Base Pay - An Overview

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Objective

To provide you with an understanding of . . .

- the Total Rewards model and
- the Base Pay plan component
Design Elements

- Business Strategy
- Total Rewards Philosophy
- Internal job evaluation
- External market pricing
- Grade and range structure development
- Implementation
- Administration
Business Strategy

- What are the vision/mission/values?
- What are the key internal and external factors influencing your operation?
- Are there any other factors unique to your organization that need to be considered?
Link between Strategy and Philosophy

- Supports your business strategy
- Describes how you view your employees
- States your basic recruiting strategy
- Refers to your pay perspective
- Addresses base pay role in Total Rewards
Other Considerations

- Leadership and Support
- Budget
- Communication Plan
- Administration and Maintenance
- Competition
Base Pay Plan Design

Job Analysis
(Job Description)

Job Evaluation

Pay Structure

Market Pricing

Implementation
What is “Job Analysis”?

- A process of collecting, analyzing and recording information on job activities
Job Description

- Written document which formally states the required duties, qualifications and responsibilities of the job holder (also known as KSAs - knowledge, skills and other abilities)
A formal process used to determine the relative, \textit{INTERNAL} value an organization places on a job.
Job Evaluation Methods

Establish a hierarchy of jobs based upon their importance in the organization

- Non-Quantitative – Whole Job Ranking
- Quantitative – Point Factor
External Market Pricing

- Reviews what other organizations pay for similar jobs
- Used by almost all organizations
- Determines how well an organization is paying their employees in relation to other organizations
Determine your Market(s)

- Industry
- Public/Private
- Profit/Non-profit
- National/Local
Salary Survey Resources

- Professional and Industry Associations
- MSEC Geographic and Industry
- Bureau of Labor Statistics
Using Survey Data

- Methodology
- Timeliness of data
- Data breakdown
- Sample size
Develop Grades

- Based on job evaluation
- Based on market pricing
- Combination
Pay Ranges

- Minimum (hiring rate) – the lowest rate an organization pays for a job
- Midpoint (market value) – midway point between the minimum and maximum
- Maximum (cap) – the highest rate an organization pays for a job
Design Decisions

- What is your midpoint?
- What is the distance between midpoints?
- How wide should your pay ranges be?
Checking the Structure & Resolving the Discrepancies

Internal Equity

External Equity

Individual Equity
<table>
<thead>
<tr>
<th>Job Title</th>
<th>Range Min</th>
<th>Range Mid</th>
<th>Range Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receptionist</td>
<td>$23,763</td>
<td>$27,957</td>
<td>$32,151</td>
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<tr>
<td>Billing Clerk</td>
<td>$26,490</td>
<td>$31,164</td>
<td>$35,838</td>
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<td>Payroll Clerk</td>
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<td>CS Rep</td>
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<td>Maintenance Supr</td>
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<td>$40,947</td>
<td>$47,090</td>
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</tbody>
</table>
Individual Pay Review

- Rates below minimum
- Rates above maximum
- Rates relative to performance/seniority
- Hire rates, increases, and promotions
Analyzing the Pay Practice

- Compare preliminary range structure to:
  - Current pay practices
  - Total Rewards philosophy
  - Budgeting requirements
Administrative Guidelines

• Documentation of:
  ▪ Hire-in rates
  ▪ Shift differential rates
  ▪ Rate adjustments

• Audit/maintenance

• Communication
Questions?