EPISODE 5

Your Competitive Compensation Trends Questions Answered!

Description: In this episode with HR Content Manager, Debbie Morgan, we wrap up the compensation conversation by giving you answers to YOUR questions! Debbie shares practical ideas business leaders can use today when it comes to compensation planning, including pay compression, employee attraction and retention, inflation, competitive pay strategies, and more.

Listen to Discover:

- Pay is not based on inflation! Salary is a cost of doing business, and inflation is tied to the economy and the cost of purchasing goods. Inflation is tied to the cost of living, while salary budgets are tied to the cost of labor.

- Organizations that have already made market adjustments and are confident in market positioning are planning merit budgets of around 4 percent.

- Seventy percent of employers are planning benefit enhancements for 2023. Competitive health plans, generous vacation/sick/PTO, parental leave programs, remote work, and flexible schedules are differentiators.

Transcript:

Intro | 00:00:00:01 - 00:00:23:02
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;18 - 00;00;51;25
Well, hello, everybody. I am joined with Debbie Morgan today. She's our HR Content Manager here at MRA. She's been here for two years, but has really been in the business for 20 years now with HR experience and is really passionate about what she does. And I can say she's a pleasure to work with. But Debbie, I'm really excited to talk to you today to wrap up the 2022 CompTrends event and CompTrends survey.

Sophie Boler | 00;00;52;15 - 00;01;15;06
We talked to Mike and Brittany about this and they had great things to say. So we had over 1400 people register for the event, so we know it's a huge topic of interest to all of our listeners and our HR colleagues out there. But today, like I said, we're really here to just wrap it all up and we had a number of questions come in through our chat function.

Sophie Boler | 00;01;15;17 - 00;01;36;08
So we're going to take a look at some of the questions our members submitted. So the first question we really hear a lot when it comes to strategic compensation planning. So the data from the conference survey is collected months prior, but how can employers know what is happening in the current market to really plan for the coming year?

Debbie Morgan | 00;01;36;18 - 00;02;15;11
Yeah, that's a great question, Sophie. And I guess before we get too far into this, thank you for that great introduction. Yeah, I have over 20 years of crazy comp and benefits experience in what we're in right now, is definitely a unique market. So for companies that want to stay on top of it and really be up to date with those increases because they've been so turbulent and just so frequent last year, you're going to look at how, well, employers are going to have to do the math here.

Debbie Morgan | 00;02;16;08 - 00;02;47;21
So using those math skills, most people are going to start with the last increase that they gave people or the pay rate that people were at. Usually it's going to be starting January. That's the most common date to use. And you look at those on an annual basis and let's say the recommended increase is 4%, you're going to take the last pay increase and increase that by 1.04.

Debbie Morgan | 00;02;48;01 - 00;03;02;12
Now the "one" is "one" for one year later and then the .04 is the 4% that's trending and that'll get you where you should be for the following January if you originally started with January.

Sophie Boler | 00;03;02;18 - 00;03;10;25
Okay. Good to know. And then when we talk about crowdsourced compensation, is that a reliable source?

Debbie Morgan | 00;03;11;12 - 00;03;49;19
Yeah. Be careful when looking at crowdsourced data. I know if regular survey data is lacking or if you feel that it isn't keeping up with what you're hearing on the market, it's very tempting to give increases based on what your employees tell you or what you're hearing on the streets that other companies are offering. But, you know, a great example of that is when you see those giant billboards saying "now hiring up to $30 per hour" focus on that "up too", because you don't know what position that is referencing.

Debbie Morgan | 00;03;49;27 - 00;04;02;12
You don't know, you know, how much experience they're requiring to enter at that pay rate. So, you know, just be very cautious with that. Your most accurate data is going to come from surveys.

Sophie Boler | 00;04;02;15 - 00;04;12;22
Okay. So going along with that, can you tell us any other reliable sources that employers should use to do their market research on compensation?

Debbie Morgan | 00;04;12;22 - 00;04;47;25
Surveys are really going to be the best the best resource for you. Know the type of position that you're trying to cost out for. So if it's something that you're struggling with locally and you're recruiting locally for, try to use local data. If this is a position you're going to be recruiting from nationally, look at larger surveys that, you know, span a larger area: chambers of commerce, sometimes can be useful for that. ONET is a free resource.

Debbie Morgan | 00;04;48;11 - 00;05;16;16
It's put out by the Department of Labor. It's ONETonline.org. If you haven't used that before, you can make it very specific to the position, put in different specifics about it. Levels of education, levels of experience, things such as that, and also find that information based on you zip code, which is really great. Of course, MRA has awesome surveys for either local or national survey data.

Sophie Boler | 00;05;16;24 - 00;05;31;24
Okay, thanks, Debbie. Those are some great resources to take advantage of. So I have another big picture question for you. We're hearing that business is going to decline the rest of the year. How does business plan in such uncertain times?

Debbie Morgan | 00;05;31;24 - 00;06;00;09
Right now, it's so tricky. And the best recommendation is with cautious optimism, which I know sounds very vague and maybe a little frustrating for some people. But there are signs that show it could be related to industry. It's really too soon to tell, but really just take a look at what's happening in the environment and keep an eye on that and have your game plan ready if things start to fluctuate.

Sophie Boler | 00;06;00;17 - 00;06;18;08
Okay. And we talked a little bit about attraction and retention of employees the past couple of episodes. So we want to talk about that a little bit more with you today. So when posting a job, should the pay range really reflect the actual range or the budgeted range for a role.

Debbie Morgan | 00;06;18;18 - 00;06;58;14
That's going to depend on your company's strategy. Best practice is to use your current ranges because that's what's going to be communicated to employees. That's what managers are familiar with. And that way everyone is on the same page. If you are looking at hiring in the future, let's say six months down the road and you're putting, you know, your plan into place for that and you know you're going to be shifting your salary ranges, then you may consider doing that, but make sure before you begin promoting those different wages that managers, supervisors and everybody involved in the process is on the same page.

Sophie Boler | 00;06;58;25 - 00;07;11;28
Okay. And also related to attracting and retaining current employees, is there any guidance you have for what to provide current employees when offering a sign on bonus to any new hires?

Debbie Morgan | 00;07;12;16 - 00;07;50;07
This is something that we've heard employers are struggling with right now, that, you know, current employees who've been there maybe five, ten years are wondering, "okay, everybody that's coming in is now earning what I am." So what some employers have been doing is offering them different types of incentives or different things that they will find value in, such as paid time off, maybe the opportunity to flex the schedule if there are new job postings, give them the first option at either signing for them.

Debbie Morgan | 00;07;50;07 - 00;08;01;17
If you're a union organization or just letting them know first that there's going to be an opening and give them the option to kind of apply for that.

Sophie Boler | 00;08;02;08 - 00;08;16;00
But because of these bonuses and increases, we're also hearing concerns about pay compression. So can you review any best practices to address pay compression and any suggestions you have for an employer?

Debbie Morgan | 00;08;16;09 - 00;08;20;14
Yeah, pay compression is like the newest buzz word.

Sophie Boler | 00;08;20;14 - 00;08;21;01
Hot topic!

Debbie Morgan | 00;08;21;14 - 00;08;42;07
The news, hot topic and you know, not in such a great way. But again, it's going to be look at your salary structure and make sure that it's set and that it's sound and that you're following it. If you have designated pay ranges for certain positions, make sure you aren't red lining those and you're not going too far outside of those.

Debbie Morgan | 00;08;42;18 - 00;09;08;06
If you're going to start hiring new employees more towards the middle of those pay ranges, how does that look for the employees that are already in those jobs? If they've been there for several years and their first reaching the middle of those ranges, you're hiring new people there. What do you need to do to make that more equitable for the employees that have some tenure with you?

Sophie Boler | 00;09;08;06 - 00;09;18;12
And what would you say is the best way to solve pay compression for entry level positions because of the recently increased starting pay rate?

Debbie Morgan | 00;09;18;12 - 00;09;41;26
Sometimes that's an indication that you're going to want to look at where your pay ranges are right now. Again, if you're bringing on new people and you're consistently hiring them closer to the middle of your range, do you maybe need to shift that range? So they're now starting towards the bottom and then adjust the employees that are already there as well.

Debbie Morgan | 00;09;42;04 - 00;09;51;27
So if there's say, a three year employee that's closer to the middle, when you shift that new range, what's it going to take to keep them in the middle of that new range as well?

Sophie Boler | 00;09;52;03 - 00;10;10;06
Okay. And what is the best way to address a situation where you have an employee that's hired and they're earning a salary that's higher than someone in the same role with a good performance history and who has been with the company for several years. Advice on what to do for that situation?

Debbie Morgan | 00;10;10;06 - 00;10;40;15
Yeah, look at the new hire and really key aspects of the job. Is their level of knowledge about the same as the person who's already in the position is there? How many years of experience do they have in that type of role? What other things are they bringing to the job that may be compensable? And how does that compare to the person who's already in the job?

Debbie Morgan | 00;10;40;24 - 00;10;48;06
If it's very much the same, take a look at the people who are already in that role and even the playing ground level off.

Sophie Boler | 00;10;48;17 - 00;11;15;01
Gotcha. And then inflation was also a key topic in this year's Compensation Trend Survey, and we had a number of questions relating to this topic. But during the event, we actually had a member comment that during the last period of high inflation, which was in the seventies and eighties, a period I don't remember, it was really common to tie in the cost of living allowances to the Consumer Price Index.

Sophie Boler | 00;11;15;01 - 00;11;20;14
So is there any indication that companies will begin implementing COLA adjustments again?

Debbie Morgan | 00;11;21;03 - 00;11;53;17
Some companies have, and that's not always best practice because inflation is a very different concept than wages and you're paying somebody for labor. Inflation is based on the you know, what it costs to live and wages are based on the value of a job, how in-demand a position is. So while they still relate to business, they're two different directions of that.

Debbie Morgan | 00;11;53;25 - 00;12;11;18
So they shouldn't be based off of each other. When inflation increases, that doesn't necessarily mean wages should increase, just like when inflation comes down, you're not going to lower what you're paying everybody either. I don't think you'd get a favorable response for your employees.

Sophie Boler | 00;12;11;21 - 00;12;22;12
Right. And you kind of covered this in your last response. But how do organizations really combat expectations that salary increases will match the inflation rates?

Debbie Morgan | 00;12;24;00 - 00;12;49;22
That's a great question. And I know a lot of people, a lot of companies are asking that same question because employees do come to that. My children asked me about this when they got their pay increases this year and why aren't they keeping in line with inflation? And they're really two different concepts. Inflation is related to what it costs to live and what it costs to purchase goods.

Debbie Morgan | 00;12;49;22 - 00;13;19;28
And basically, you know, your groceries and things such as that where, you know, businesses look at the value of a job and what the market is driving for that job. It's more based on, you know, is the job high in high demand? And you know, what is it going to take to keep that employee in that market versus having them go to one of your competitors?

Sophie Boler | 00;13;20;13 - 00;13;34;26
Okay. I gotcha. And we've also heard that employers are really being more creative with their pay strategies. And you've covered a little bit about this, too, but what are some effective hourly incentive compensation strategies that you've seen?

Debbie Morgan | 00;13;35;06 - 00;14;02;15
A lot more employers are looking at that as well, because even though your neighbor down the road might be increasing wages, that doesn't necessarily mean that your budget has room for that. So employers are looking at things that are either more cost effective or no cost at all, such as flexible work schedules. Some companies are that we're going to bring employees back into the office are continuing to offer the option of working from home things, other little benefits like pet insurance or child care. You know, additional paid time off really speaks to some people as well. One of the biggest suggestions is to listen to your employees and find out what they value and see if you can do something related to that.

Sophie Boler | 00;14;32;26 - 00;14;40;06
And what recommendations do you have for companies to manage the frequency of salary reviews in these changing times?

Debbie Morgan | 00;14;41;16 - 00;15;06;22
Well, you know, again, if you look at your salary structure and if you have one in place and you feel that it's very solid, stick with that. And if it seems to make sense that your annual reviews are keeping pace with the market, then it may not be necessary to do anything. If you haven't done a salary review, this could be a really good opportunity to do that and kind of tighten things up.

Debbie Morgan | 00;15;07;14 - 00;15;15;12
Take a look at what the market is and how that's pacing and try to develop your your process around that.

Sophie Boler | 00;15;15;28 - 00;15;28;15
So what if a company has already made several wage adjustments to remain competitive regarding merit? What percentage increase should employers use to stay competitive?

Debbie Morgan | 00;15;28;29 - 00;15;54;17
Well, the predictions for the upcoming year, so for 2023, are around 4%. That's what we've been seeing from a lot of the most popular resources, including MRA's, our CompTrends. So, you know, take a look at that. Even though you've made adjustments in the past, that was pretty much to get in line with what everybody was doing at that time.

Debbie Morgan | 00;15;55;23 - 00;16;02;14
Companies are still forecasting for next year. So stick with that. And, you know, look at doing market increases.

Debbie Morgan | 00;16;03;24 - 00;16;05;01
Keep doing what you're doing.

Sophie Boler | 00;16;05;20 - 00;16;27;01
And in addition to being creative with pay increases, employers are also being creative with their total rewards. So at MRA, we often say it's not a benefit if the employee doesn't see it as a benefit. So what are some of the most creative benefits that you've been seeing and the most impactful ones for employee retention?

Debbie Morgan | 00;16;28;07 - 00;17;10;21
Again, it's going to be tied to what your employees want. One of the most popular benefits we've been seeing is tied to time off or additional vacation days, maybe adding another holiday, maybe providing the option to flex time or work from home or other things have started to creep in. Everybody knows about the COVID pets and you know, now that people are heading back into the office or maybe they're moving to a four day workweek, so those days are longer, you know, pet insurance or helping with like doggy day care or child care have become popular benefits as well.

Sophie Boler | 00;17;10;28 - 00;17;21;18
And you mentioned PTO in your last statement. So is two weeks of vacation for new hires still competitive or do you have other recommendations for that?

Debbie Morgan | 00;17;21;18 - 00;17;45;20
Yeah, I'm going to give you the it depends answer. Entry level positions, some manufacturing positions, things such as that may still do two weeks, but most other professional positions or when you're hiring people with experience, even a couple of years of experience, two weeks is not going to be competitive. It typically will start at at least three weeks.

Sophie Boler | 00;17;45;29 - 00;17;59;27
Gotcha. Okay. Well, I have so many more questions, but it looks like we might be out of time, unfortunately. But can you tell the listeners where to go to get any more information on their compensation questions?

Debbie Morgan | 00;17;59;27 - 00;18;34;12
Absolutely. Our survey team is an incredible resource as everyone listening to this probably knows. CompTrends was one of our most popular surveys. I think to date, as you mentioned, 1400 viewers or participants. So it's definitely what people want to know. And they work with us, do that every day. Our compensation team as well is incredible and they've been working with our members to find really creative solutions to some of the things that are going on.

Debbie Morgan | 00;18;35;08 - 00;18;56;02
Inflationary responses when companies are concerned about that. But just taking a look at their pay structure too, our hotline is an amazing resource also. They're, you know, answering questions all day, every day. So if you have a quick ask or are looking just for a resource, give our hotline a call too.

Sophie Boler | 00;18;56;22 - 00;19;24;11
And thank you too for all of your hard work, and for the listeners, you can definitely connect with Debbie on LinkedIn and she's there to answer your questions. So we have links to some of these resources in the show notes below and have put Debbie's LinkedIn profile in there too. But otherwise, we will see you next week when we're joined with Jim Morgan to talk more about talent attraction, candidate experience, the onboarding experience, all that fun stuff.

Sophie Boler | 00;19;25;05 - 00;19;49;26
But thank you again, Debbie. This was awesome. A lot of great information, and we will see you guys next week.

OUTRO | 00;19;50;13 - 00;19;56;25
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 MRA 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 conversation.