

NEWSLETTER

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Competing in the Compensation Market



Are you losing top-performing employees or struggling to recruit fresh talent? Are your compensation offers competitive enough?

Is it your role to perform annual salary reviews? Have you been asked to reduce management pay over the next year? Are there complaints of a lack of equity within your organisation?

***Salary benchmarking helps organisations to:
attract and retain talent, create and keep a competitive edge,
manage the bottom line, and maintain the organisation's reputation.***

One of the challenges of setting remuneration packages is making sure that the compensation you are offering is in line with the rest of the market.

Determining the appropriate salary for individuals in your company is essential to your business for a number of reasons. There is a battle for top talent in our current market and potential hires are more informed than ever about the market rate of their position's salary. They weigh their decision based on a range of factors: opportunities for advancement, development programmes, commute time, and corporate values. The key factor is total compensation package including benefits and perquisites.

Within the context of an overall HR and organisational plan, salary surveys can provide valuable benchmarking information for comparing salaries and benefits packages so you can make well informed compensation decisions.

A well done benchmarking and analysis can assist you to:

- control costs;
- mitigate legal risks by providing structure to ensure internal equity;
- maintain market competitiveness; and
- enable your organisation to attract, motivate, and retain talent.

What is Compensation Benchmarking?

Compensation Benchmarking is the process of using internal job descriptions to match against similar positions in order to determine the external market rate for each benchmark position.

This is accomplished by identifying similar jobs that are offered by competitors and determining what compensation is offered to the incumbents in those jobs. Performing compensation benchmarking requires acquiring the necessary research data to perform the comparison between the salaries offered by competitors and the salaries offered by the company in question.

The goal of compensation benchmarking is to provide important information to help drive the goals of your organisation and ensure market competitive and fair pay practices.

A salary survey is a standard method of establishing what other organisations are paying for specific jobs or job classes. Large organisations in particular, routinely conduct compensation surveys to determine prevailing pay rates and benefits.

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Why is compensation benchmarking important as a “best practice”?

Establishing market rates for core positions within an organisation is important for a number of reasons. First and foremost, it guides decision making for pay decisions including hiring, promotions, internal equity salary adjustments, and general compensation budget planning. Because labour costs are the largest cost to any organisation, a solid understanding of the external value of each position allows an organisation to develop an approach for setting an overall compensation philosophy or a guide for salary level.

The ability to balance the need to attract and retain talent with the fiscal responsibility of the organisation is a key priority for Executives. Compensation Benchmarking provides the information leaders require to define the costs associated with salaries and other compensation components such as profit-sharing or bonuses. Also, salary benchmarking ensures compliance with regulatory guidelines and requirements for equity.

For the purposes of comparability, salary surveys can be conducted to determine pay levels for specific jobs within other organisations. In other words, determine what other companies in your industry, geographic location, and size category are paying their employees for similar jobs. Combined with the knowledge you have about the internal worth of your organisation’s positions, external market data helps ensure your organisation is paying employees competitively. However, many organisations do not have the required resources to collect or analyse the data in the most useful way.

A key to successfully using the data contained in a salary survey is to understand the assumptions and criteria used to collect the information. Finding surveys that clearly report the basis for collection and dissemination of information will assist in ensuring that you are referencing a survey that is relevant for your organisation. Salary surveys need to be readily comparable and scientifically credible to be useful for benchmarking.

How to Match Your Internal Jobs to Your Survey Data

In order to conduct a compensation benchmarking project, the first step is to update your current job descriptions. It is then essential to identify salary surveys which include similar jobs in comparable industries and similarly sized companies. It is crucial that you ensure you are matching your jobs to the right benchmark jobs, to confirm the accuracy of your analysis. In addition to the direct cost of the survey, you will have an indirect cost of actually doing this analysis work.

Consider these three (3) Matching Factors:

Job Matching	Sector Differences	Compensation Breakdown Differences
It is very important to use a reputable salary survey to complete compensation benchmarking so that the matches made to the market are as accurate as possible. Compensation consulting companies employ compensation analytical professionals trained to compile, analyse, and publish data in a confidential and robust manner, ensuring a true representation of pay levels in the market.	Pay also varies widely by sector. For example, two (2) CEO roles in companies with a similar turnover can receive vastly different remuneration depending on the type of business and industry.	The value of different components of the package can vary greatly. This means that comparing basic pay or even basic pay and bonuses is unlikely to reveal the full picture. This is why it is so important that salary benchmarking considers all aspects of remuneration.

Compare apples to apples

Many companies use salary surveys to set the compensation levels for their organisations. However, it is not always as easy as reading a survey and using the information. It is important to make sure that you are comparing information that is similar. You must have accurate compensation data that reflects real-time market rates and truly matches your organisation and your employees. Below you will find tips on how to generally assess a salary survey and get the most out of the information presented.

10 Things to Look for in a Benchmark Compensation Survey

- 1 Year of data collection & date of the report**
 - Labour market forces can result in significant changes in salaries in a short period of time. More recent data will be more useful in establishing current salaries.
 - HRC Associates' 2015-2016 Compensation Report contains the latest data set collected between April & September 2015.
- 2 Is the survey a one-time event or is it repeated?**
 - Repeat Surveys provide an added advantage of showing trends in salaries over the years of the survey.
 - HRC Associates has been conducting Compensation Surveys for over 25 years, so we offer the only continuous compensation reports on T&T. We are the most recognised source of compensation data in the Caribbean.
- 3 Job descriptions or Position profiles**
 - It is important to look at matching jobs with the job duties and responsibilities, not just job title, when deciding if salary survey information is comparable.
 - We offer compensation data comparisons to 270 current salary profiles for Executive, Managerial, Professional, and Technical positions.
 - Over 300 Job Summaries are specifically defined for reference.
- 4 Country or region**
 - The best salary comparisons will come from other organisations in the same country, with similar labour market characteristics and a similar cost of living.
 - Our surveys cover 12 distinct industry sectors within Trinidad & Tobago and we also collect data for specific industries within the Caribbean.
- 5 Size of respondent organisations**
 - As a general rule, larger operating budgets mean higher salaries, therefore, you must compare against organisations of a comparable size.
 - Survey data is collected on our participants' company size using metrics such as: number of employees, total revenue, net profit, and total assets.
- 6 Types of respondent organisations**
 - Are the functions, services offered and clientele of the organisations in the salary survey comparable to your organisation?
 - Our survey lists participants in each sector in order to provide better comparisons.
- 7 Validity and Methodology**
 - For information to be valid it has to come from a large enough sample size.
 - Our sample size of 154 organisations is the largest national survey conducted for Trinidad & Tobago.
 - It is important to understand the methodology used to conduct the survey.
 - Our depth of analysis matches job roles to responsibilities in 3 key factors utilising HayGroup methodologies.
- 8 Usability**
 - The user must have enough information to help easily understand the data.
 - The report is easy-to-use for non-specialists and defines all technical terms used.
 - We continuously work to improve our survey. Our expert analytics team is dedicated to providing the most complete and accurate compensation results.
- 9 Look at all of the numbers**
 - The salary range for a position provides more useful information than the actual salary an individual is being paid, which may be influenced by a person's experience & qualifications.
 - We provide depth of analysis you need. Salary ranges are reported for Mean Average together with high and low Quartiles, and Frequency Distributions.
- 10 Consider the total compensation package**
 - Having information on the total compensation package allows for better comparisons, without which you might not have the full picture and make assumptions - higher salaries may be compensating for no benefits.
 - We report results for Total Cash Compensation (Base Salary + Cash Allowances + Short-term Incentives) and we also include a section on Benefits: pension, life insurance, medical plans and other employee perquisites.

Applying Your Compensation Strategy to the Data

Once you select sources for the data you believe will give your organisation the best quality and value, the next step is to apply your organisation's compensation strategy to the data. Your strategy defines the plan for compensation and links your total rewards strategy to the organisation's business strategy.

Your compensation strategy will answer important

questions for your salary benchmarking projects, such as: *How do we define our competitive set? Where do we want to be relative to our competition, namely lead, meet or lag? What are the goals of our compensation programme, such as drive performance or reward longevity?*

It is not enough to just define the strategy but in order to earn employees' trust, you must be transparent.

- **Make Setting Salary Ranges Easy • Eliminate compensation guesswork • Make the correct job matches • Stop overpaying employees • Reduce the risk of losing your top performers • Save Time and Money on Compensation Benchmarking •**



Our latest Survey analyses national data by base pay, incentive pay, and total cash compensation (base salary, bonus, and direct cash perquisites) for over 3,800 incumbents in 270 Executive, Managerial and Professional positions, across 12 industry sectors in Trinidad and Tobago.

This year's survey continues to analyse trends in executive reward programmes, including cost control, pay for performance and the incidence of short and long-term incentive compensation.

Contact us at consulting@hrc-associates.com or 868-285-4HRC to request a copy of the **2015-2016 Compensation Report: Executive, Managerial and Professional Positions**.

HRC Associates – Compensation Consulting Services

Compensation is a part science and mostly art. Knowing when to eliminate data points, how to age data, and when to adjust and weigh the data is critical. If the final analysis is incorrect, it could result in unintentionally leading or lagging the market thereby having difficulty in attracting key talent. The cost of losing competitiveness is something we cannot begin to put a price on for you.

- **Survey Library and Compensation Tools:** HRC Associates has an extensive library of reliable, well established surveys covering a number of industries, geographic locations, and revenue sizes in addition to tools that help accurately analyse the data.
- **Custom Surveys:** As third-party specialists, we can provide compensation benchmarking services to ensure that all positions are documented and benchmarked with the external market accurately. We can also customise these surveys to your specific company. Should you need assistance with your job descriptions, we can help with that too.
- **Compensation Specialists:** Salary benchmarking compares the total compensation package, including basic salary, cash bonus, share bonus, long term incentive plans (LTIs) and pension, with those of executives in similar organisations. The data can be split by sector, revenue and/or business size to help you get an accurate picture of how your remuneration levels compare. Finally, once you have the market data, we can also give recommendations and guidance on next steps. For example, Employee Analysis - identifying which employees are below or above market and what it would cost to bring them to market, and how to effectively communicate changes to your employees.