

Compensation is Cool!



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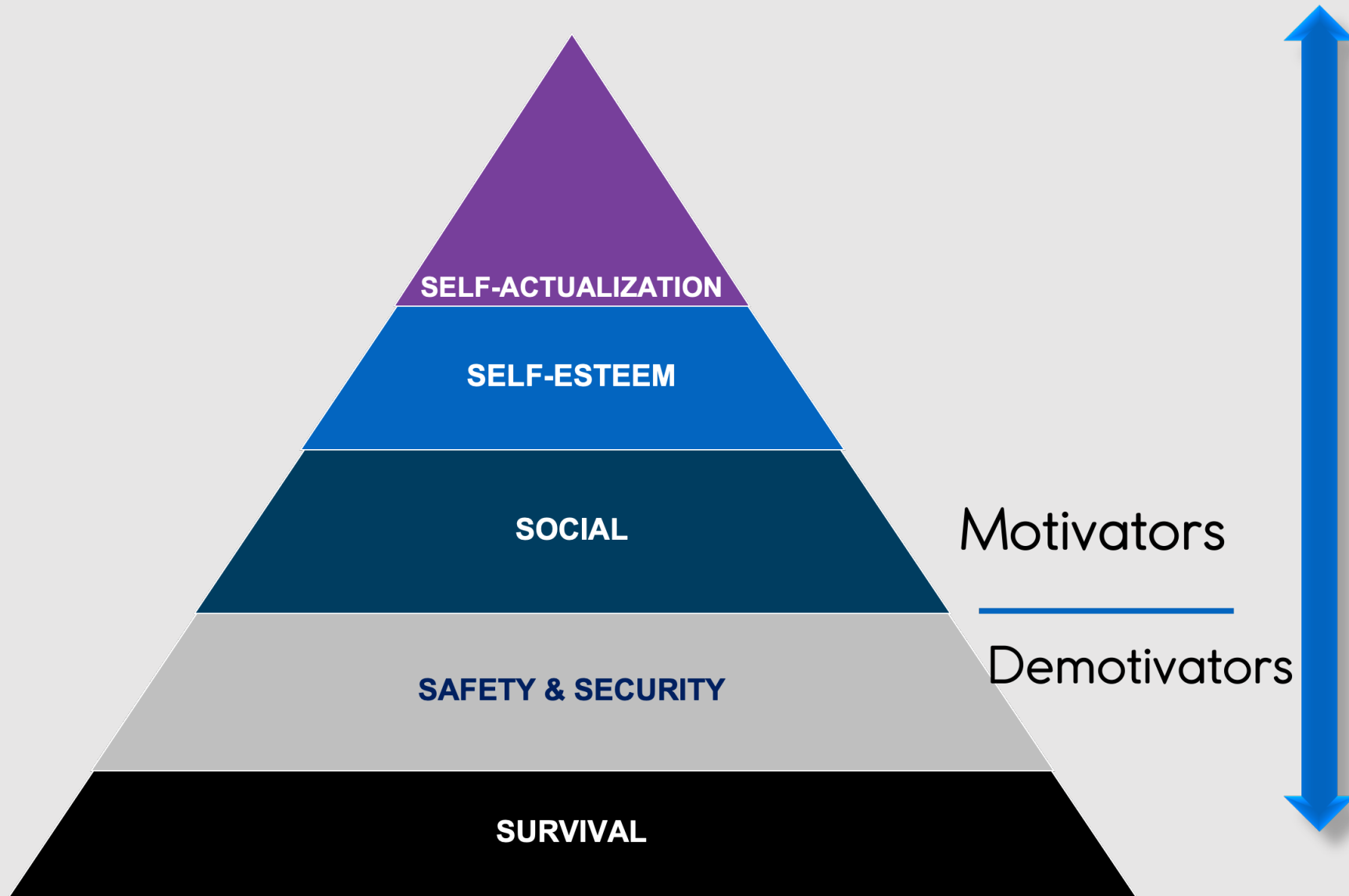
Today's Objectives



Understand why
***compensation
is cool***
and meaningful

Learn about
compensation
strategies and
resources

Learn how to
implement a
compensation
plan



Hygiene Factors

- Policy
- Supervisor
- Work Conditions
- **Salary**
- Status
- Security
- Personal Life

Dissatisfaction

No Dissatisfaction

Motivation Factors

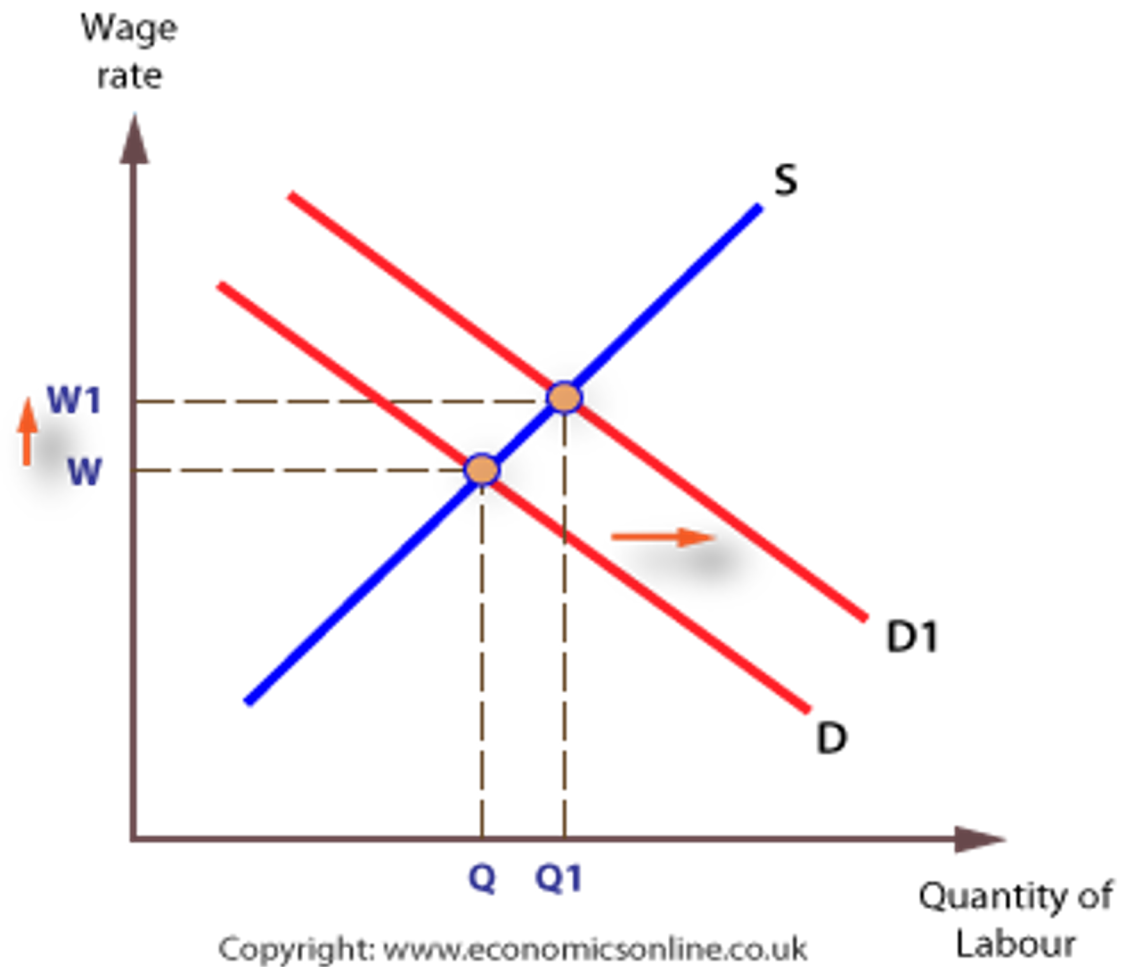
- Achievement
- Practice
- Work Itself
- Responsibility
- Advancement
- Personal Growth

No Satisfaction

Satisfaction

70%

54%





Understand why
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FIVE STEPS



1. Decide on your compensation strategy
2. Get data relevant to your market
3. Evaluate your jobs based on your strategy
4. Marry your internal and external data to put together a compensation plan
5. Consider total rewards factors

STEP 1: What is your strategy?

Lag, Lead or Meet the Market?

What brings you competitive advantage?



Lag, Lead, or Meet?



- How much does talent create your competitive advantage?
- Which position(s) are critical to competitive advantage?
- What do you highlight in your overall comp strategy and workplace culture to distinguish yourself?
- How competitive is the market for talent?

STEP 2: Get Relevant Data

Where are you competing for talent?

Locally, Regionally,
Nationally or
Internationally?



Finding External Data



- Local Chamber, Economic Development, and/or HR Entity
- Local, Regional, National Trade and Professional Associations
- Consulting Firms Specializing in Compensation
- Online Sources (for free and for a cost)
 - O*Net
 - PayScale
 - Salary.com/CompAnalyst
 - BLS.gov
 - Economic Research Institute (ERI)

CompAnalyst[®]
salary.com[®]



Let's run a local example!

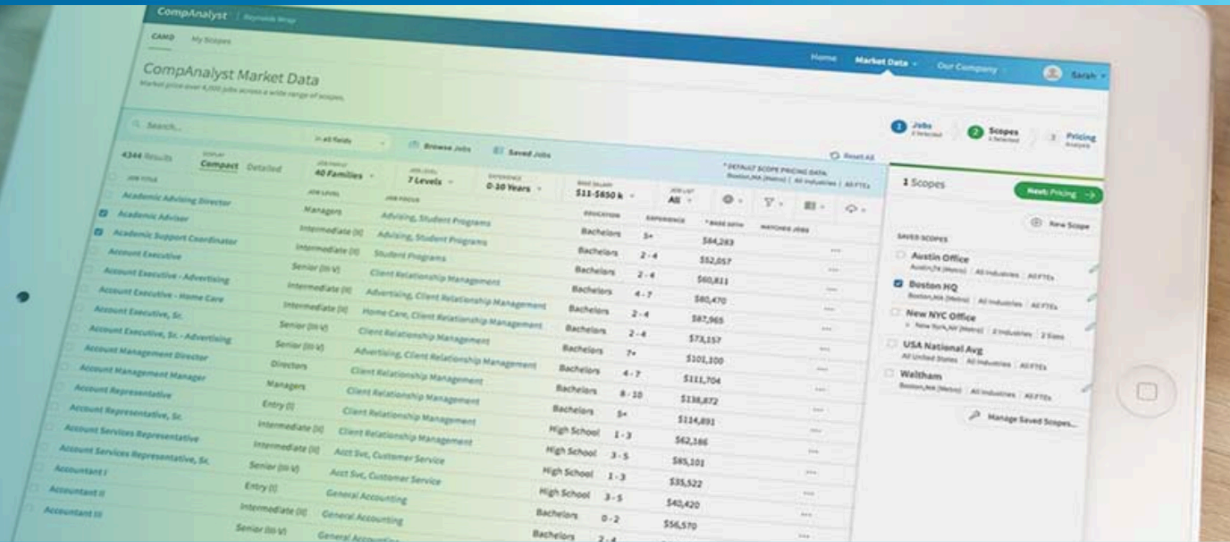
Search parameters:

--Huntsville --Manufacturing --Less than 250 Employees --Quality Control Manager

CompAnalyst	BLS
ERI	Local Wage Survey
O*Net	

COMPENSATION DATA

CompAnalyst Market Data



THE WORLD'S MOST ACCURATE AGGREGATE COMPENSATION DATA SET

27K +
Compensable Factors

42K +
Geographies

21
Countries

Compensation Data Overview

Market Data

Surveys

Executive Pay Data

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Salary Survey Data and Geographic Pay Differentials

Benchmark salaries and compensation based on job title, location, industry, and size and evaluate cost of living data



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Local Wages for:

11-3051.01 - [Quality Control Systems Managers](#)

View wages for state:

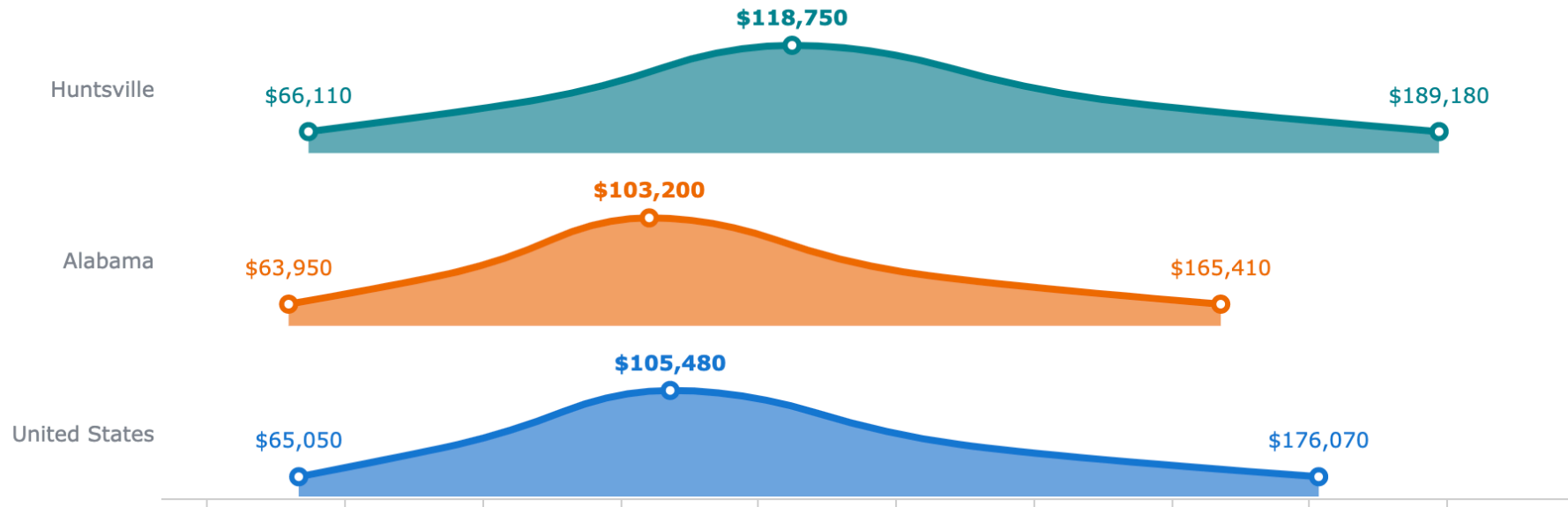
View wages near ZIP Code:

View wages:

Annual

Hourly

May 2019





Occupational Employment Statistics

May 2019

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May 2019 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates Huntsville, AL

For metropolitan and nonmetropolitan area definitions used by the OES survey, see the [Metropolitan and nonmetropolitan area definitions](#) page.

These estimates are calculated with data collected from employers in all industry sectors in Huntsville, AL, a metropolitan statistical area in Alabama.

Additional information, including the hourly and annual 10th, 25th, 75th, and 90th percentile wages and the employment percent relative standard error, is available in the [downloadable XLS file](#).

[Links to OES estimates for other areas and States](#)

Major Occupational Groups in Huntsville, AL (**Note**--clicking a link will scroll the page to the occupational group):

Compensation data

	N	10th percentile	25th percentile	50th percentile	75th percentile	90th percentile	Mean	Median	Standard deviation
Pay Range Minimum Salary	14	60,000	70,000	79,000	95,000	114,691			
Pay Range Maximum Salary	14	65,000	79,000	109,845.5	128,713	152,000			
Actual Lowest Base Salary	19	63,440	79,000	96,408	112,000	121,000			
Actual Average Base Salary	20	64,220	82,000	97,685	110,075	118,000			
Actual Highest Base Salary	19	63,440	79,000	96,408	112,000	121,000	94,581	96,408	23,107
Average Incentive or Other Cash Bonus (Annual)	10	0	0	2,970	12,741	65,900	16,198	2,970	29,420

January 1, 2020

**HUNTSVILLE
MADISON COUNTY
CHAMBER**
ALABAMA - USA



External Data Summary

	25 th Percentile	Median	75 th Percentile
CompAnalyst	\$94,900	\$106,100	\$119,600
ERI	\$86,124	\$95,271	\$106,801
O*Net	\$91,340	\$118,750	\$152,400
BLS	\$82,400	\$105,480	\$136,880
Local Wage Survey	\$82,000	\$97,685	\$110,075

STEP 3: Evaluate Your Jobs *Case Study*

Job evaluation was conducted in order to examine the internal worth of each position. The job evaluation technique utilized was the point-factor method. This is a job-based, quantitative method that sets explicit criteria for evaluating jobs through compensable factors.

The six factors and their corresponding weight were:

- Decision Making Authority/Breadth of Responsibility (25%)
- Experience including Specialized Knowledge (20%)
- Responsibility for Work of Others (20%)
- Technical/Computer Skills (15%)
- Customer Interaction and Knowledge (10%)
- Teamwork (10%)



Compensable Factor Definitions and Degrees

Factor	Definition	1st Degree Definition	2nd Degree Definition	3rd Degree Definition	4th Degree Definition	5th Degree Definition
Experience	This factor measures years of experience in a particular field required to perform the job.	none	1-2 years	3-5 years	more than 5 years	8 years or more
Computer Skills	This factor measures the amount of computer skills required to perform the job.	Basic computer skills (e.g. basics of Microsoft Suite, Internet Navigation)	Advanced knowledge and use of a common Microsoft Suite Product (Word, Excel, PowerPoint, Outlook)	Basic knowledge and application of specialized computer software/programs/databases	Advanced knowledge and application of specialized computer software/programs/databases and/or technical knowledge of PLCs, etc.	Ability to program and/or create computer software
Decision Making Authority/Breadth of Responsibility	This factor measures the amount of originality of thought, risk taking and involvement in creating and improving products/processes is considered. Autonomy and amount of direction provided by the job is also considered.	Follows simple procedures and duties as assigned. Clear instructions are provided for the majority of assignments.	Tasks and duties require minimal opportunity for originality of thought. Requires some personal judgment with instructions for some tasks/projects.	Requires judgment to perform daily tasks. Must make some decisions about processes and methods. Identifies ways to improve systems/processes when necessary.	Requires significant judgment to solve complex problems with minimal instruction and/or precedent. Makes recommendations for new products and processes. Generates original ideas to improve products/processes. Has discretion to take an average level of risk.	Requires complex, independent judgment with complete discretion in how to complete projects. Must apply problem-solving methods to a variety of multifaceted situations that require complicated solutions. Creates and develops new products/processes to improve work and profitability. Ability to take substantial risk.
Collaboration/ Teamwork	This factor measures the amount of teamwork and collaboration required of the job. Collaboration can be both within the workers' own department and/or across departmental lines. More weight is generally given to cross-functional teamwork.	Interaction primarily with own department. The majority of work is independent in nature.	Minimal interaction with other departments. Requires some collaboration with other workers.	Some work is done in a team environment and requires extensive collaboration with other workers.	Majority of work is done in a team environment. Support the efforts of other teams.	Builds and establishes consensus across departmental lines as a primary job function. Responsible for team outcomes. Acts as a liaison between departments.
Responsibility for Work of Others	This factor measures the amount of authority each position has over others' work. Degrees of supervision and responsibility of others' work are considered.	No authority over others' work.	Supervises the work of others.	Manages a team of less than 5 direct reports.	Manages a team of 5 or more direct reports.	Manages those who manage others.
Customer Interaction and Knowledge	This factor measures customer and product knowledge. Amount and type of customer contact, degree of negotiation required, and complexity of this interaction is considered.	Basic knowledge of products and customers. Little or no direct interaction with customers.	Strong knowledge of products and customers. Customer interaction is minimal and requires little or no decision-making.	Advanced knowledge of products and customers. Customer interaction involves phone and/or some face-to-face contact and ability to make independent judgments.	Understanding of the complex interactions between line of products and ability to discern their relationships with customer needs. May involve frequent phone and/or face-to-face contact with customers.	Requires negotiating with customers, anticipating customer needs before they arise, with a complex understanding of the interrelationships between current and future customer demands.

Points Assigned to Factors and Degrees

Factor	Percentage Weight	1st Degree Points	2nd Degree Points	3rd Degree Points	4th Degree Points	5th Degree Points
Collaboration/Teamwork	10%	40	80	120	160	200
Customer Interaction and Knowledge	10%	40	80	120	160	200
Technical/Computer Skills	15%	60	120	180	220	300
Experience	20%	80	160	240	320	400
Responsibility for work of others	20%	80	160	240	320	400
Decision Making Authority/Breadth of Responsibility	25%	100	200	300	420	500

Analysis of Current Positions

	Compensable Factors						
	Decision Making Authority /Breadth of Authority	Experience	Responsibility for Work of Others	Technical/ Computer Skills	Collaboration/ Teamwork	Customer Interaction & Knowledge	Total
Directors							
	500	400	400	220	200	200	1920
Director of Logistics	500	400	400	180	200	160	1840
Director of Operations	500	400	400	180	200	200	1880
Director of Production	500	400	400	180	200	120	1800
Director of Quality Assurance	500	400	400	180	200	160	1840
Director of Human Resources	500	400	400	180	200	120	1800
Plant Engineer	500	400	400	180	200	120	1800
Director of IT	500	400	240	300	200	120	1760
Managers							
Maintenance Manager	420	320	320	220	160	120	1560
Engineering Manager	420	320	320	220	160	120	1560
Quality Assurance Manager	420	320	320	180	160	120	1520
Warehouse Manager	420	320	320	180	160	120	1520
Finance Manager	420	320	240	180	160	120	1440
Human Resources Manager	420	320	240	180	160	80	1400
Safety Manager	420	320	80	180	160	80	1240
Supervisors							
Maintenance Supervisor	300	240	160	220	120	80	1120
QA Supervisor	300	240	160	120	120	80	1020
Professional Positions							
Engineer	300	160	80	220	120	120	1000
Buyer	200	240	80	180	80	120	900
Accountant	200	80	80	60	80	40	540

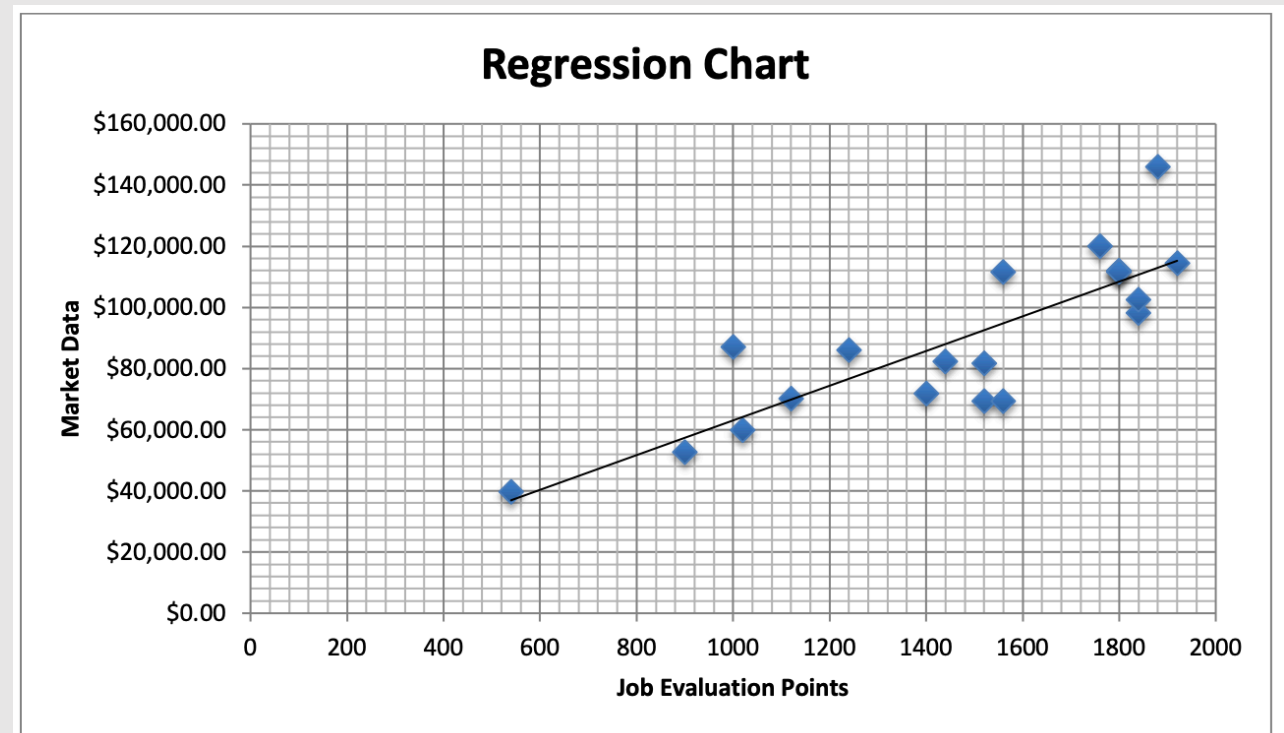
STEP 4: Combine External and Internal Data to create a data-driven compensation plan

The regression formula can also be used to determine where current and new positions would fall:

$$Y = \$54.72X - \$8517.34$$

Indicating Predicted Salary =
 $\$54.72 * \text{Job Evaluation Score} - \8517.34

$$R^2 = 0.64$$



Current Positions Reevaluated Using Regression Formula

	JE Points	Market Average Salary	Actual Salary(s)	Predicted Salary(s)	Difference
CEO	1920	\$114,420.80	\$104,000.00	\$111,399.33	-\$7,399.33
					-
		134.40	\$86,320.00	\$111,399.33	\$25,079.33
		974.40	\$148,720.00	\$111,399.33	\$37,320.67
		716.80	\$104,000.00	\$109,210.35	-\$5,210.35
		401.37	\$102,960.00	\$109,210.35	-\$6,250.35
		956.00	\$100,880.00	\$107,021.37	-\$6,141.37
Plant Engineer	1800	\$111,612.80	\$93,000.00	\$89,978.66	\$3,021.34
					-
Director of IT	1760	\$119,912.00	\$94,390.40	\$104,832.39	\$10,441.99
Engineering Manager	1560	\$111,616.96	\$98,550.40	\$93,887.50	\$4,662.90
					-
Quality Assurance Manager	1520	\$81,626.13	\$58,510.40	\$96,076.48	\$37,566.08
					-
Warehouse Manager	1520	\$69,322.24	\$60,008.00	\$93,887.50	\$33,879.50
					-
Maintenance Manager	1560	\$69,322.24	\$67,600.00	\$93,887.50	\$26,287.50
					-
Finance Manager	1440	\$82,318.08	\$73,715.20	\$87,320.56	\$13,605.36
					-
Human Resources Manager	1400	\$71,834.88	\$65,000.00	\$85,131.58	\$20,131.58
Safety Manager	1240	\$86,098.13	\$67,995.20	\$76,375.67	-\$8,380.47
Maintenance Supervisor	1120	\$70,104.91	\$60,008.00	\$69,808.74	-\$9,800.74
					-
QA Supervisor	1020	\$59,837.44	\$49,982.40	\$64,336.29	\$14,353.89
Engineer	1000	\$87,017.96	\$73,049.60	\$63,241.80	\$9,807.80
					-
Buyer	900	\$52,631.56	\$42,494.00	\$57,769.35	\$15,275.35
Accountant	540	\$39,653.51	\$37,502.00	\$38,068.55	-\$566.55

Establishment of Pay Grades

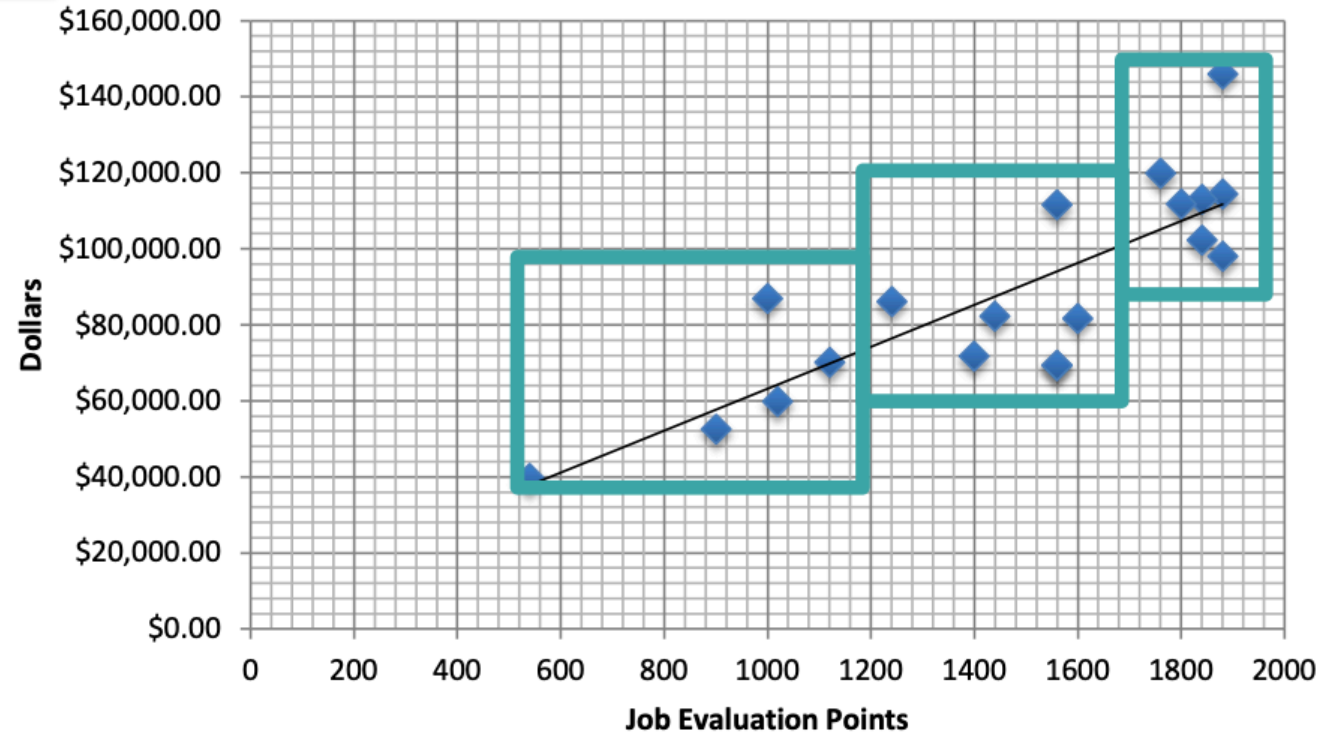
Grade 1: 500- 1200 job evaluation points
(700 point spread)

Grade 2: 1201- 1700 job evaluation points
(500 point spread)

Grade 3: 1701- 2000 job evaluation points
(300 point spread)

The diminishing point spread as positions move upward indicates that higher level positions have more of a similar worth than those at lower levels.

Regression Chart



Establishment of Pay Ranges

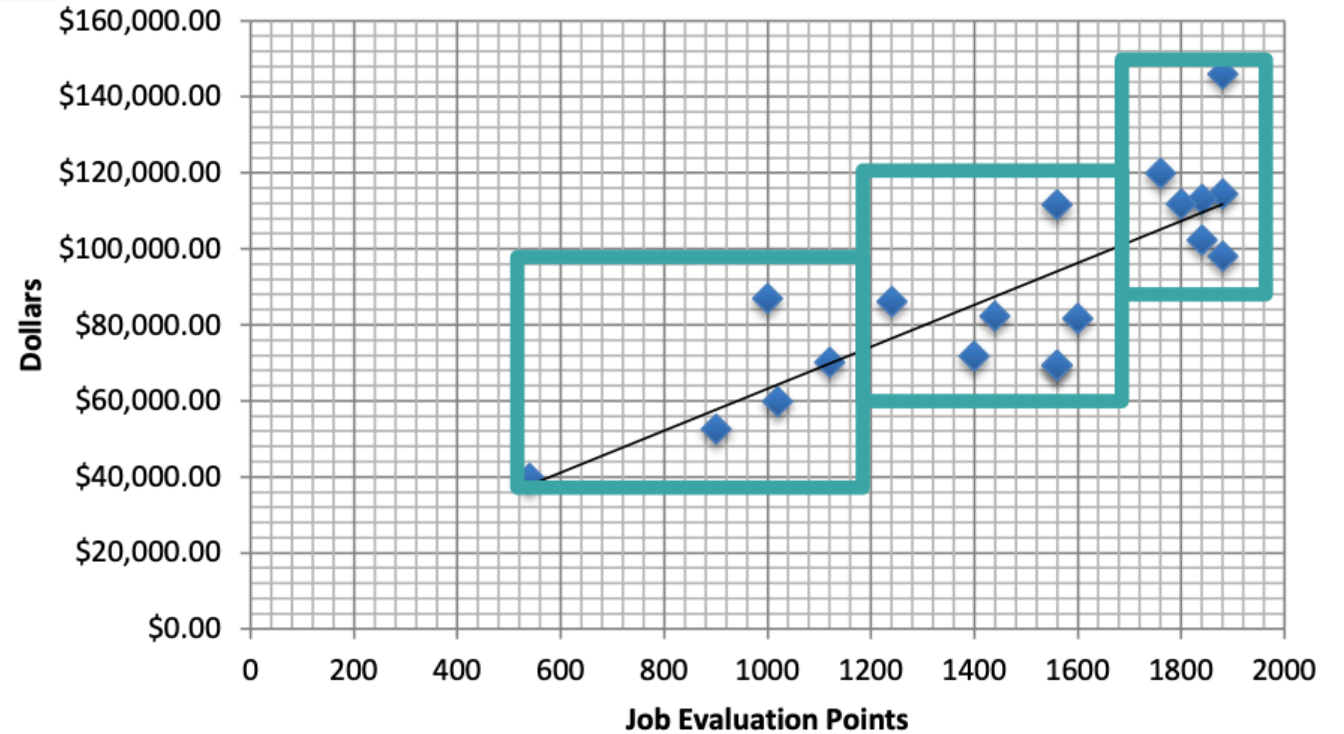
(all with \$60,000 spread)

Grade 1: \$40,000- \$100,000

Grade 2: \$60,000- \$120,000

Grade 3: \$90,000- \$150,000

Regression Chart



Salary Structure

These grades and ranges correspond with the following simple salary structure:

Grade 1: \$40,000- \$100,000, Professional and Supervisory Positions

Grade 2: \$60,000- \$120,000, Manager Positions

Grade 3: \$90,000- \$150,000, Director Positions

STEP 5: Consider Total Rewards

“Across all generations – Millennials, Gen X, and Baby Boomers – financial matters were the top cause of stress. Forty-six percent of workers spend three hours or more during the work week thinking about or dealing with financial issues, and 47 percent said their finance-related stress has increased over the last 12 months. And according to a survey which interviewed 1,003 adults, 57 percent of Americans don't have enough cash to cover a \$500 expense.”

- **Forbes**

STEP 5: Consider Total Rewards

- What rewards are meaningful to the majority of your workforce?
- A la carte benefits
- Help people jump into a higher wage bracket
- Variable pay based on profitability
- Help people navigate how to make wiser financial decisions, reducing financial stress



REVIEW THE FIVE STEPS



1. Decide on your compensation strategy
2. Get data relevant to your market
3. Evaluate your jobs based on your strategy
4. Marry your internal and external data to put together a compensation plan
5. Consider total rewards factors

THANK YOU!

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