

Compensation Delivery Is Important

A recent survey conducted by Sibson & Co., an international compensation consulting firm had some interesting conclusions about employee's perceptions about their compensation.

- While a significant majority of employees surveyed 65% indicated they were satisfied with their pay level (their salary range compared to other positions) and 71% indicated they were satisfied with their current pay, 57% of the employees surveyed indicated that they were dissatisfied with the way their employer awarded pay. For the purpose of this study process means the determination of individual pay increases, promotion decisions, and progress through the pay structure.
- 16% of the employees also indicated that they were highly likely to leave their current employer.
- Most employees still highly value traditional forms of pay increases, with 19% rating merit pay number 1, 20% overtime pay, 18% cost of living allowances, and 12% individual incentive opportunities.
- 72% of employees surveyed indicated stock options were an important vehicle for reinforcing ownership, with 33% indicating having an option plan as a must have in choosing an employer.
- Time off is the most important noncash benefit. And
- The survey found little difference between the generations about compensation.

This reinforces that the idea of "equity" in terms of perceived fairness and the rationality with which pay is delivered is equal to or higher in importance to the rate themselves above "living wage" thresholds.

It has been my position for quite some time that having a compensation model that is understood and seen as fair and equitable in its treatment of employees is much more important than technically elegant compensation models. Employees also seem to be increasingly inclined to desire input about their performance and pay related decisions from a broader base of input than the traditional direct supervisor model.

In developing your own compensation programs be sure to build in consideration for employee training and "buy in" to the process to avoid issues down the road.

360 feedback models and published structures can go a long way to building trust into the system.

Mark F Herbert & Associates, Inc is a management-consulting firm offering organizationally specific solutions to companies and organizations on a regional and national basis. Mark F. Herbert is president and principal consultant. He has been a speaker regionally and nationally on HR related topics.