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HR’s Guide to Communicating Compensation
Introduction

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Agenda

- Internal and external influences on compensation communication approaches
- Current trends and new techniques for communicating compensation
- How to communicate a new compensation program
- Results from a recent survey on compensation communication elements
- A compensation communication checklist
- Q&A
Quick Poll
Does your organization communicate compensation information to employees?

- Yes, monthly: 10%
- Yes, quarterly: 9%
- Yes, annually: 24%
- Yes, upon hire, promotion, or job change: 26%
- Yes, during merit delivery: 23%
- Yes on an as needed basis: 10%
- No: 2%
- Other: 1%
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?

- 39% Yes employees know base salary ranges for each grade
- 18% Yes, or organization only shares the base salary range information for the employee's grade
- 22% Yes, our organization only shares the base salary range information for the employee's grade and the next higher grade
- 13% No
- 8% Other
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**
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?

- Yes: 35%
- No: 54%
- Other: 11%
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
• 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
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)
In the last two years, communication about compensation at your organization has:

- Increased: 50%
- Decreased: 7%
- Remained constant: 42%
- Other: 1%
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
What information is included in the Total Reward Statement?
Who completes the Total Reward Statements?

- **Human Resources staff**: 49%
- **Partially outsourced to a third-party vendor**: 18%
- **Fully outsourced to a third-party vendor**: 27%
- **Other**: 6%
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.
Communicating negative information about compensation & benefits is a major challenge.

- Wage freezes
- Lack of bonus funding
- Salary reductions
- Lay-offs
- Red-circling
- Reducing 401(k) match
- Higher employee premiums
- Discontinuation of certain benefit plans
A Well-crafted Communication Plan will Lessen the Blow

- 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

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<tr>
<th>Don’t…</th>
<th>Instead…</th>
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<tbody>
<tr>
<td>• Use complicated compensation terms</td>
<td>• Ensure employee understands the terminology</td>
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<tr>
<td>• Express dissatisfaction with the pay or performance decision</td>
<td>• Keep comments on the pay system neutral; explain rationale rather than opinion</td>
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<tr>
<td>• Say, “HR made me do it!”</td>
<td>• Explain how pay and performance decisions are made</td>
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<tr>
<td>• Reveal pay or performance of other employees</td>
<td>• Inform employee where his/her pay stands relative to the target range</td>
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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 for Face-to-Face Pay Discussion

- **Preparation**
  - Schedule face-to-face meetings in a quiet, comfortable, private location
  - Review performance documentation in advance of the 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