Compensation Structure Development

Prepared by *David Cross*

Principal, Compensation Consulting

857-972-3048

David.Cross@salary.com

Compensation Structure

Introduction

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- The City of Hammond (COH) is examining its current compensation programs to create an on-going structure that supports performance improvement and more accurately link its rewards programs to the external market

- COH has asked Salary.com to provide a recommended approach to build develop market compensation levels across the organization and to build the base pay structures to effectively manage compensation going forward

- This proposal highlights the key project steps for how Salary.com will approach this objective in a timely and effective way

- This proposal is consistent with our previous discussion with COH and is formatted in a way to facilitate discussion between COH and Salary.com

- Staffing and fees are presented at the end of the proposal

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Deliverables

Based on our conversations, we anticipate the following deliverables:

- Description of strengths and issues of current compensation programs

- Detailed market comparison of base pay, annual incentives, total cash compensation, and additional pay opportunities to the external market for select benchmark jobs

- Recommendations for updating base pay programs includes:
  - Gap Analysis between COH jobs and the external market
  - Development of Salary Structure(s)

- Employee by employee analysis of recommendations

- Administrative and management guidelines

- Implementation and maintenance strategy

- Cost analysis of recommendations; and

- Final reports and presentations to Human Resources and/or Leadership Team

At conclusion of our work, you have the foundation for an effective salary administration process

Compensation Structure

By enhancing COH 's salary administration process, you are doing more than supporting good corporate 'hygiene'. The development of an effective salary administration process is really about managing business risk, as described in the following table
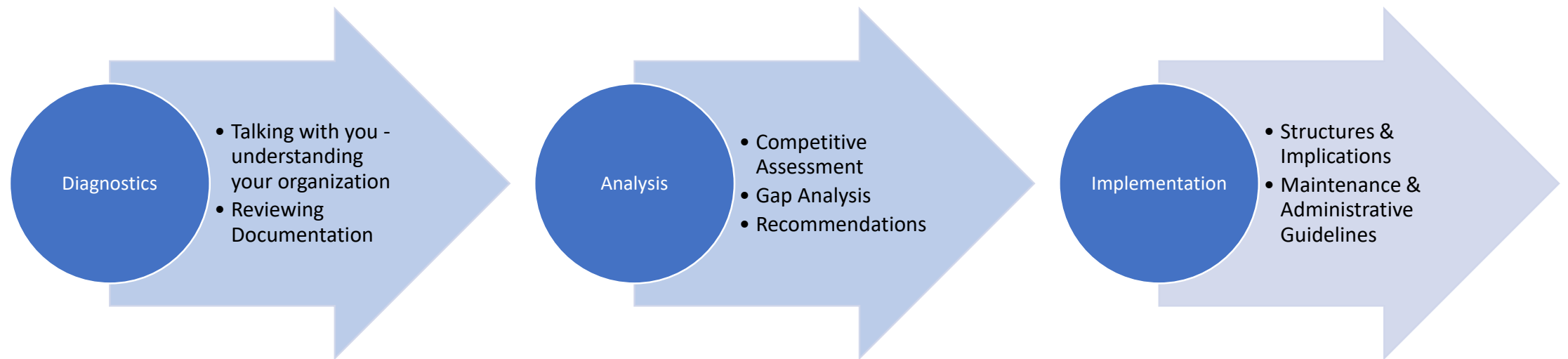
Business Risk	Risk Mitigation / Benefits of Effective Salary Administration
Cost: Higher Cost of managing compensation	Increased administrative costs of constantly addressing management concerns of internal equity or external competitiveness of jobs
Employee Retention: Employee's perception that salary is unfair and inconsistent with the market and/or other employees within the company	Encourage employees to stay because they do not feel the need to leave the organization to simply get a pay raise
Market competitive: – No practical link to the market resulting in the possibility that COH is paying too far above market (higher cost) or too far below market (impacting attraction and retention of talent)	Help to ensure that the company is competitive in the talent marketplace by comparing to external benchmarks and making adjustments when necessary
Consistency: Employees are not paid comparably for their skills and experience	Allow the organization a straightforward means to differentiate wages for different roles requiring different expertise, experience, or education
Employee Engagement: Disengaged employee population with limited loyalty or performance focus	Ensure fairness and consistency in salary levels, which can help with retention and morale, and thus help with productivity

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By enhancing COH 's salary administration process, you are doing more than supporting good corporate 'hygiene'. The development of an effective salary administration process is really about managing business risk, as described in the following table *(Continued)*

Business Risk	Risk Mitigation / Benefits
Budgeting: Annual salary budgets are not based on the reality of where employees are to market or whether they are paid appropriately for their skills and experience	Allow greater control over budgeting if salary levels are mostly predetermined (within a range) for each role
Legal: Less effective means of ensuring compliance with legal and tax obligations	Allow COH a formal means to ensure that all aspects of payroll are meeting local and federal legal obligations, including fair pay standards and all legal aspects related to benefit program implementation
Discrimination: Less effective means of ensuring COH does not have discriminatory pay practices	Help to shield against claims of discrimination if every similarly-situated employee is paid an amount commensurate with their skills and experience level and level within the organization

Compensation Structure: Three Key Steps

Diagnostics
- Talking with you - understanding your organization
- Reviewing Documentation

Analysis
- Competitive Assessment
- Gap Analysis
- Recommendations

Implementation
- Structures & Implications
- Maintenance & Administrative Guidelines

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Compensation Structure

Step 1: Diagnostics

Understanding COH

'Meeting' your organization

- We will meet with you to develop a thorough understanding of the organization, growth expectations, key challenges, etc.
  - This knowledge is critical background before any analyses are conducted or recommendations are developed
  - We can learn only so much by reading documents – Organizations are 'living' and changing constantly – this will inform all the work that follows

Data Gathering

- We will submit a request for information that we can use to develop an even better understanding of COH
  - Any documents detailing the current compensation program
  - Organizational charts, job descriptions, and other job documentation
  - Employee file with employee identifier (name, employee ID, etc.), job title, facility, location, hire date, current base pay, annual incentive opportunities and payouts, additional pay opportunities such as shift differentials, and current salary range, and
  - Any previously conducted market analysis that reviews compensation practices and actions

Prior to moving to the Analysis step, we will review our understanding with you – we will know who you are and how we proceed going forward

Compensation Structure

Step 2: Analysis

Understanding the Current State of COH's Compensation Management and Processes

- With a sound foundational understanding of COH and your jobs, we begin to analyze your current state
  - Conduct a competitive compensation market analysis of the jobs included in this compensation study utilizing the appropriate external market data
  - For purposes of scoping this project, we are assuming we market price 100 unique positions

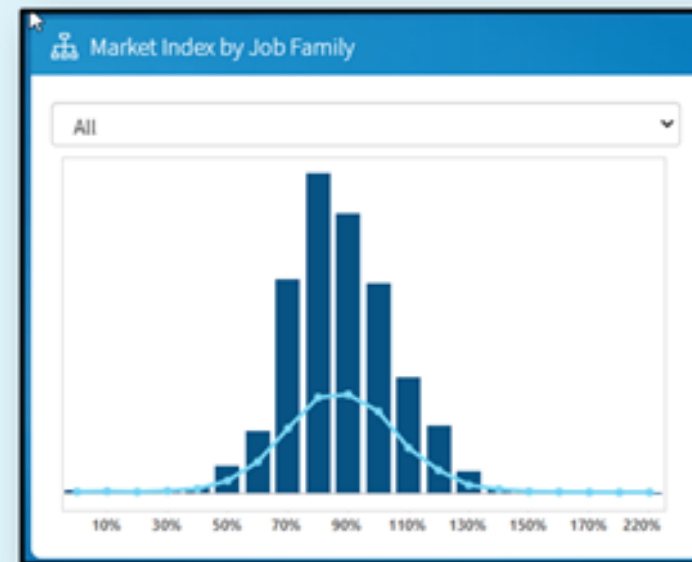| JOB CODE	JOB TITLE	# OF EMPLOYEES	INCUMBENT AVERAGE PAY	BASE25	BASE50	BASE75	MARKET INDEX
102579	Account Advocate	2	$52,275.63	$48,998.68	$55,102.49	$65,436.15	94.9%
102451	Accountable Care Solutions Consultant	1	$123,248.18	$94,271.28	$103,448.49	$115,910.60	119.1%
100001	Accountant	2	$52,259.99	$49,242.06	$55,070.20	$62,004.31	94.9%
100301	Accountant, Senior	5	$77,938.06	$60,206.03	$65,648.56	$71,421.58	118.7%
102079	Accounting Cashier	3	$43,127.21	$30,159.22	$30,468.02	$36,952.77	141.5%
102358	Accounting Clerk I	4	$42,031.91	$39,703.07	$44,548.09	$50,993.08	94.4%

Compensation Structure

Step 2: Analysis

Understanding the Current State of COH's Compensation Management and Processes *(Cont'd)*

- By conducting a Gap Analysis, we will be able to observe where there are roles across levels, job families and geographies where significant gaps to market may exist

- This analysis lays the groundwork for how jobs are assigned to grades and potential costs to implement a new structure(s)
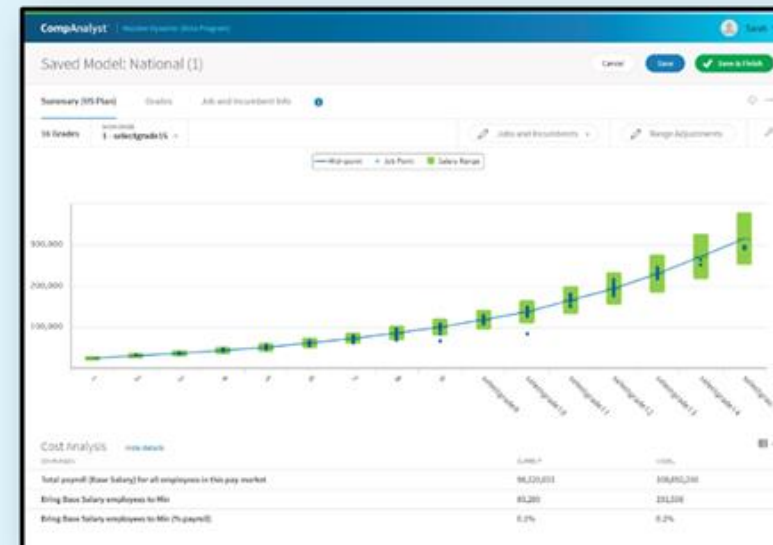
Compensation Structure

Step 2: Analysis

Structures & Programs Needed to Effectively Manage Your Salary Administration Process

- The Gap Analysis will also begin to establish a foundation for a new salary management program

- These recommendations will be of the form and substance that can be implemented immediately upon completion of the study
    - We will be using our proprietary CompAnalyst software to develop all analyses and recommendations

- Salary structures are one anticipated set of recommendations:

Compensation Structure

Step 3: Implementation

Develop Practical Processes, Administrative Guidelines and Maintenance Procedures

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- Assign jobs to salary structure(s) based on competitive pay analysis and internal equity

- Observe the costs and implications of fully implementing new structure and processes – on an employee-by-employee basis

- Ensuring you have processes day-one that enable you to maintain your rewards management
  - Review and update administrative guidelines for managing your compensation program
  - Propose an implementation and maintenance strategy
  - Examine cost of implementation

Timing will depend on available documentation and access to you

Diagnotics
2 week

Analysis
4 to 6 weeks

Implementation
2 to 3 weeks

Staffing & Fees

Supporting team

Salary.com firmly believes that to extract the full value from a high-performance compensation solution, it is essential to leverage not just the content and technology, but true best-in-class process expertise and compensation knowledge.

Your client team will consist of the following individuals on the right side of the slide in conjunction with a team of:

Certified Compensation Professionals

Consulting team with over 30 years of compensation experience.

Customer Support Specialists available for in platform chat.

Customer Success Team Leads and Directors

David Cross
Principal Compensation Consulting
David has more than 30 years of compensation consulting experience. This experience includes all aspects of compensation strategy and design for executives, employees and sales compensation. He has worked with senior management and Boards of Directors for a wide array of public and private companies on such projects as, Base Pay Strategy, Incentive Design and Salary Administration.

Fees

Component	Fees	
Compensation Structure	**Stand-alone cost** **$21,000.** $10,500 at beginning of project. $10500 upon completion.	**Bundled Cost with CompAnalyst** **$19000.** $9,500 at beginning of project. $9,500 upon completion.

Component	Fees	
CompAnalyst	**Stand-alone cost** **$12,500** per year for 3 years	**Bundled Cost with Consulting** **$11,500** per year for 3 years (Free 1st year and invoiced years 2-4)