess. You can make a good guess of where to start and actually where to fill some of the gaps. So not knowing how a job is formulated from both angles, from the employee side and even on the employer side, you know, could be a very detriment or downfall for the organization if you can’t justify pay decisions within the management team, how can you justify it to employers and or candidates?

So it’s a pretty big challenge to overcome that. Survey results this year informed us that I mentioned earlier, 53% of organizations have a comp strategy. 21% are looking to do that or are developing one. That’s great. But as I mentioned, there’s a lot of work specifically in this current business climate. So comp strategies, becoming more and more.

Absolutely. And we often tell our members here at afraid it’s not a benefit unless the employee sees it as a benefit. So did this survey really provide ideas around what are some creative benefits that employers should be using and considering?
Mike Kopczynski | 00;17;37;25 - 00;17;59;19
It did. The intense competition for labor really has demanded that employers differentiate themselves this year more so than other years. You know, and we will definitely, there's some aspects of the survey that were creatively developed as a result of just making sure that we hit upon some of those themes that are being created by employers.

Sophie Boler | 00;17;59;26 - 00;18;06;29
Right. And like you said, they should be offering other things like variable pay, perks and other benefits.

Mike Kopczynski | 00;18;07;01 - 00;18;25;03
Yes, absolutely. In addition to that, the offering, the right benefit to the right employee is key. A younger employee is less likely to want dollars, you know, given to them or in place for their for on care. They may want to they want help in reducing their tuition expenses.

Sophie Boler | 00;18;25;06 - 00;18;25;18
Student loans.

Mike Kopczynski | 00;18;26;03 - 00;18;48;02
Loans or helping pay for their first home on a down payment or receive the down payment on the opposite side of the coin, whatever is. If you're a little bit older, you are watching to save a little bit more for your retirement fund or you're you're actually saving for your children, your grandchildren's tuition. So there could be other options available down that road.

Mike Kopczynski | 00;18;48;09 - 00;18;53;10
And that's actually what we're seeing, is that some of those creative and unique perks.

Sophie Boler | 00;18;53;22 - 00;19;08;08
Are absolutely right. You've shared a lot of great insights and a lot of good advice for business leaders and organizations just as a whole. So do you have any parting advice or any information to share with our business leaders?

Mike Kopczynski | 00;19;08;22 - 00;19;33;13
This is such a great topic and this year has been really challenging and so to express this information, I think it's just a critical time and we're historically trying to produce this information in time for budgets. So we tried to step that back and tried to feed this data or try to express this data a little bit or forthcoming to employers.
So with that being said, decisions have always been held so tightly. In the last ten, 15 years, though, I think it’s becoming more and more open now. The transparency of communication of pay and even from the higher levels of employees and employers, we want to marry that together a little bit more. So communicate more often. That being said, though, we have to ensure that both the employee and the employer feel that fee is actually adequate and fair.

Right.

You know, secondly, is the grass really greener on the other side of the fence, you know, with a lot of people that have moved jobs, that have, you know, crossed over as a result of the great resignation, are our companies taking those risks seriously? And what has happened to those? And for those employees, are they really in stress roles that pay higher?

And what are you doing for them? Are you training them adequately? You know, are they really being pushed to, you know, promote within a little bit more? So what about like additional or internal training activities and tactics? I think employers today need to kind of look at themselves a little bit more so and have those options more available.

So succession planning, what I think a lot of companies were forced into identifying, I lost an employee that was with me for so many years that I don’t know what to do. So I think to have a plan in place that I think that’s the learning, I think that came out of this is that there’s a lot more insight available to employers, but there’s some work that they need to do to make sure that they have all these things in place or from internal training, succession planning to promoting, you know, promoting with them, I think new things that are becoming business strategies that will be taking place.

Sophie, lastly, I think organizations need to ask some tough questions. Outside of pay, why do employees really come to work? Do they enjoy working here? Do they recommend this place as a great place to work? You know, additionally, how many employees are engaged, how many are passive? How many or worst detractors do they know your products and services and brag about them to their friends?
Mike Kopczynski | 00;21;50;20 - 00;22;19;28
You know, with companies experiencing larger than expected turnover and especially this last year and if you're fortunate, new personnel that they hired, it might be time to really gather some fresh insights from their employee base. So do some workforce surveys, maybe learn some of those things that fill in some of those gaps and then basically to inform your employees where they are within those gaps, to help them formulate those business plans and make a full round employee commitment to them.

Mike Kopczynski | 00;22;19;28 - 00;22;20;23
All right. Thank you.

Sophie Boler | 00;22;21;27 - 00;22;44;20
All right. Well, Mike, this has been great. You offered a lot of great information for everybody. So thank you for all of your hard work pulling the survey together and discussing more of the results. For those of you listening, we've added the link to the Compensation Trends Survey in the show notes, so make sure to go to our website and check out the survey there if you haven't.

Sophie Boler | 00;22;45;15 - 00;23;09;02
Other than that, we will be closing out our series next week when Debbie Morgan joins us to kind of wrap up some key points of the survey and make sure to connect with Mike and any further information on compensation trends. We've linked his profile in the show notes below, but thank you again, Mike, for everything's been great. I've had fun and we will see you next week.

OUTRO | 00;23;09;02 - 00;23;31;09
And that wraps up our content for this episode. Be sure to reference the show notes where you can sign up to connect for more podcast updates. Check out other episodes on your favorite podcast platform. And as always, make sure to follow MRA's 30 minute THRIVE so you don't miss out. Thanks for tuning in and we'll see you next Wednesday to carry on the HR conversation.