

Communicating Compensation – 2011 Style

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**WorldatWork Total Rewards 2011
Conference**



Introduction

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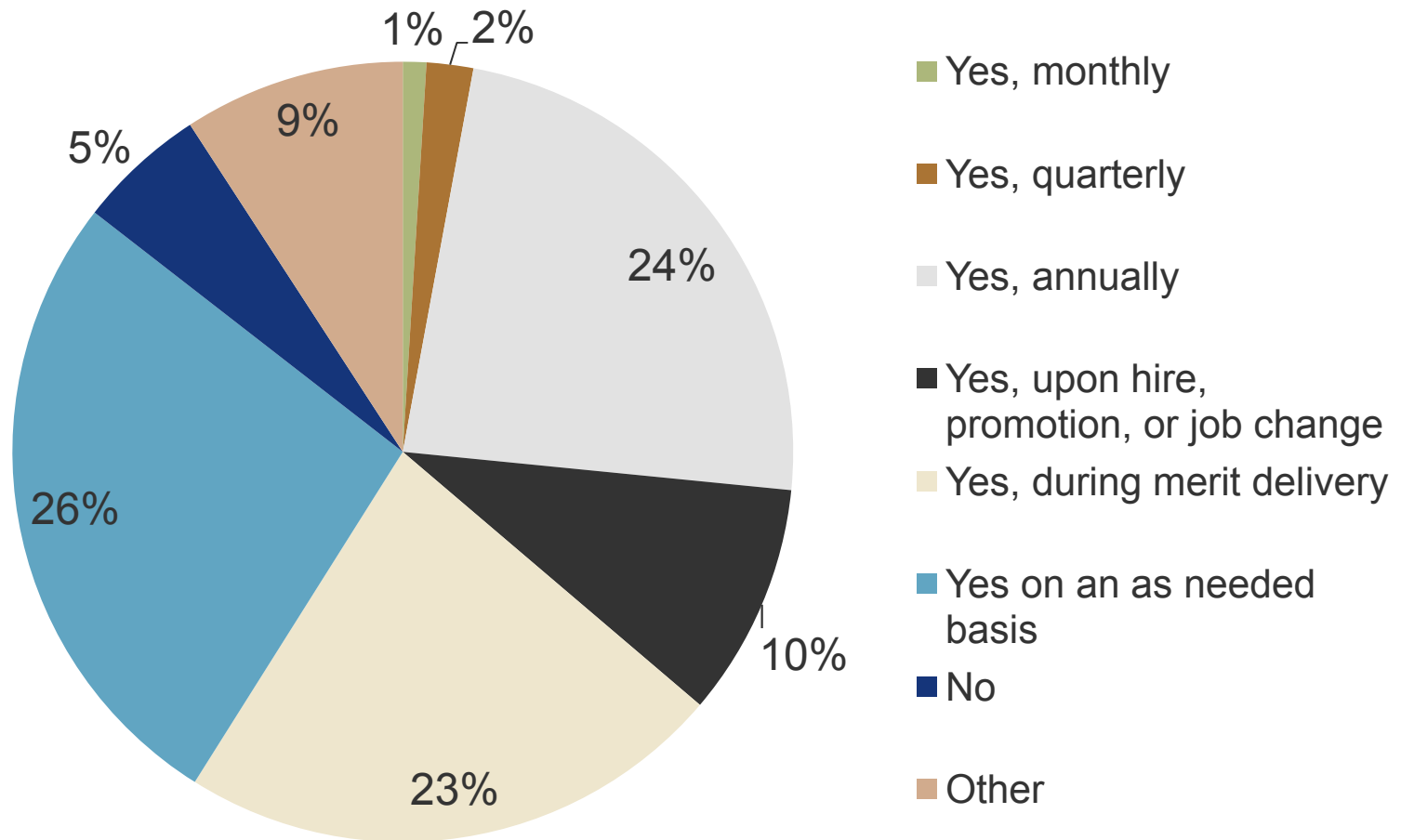
■ Agenda.....We Will Cover:

- Internal and external influences on compensation communication approaches
- Current trends and new techniques to communicating compensation
- How to communicate a new compensation program
- Results from a recent survey on compensation communication elements
- Provide a compensation communication checklist
- Q&A

Quick Poll



Does your organization communicate compensation information to employees?



■ Communicating Compensation: Starts With a Strategy

- All companies must articulate their compensation communication strategy; considerations include:
 - Align with the business strategy;
 - Supported by the top executive(s);
 - Modeled by the top executive and the executive team.
- Business objectives of communicating compensation typically include:
 - Awareness
 - Motivational
 - Understanding
 - Appreciation
- Refine and revisit your communication strategy often

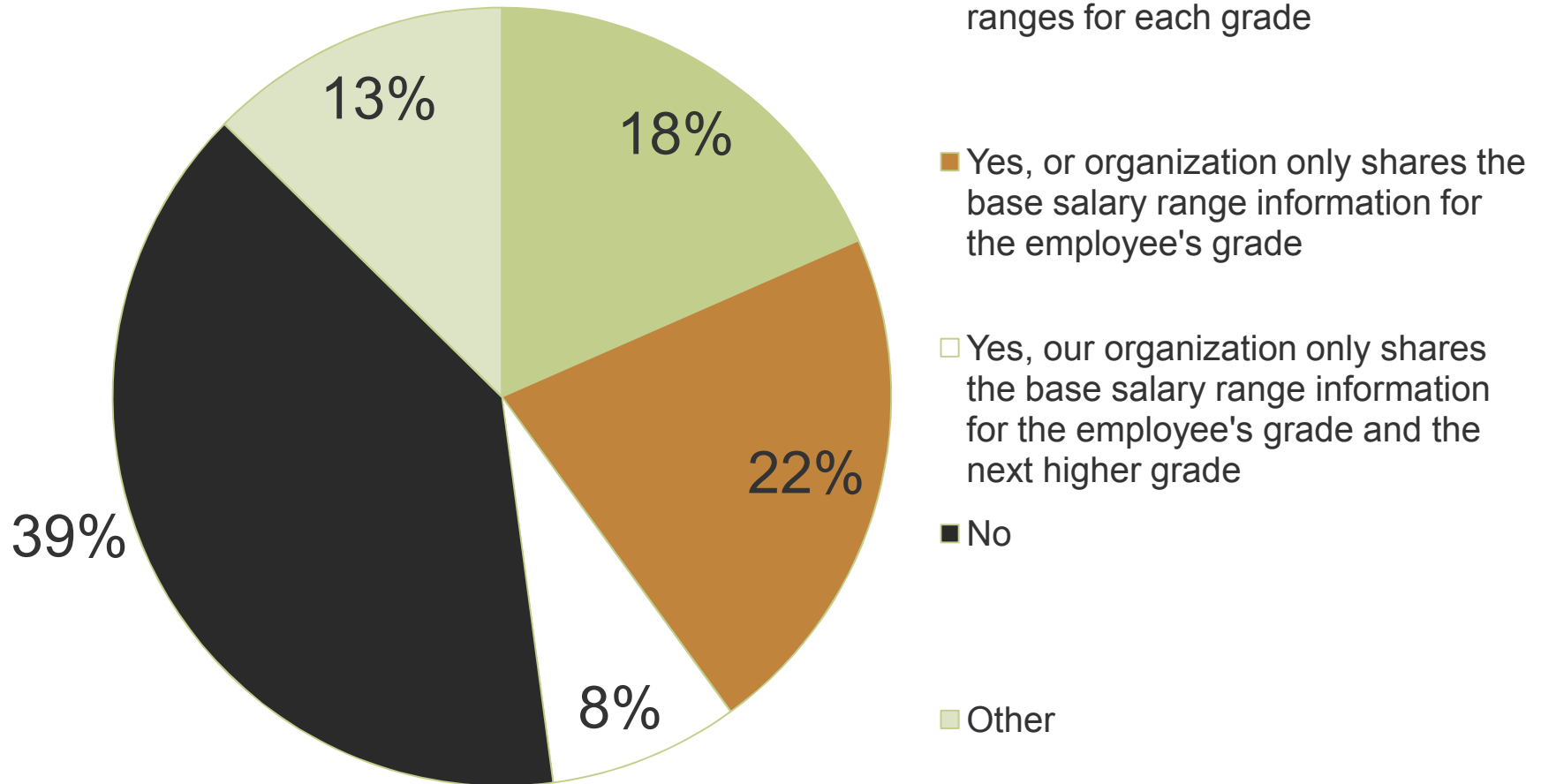


■ What Compensation Elements to Communicate

- Compensation philosophy and strategy
 - Pay for performance
 - Risk/reward relationship
 - Competitive pay position/pay mix/peer organizations
- Base pay
 - Pay strategy
 - Merit policy and timing of increases
 - Salary administration (levels, grades, bands, etc.)

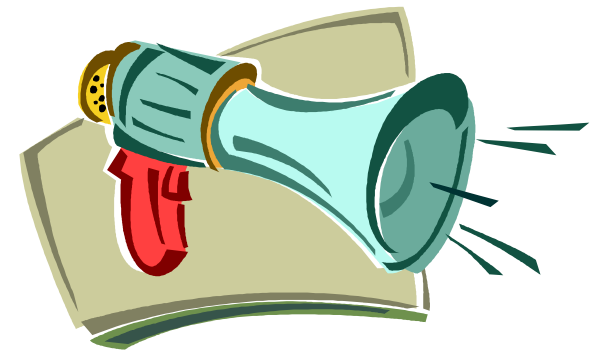


Do employees have access to base salary range information?

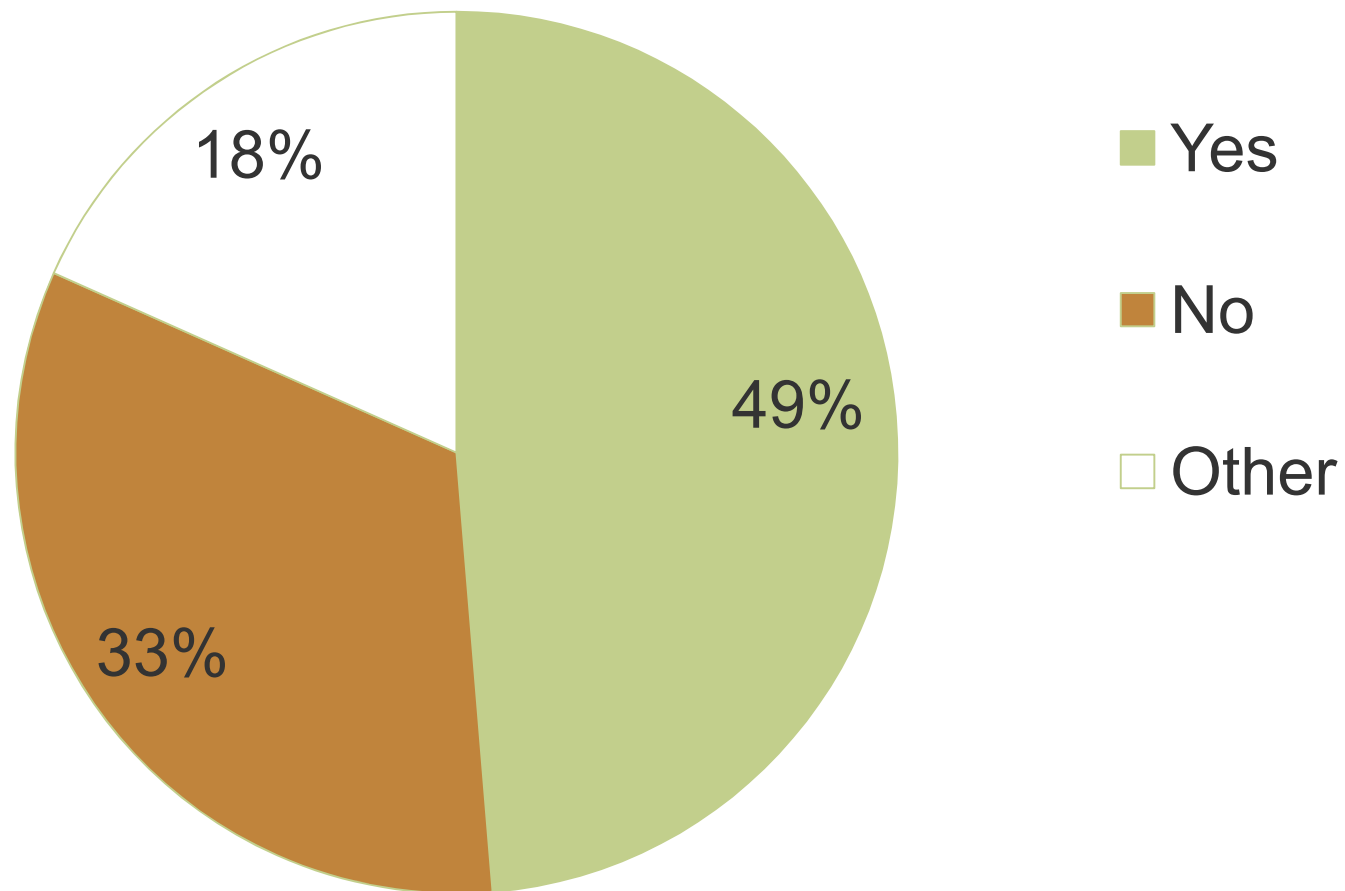


■ What Compensation Elements to Communicate

- Variable pay
 - Eligibility (who, when, etc.)
 - Objectives, link to business strategy, payout terms
 - Targets, progress, expected payout
 - How program works
 - Equity plan details (vesting, tax implications, etc.)
- Legally required communication



Do managers formally communicate to employees what they can do to increase their compensation?



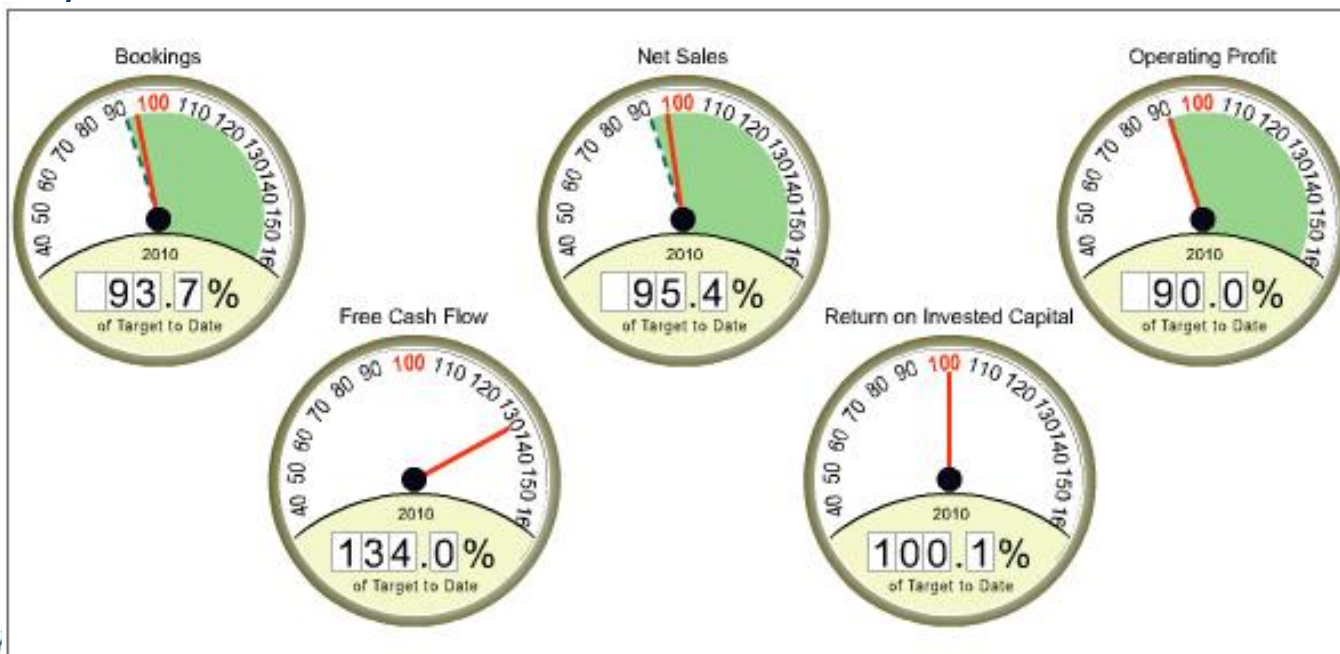
Which statements apply to your organization's short-term incentive plans?

- 16.2% of organizations do not have a short-term incentive program
- 66.5% of employees know their target annual incentive opportunity
- 12.6% of employees know the target annual incentive opportunities for other participant tiers
- 51.8% of organizations communicate performance related to goals during the plan period
- 31.4% of employees clearly understand how incentive plans work

Example of Short-term Incentive Communication

Performance Progress Dials

- Updated quarterly
- Post earnings call
- Positive response to dials from employees; popular site each quarter
- Site contains calculator for Performance Sharing, numerous links to learn more about the programs and other related information (dates, etc.)

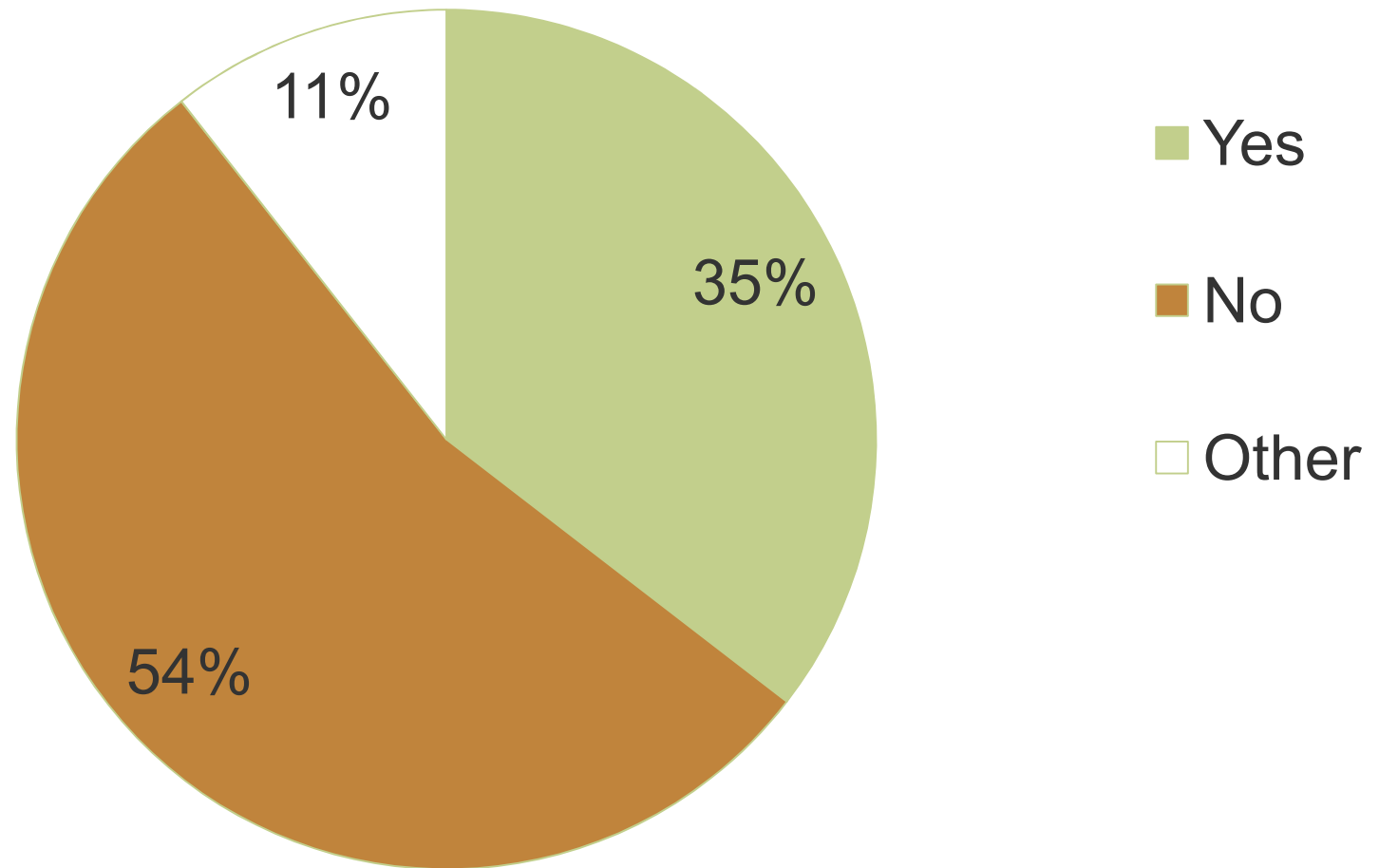


■ Communication Targets

- Identify the audience: Who are your targets?
 - Managers, supervisors
 - Professionals
 - Salaried, hourly workers
 - Union employees
 - Other segments
 - Prospective or future employees
 - Family members of employees
 - Other employee segments or groups



Does your organization provide total reward communication training to managers?



■ Communication Channels

- Face-to-face

- Meetings
- Presentations
- Workshops

- Real-time interaction/feedback
- Verbal and nonverbal information
- Delivery from trusted source

- Paper-based

- Brochures, booklets
- Newsletters
- Letters and memos

- Read at own pace
- Reference & share with others later
- Consistency

■ Branding

- Why use HR branding?
 - Using or creating an HR brand complements and supports the corporate/organizational brand to more effectively communicate compensation programs
 - Establishes a consistent image
 - Improves employee attraction and retention
 - Contributes to a recognizable corporate and employee culture



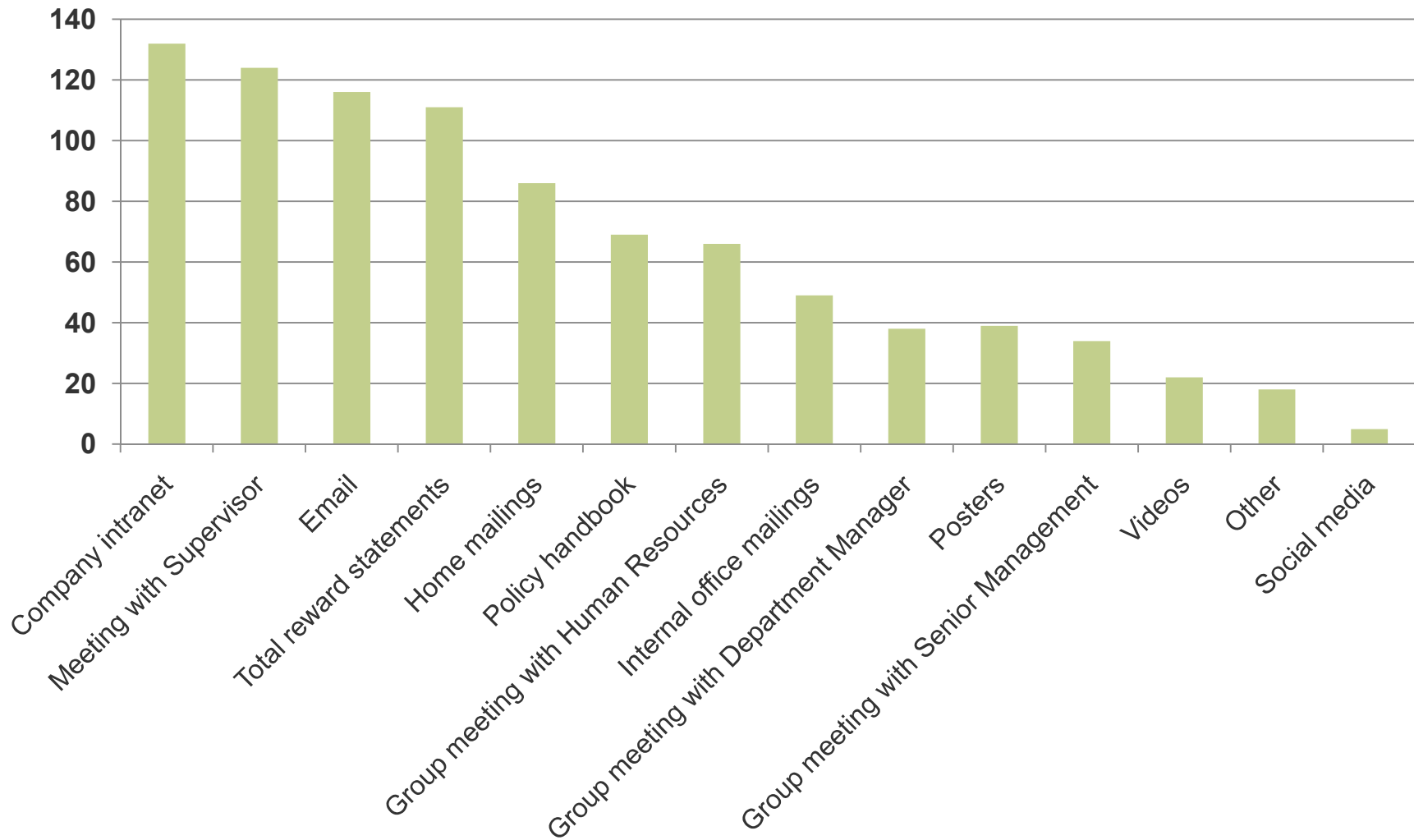
■ Communication Channels

- Technology-based

- Websites
- CD-ROMs
- E-mails
- Portals
- Podcasts
- Kiosks
- Video, web conferencing, webcasts

- Deliver message quickly, conveniently, and in cost effective manner
- Communicating time-sensitive information
- Employees search and access data as needed

What methods are used in your organization to communicate compensation and/or benefits programs?



■ Communication Channels

- Selection considerations
 - Audience
 - Location
 - Culture, language
 - Preferred method of communication
 - Resources
 - Cost, budget
 - Time

■ Compensation Communication Frequency/Timing

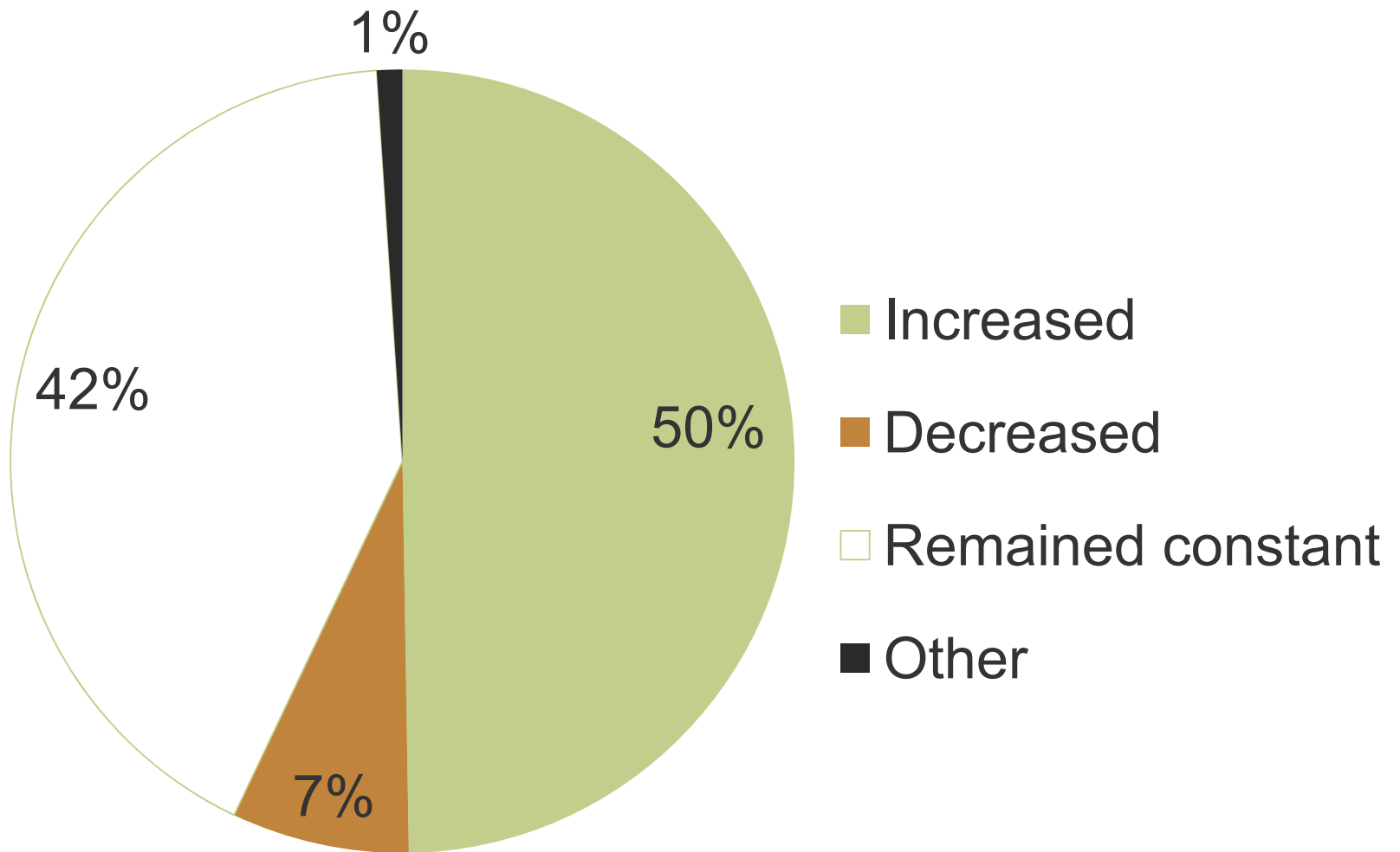
- Companies must determine timing of communications for key events and milestones, typically including:
 - Annual (e.g., focal review)
 - Semi-annual
 - Monthly or quarterly (e.g., in conjunction with periodic processing of special incentive programs)
 - Ongoing (intranet/ESS portal site with 24/7 access)



Quick Poll



In the last two years, communication about compensation at your organization has:



Compensation Statements

- Compensation statements illustrate the value of rewards, helping employees to make informed decisions. Characteristics include:
 - Delivered electronically, in-person by managers, or both
 - An introductory statement from a key executive
 - An overview of total compensation, with charts / tables
 - In many cases, a “before” and “after” of focal review results
 - In some cases, all employer contributions
- Statements can range from a single page to over 10 pages
- May be developed in-house or with help of an outside vendor

My Total Compensation

My Annualized Pay	\$43,383
Salary/Wages	\$41,258
Bonus (at maximum potential)	2,125
My Paid Time Off	\$4,611
<i>(Included in Annualized Pay)</i>	
Holidays (9 days)	\$1,431
Sick/Personal (9 days)	1,272
Vacation (12 days)	1,908

My Other Annualized Benefits	My Contribution	WIGDA, Inc. Contribution
	\$8,879	\$14,356
Social Security & Medicare tax (FICA)	\$3,204	\$3,204
Federal Unemployment tax		56
State Unemployment tax		561
Workers' Compensation		42
Medical/Vision/Rx Drugs	1,271	5,451
Dental	256	198
Short-term Disability (\$635 per wk.)		269
Long-term Disability (\$476 per wk.)		226
Long-term Care (\$36,000)		47
Life Insurance (\$42,000) and AD&D		114
FSA Administrative fee		72
FSA Medical	1,800	0
401(k) contribution (annualized)	2,648	1,324
Profit Sharing		2,794

My estimated 2007 Total Compensation is \$57,739

My Paid Time Off + Other Benefits = 33% of my Total Compensation.

NOTES:

Your **Paid Time Off** is estimated as of January 1, 2007, based on your hire date of August 3, 2001, and includes all available sick/personal days.

Pay for Time Worked represents your Annualized Pay minus your Paid Time Off.

Commissions You are eligible for commission based on team performance. This amount will be calculated after the end of the year.

Dental "WIGDA, Inc. Contribution" is based on the company contribution for the administrative fees paid for you (and your eligible dependents, if applicable). Your dental plan is "self-insured" by WIGDA, Inc. which means 100% of paid claims are paid by WIGDA, Inc. During 2006, WIGDA, Inc. paid over \$82,870 in dental claims on behalf of our employees.

Short-term Disability "WIGDA, Inc. Contribution" is based on the company contribution for the administrative fees paid for you. When you receive short-term disability pay, 100% of the payment you receive is paid by WIGDA, Inc. In the event you become disabled, you are eligible for salary continuation for up to six months. During 2006, WIGDA, Inc. paid over \$69,989 in short-term disability directly to employees.

Long-term Disability is paid to you if you remain disabled beyond 90 days; if disabled, you would be eligible for 60% of your weekly rate.

Long-term Care is provided for you at no cost. You may supplement this amount for yourself and your eligible dependents and family members at reduced rates.

Life Insurance and AD&D is based on your estimated annualized salary/wages and does not include overtime, bonus, or commissions. WIGDA, Inc. also offers supplemental life insurance for you, your spouse, and eligible dependents at reduced rates.

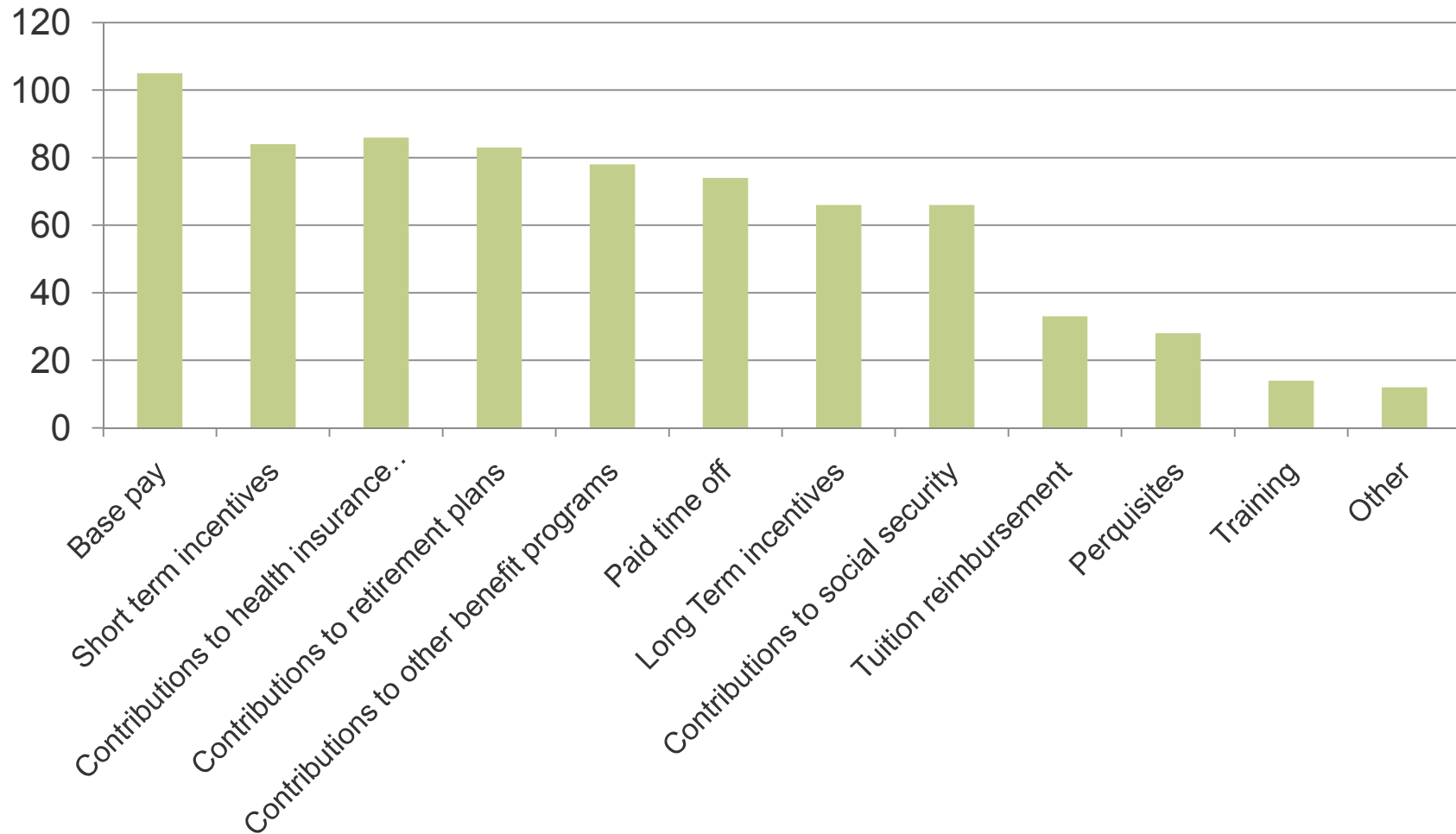
401(k) contribution is matched at \$50 for every dollar you contribute to the company sponsored 401(k) up to 6% of your eligible wages. Your contribution to the 401(k) as of January 1, 2007 is \$2,648. The company match is \$1,324. Company contribution to the 401(k) requires five years to be 100% vested. You are always 100% vested in your contributions.

Profit Sharing represents the additional money that WIGDA, Inc. contributes to your 401(k) for your retirement benefit. The amount shown represents the contribution made this year on your behalf for service during 2006. This contribution to the 401(k) requires five years to be 100% vested. For 2006 WIGDA, Inc. paid over \$785,064 in discretionary profit sharing.

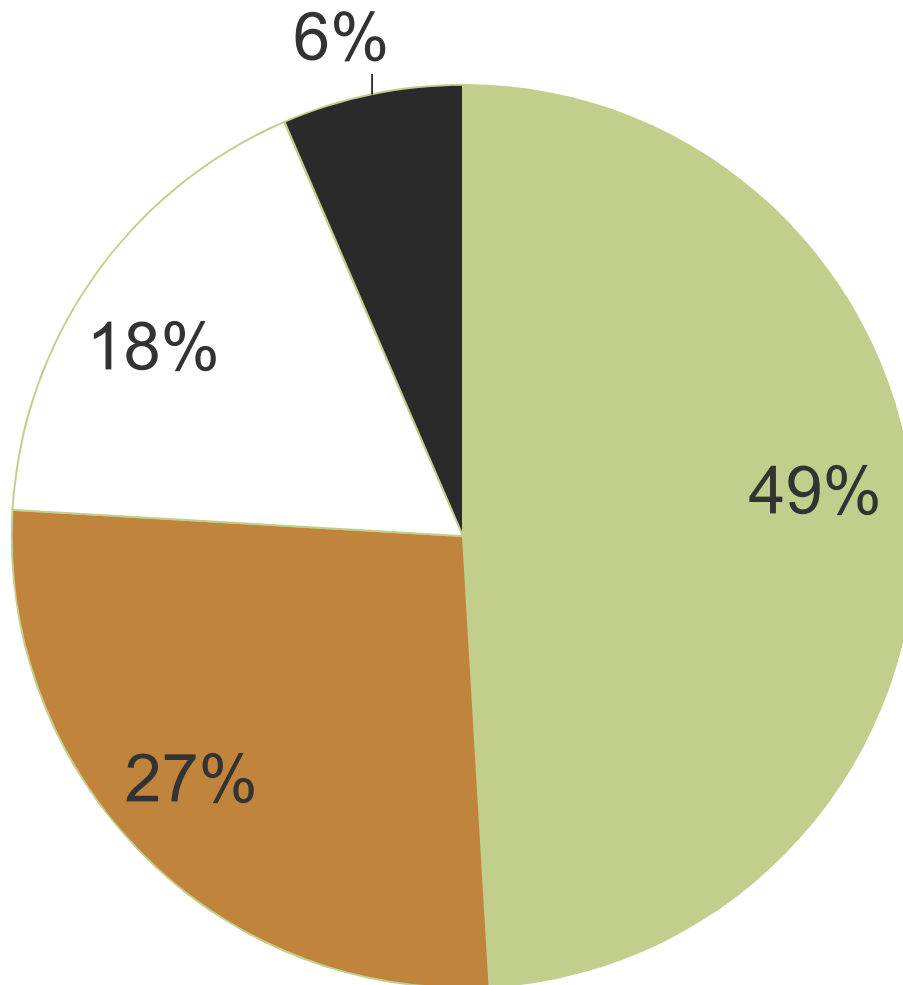
In preparing this personalized benefit statement, we have made every effort to ensure that the information disclosed is accurate. This type of summary can present only an overview of your benefit package. In case of any conflict or omission the legal Plan Documents must prevail.

All 2007 dollars represented in this document are estimates based on actual data as of June 1, 2007. All 2006 dollars are actual.

What information is included in the Total Reward Statement?



Who completes the Total Reward Statements?



- Human Resources staff
- Partially outsourced to a third-party vendor
- Fully outsourced to a third-party vendor
- Other

■ Communicating a New Program

- Implementing a new or revised compensation plan requires ongoing, detailed communication.
- You've got to sell the new plan to your employees.
- ROI on your compensation program is diminished by sloppy communication – develop a structured approach!



■ A Structured Approach – Six Steps

- Decide who will serve on your communication team and what their role will be
- Determine your communication objectives and key messages
- Identify the key audience groups
- Select the best methods of communication
- Create a detailed project plan – very important!
- Measure your progress.

■ Delivering News in a Down Economy

- Communicating negative information about compensation & benefits is a major challenge.
 - ✓ Wage freezes
 - ✓ Lack of bonus funding
 - ✓ Salary reductions
 - ✓ Lay-offs
 - ✓ Red circling
 - ✓ Reduce 401(k) match
 - ✓ Higher employee premiums
 - ✓ Discontinuation of certain benefit plans



■ A Well-crafted Communication Plan will Lessen the Blow

- Consistent, clear communication will help morale: Who? What? Where? When? Why?
- Lead with humanity and empathy
- Communications should address likely questions from employees
- Finding the right tone is important
- Give sufficient notice - Nobody likes surprises
- Encourage dialogue!

Communication Language

Don't...	Instead...
<ul style="list-style-type: none">• Use complicated compensation terms• Express dissatisfaction with the pay or performance decision• Say, "HR made me do it!"• Reveal pay or performance of other employees	<ul style="list-style-type: none">• Ensure employee understands the terminology• Keep comments on the pay system neutral; explain rationale rather than opinion• Explain how pay and performance decisions are made• Inform employee where his/her pay stands relative to the target range

■ How Successful is Your Communication Strategy?

- Evaluation of compensation communication programs is a continuous process
- Have you stopped to measure its success?
- Considerations for evaluating your communication plan:
 - Focus Groups
 - One-on-One Interviews with key individuals
 - Surveys
- Communication metrics



■ Communicating Compensation Checklist

- ✓ Set your strategy; establish communication champions
- ✓ Define the elements which need to be communicated
- ✓ Determine how and when you want to communicate
- ✓ Consider population needs/wants: generational, cultural, geographic, etc.
- ✓ Utilize available technology platforms
- ✓ Plan out new program communications carefully
- ✓ Ongoing evaluation of communications strategy is a must

■ Questions/Sharing From the Audience



Manager's Quick Checklist to Face to Face Pay Discussion

- **Preparation**
 - Schedule face-to-face meeting in a quiet, comfortable, private location
 - Review performance documentation in advance of meeting; anticipate employee's reaction and prepare accordingly
 - Understand the Company position, philosophy, economic situation, total compensation mix, etc.
 - Know the details before the meeting begins
- **Conducting the Meeting**
 - Avoid interruptions and distractions (e.g., mute phone)
 - Mindset check. Approach the meeting as a meaningful interaction rather than a burden on time
 - Briefly explain purpose of meeting; put employee at ease
 - "Own" the pay decision. Discuss the decision and explain why "we do what we do."
 - Deliver an honest, clear message when celebrating achievements and coaching improvement opportunities.
- **Two-Way Dialogue**
 - Listen attentively to the employee, accept feedback and answer questions
 - Ask questions to ensure understanding before providing feedback and constructive suggestions
 - Allow ample time for discussion
- **Commitment to Action**
 - Express commitment and support for employee's success
 - Commit to follow-up if questions or concerns can't be resolved during meeting
 - End meeting on a positive note. Saying "Thank you" is a good start
 - Focus on next steps and follow up activities

Seize the opportunity to develop a positive relationship, build mutual respect and reinforce key points