

FOR IMMEDIATE RELEASE

The Importance of Keeping Salary Administration Programs Current

Upper Saddle River, NJ – October 2015 – Salary Administration Programs are designed to provide competitive and equitable base pay to all employees, through the use of salary structures and formal policies and procedures. An effective Salary Administration Program allows a company to meet the basic objectives of compensation: focus, attract, retain, and motivate. In addition, the Program should be flexible to allow for changing conditions and fluctuations within the company and marketplace. Often, Salary Administration Programs are tied to a pay-for-performance philosophy, whereby annual increases are differentiated based on the evaluated performance of an employee, and may be further influenced by the employee's placement within his/her salary range.

Salary structures are an important component of the Salary Administration Program, which allow for a company to ensure that a position is properly compensated, both from an external competitiveness and internal equity perspective. Companies must ensure the effectiveness of their salary structures, as well as the overall Program. Therefore, it is important to conduct periodic audits to address the following:

- Determine if the company's strategic goals, objectives, and compensation strategy are still aligned with the Program.
- Understand the current marketplace, in order to examine whether the Program is still meeting the basic objectives of compensation.
- Review the salary structures to determine if the number of grades and grade assignments are appropriate today. In addition, if multiple structures are in place, it is important to consider if the number and groupings are still suitable.
- As the supply and demand for positions change, and new "hot jobs" arise, the market value for positions need to be reevaluated to ensure that they are graded appropriately within the salary structures.
- Outdated salary structures can cause compression, as new hires are demanding higher starting salaries.
- The salary structures should be evaluated to ensure there is room for growth, with larger increases provided based on performance.

The process for updating a Salary Administration Program should start with a competitive market study of benchmark positions, to gauge how the market has changed over the past few years. The market findings will determine if the salary structures are outdated, and once updated, positions should be realigned, as appropriate. A close scrutiny of the current policies and procedures will alert you to any inconsistencies with the current compensation strategy, and areas that are not meeting the company's needs. Receiving input from management and staff who participate in the Program will allow for the continued sense of ownership. The flexibility of the Program will allow the company to meet any required changes, while maintaining a competitive advantage in the marketplace.

Once the salary structures and policies have been reviewed and updated, it is key to conduct training sessions with management to communicate what changes have taken place. This training will help with their continued buy-in, as well as allow managers to have a consistent message as they relate changes to their staff.

While the initial design process is well-intended, Salary Administration Programs can fail for many reasons, namely, the lack of:

- Top management commitment
- Clarity and ease of administration
- Thorough planning
- Tie-in with compensation strategy
- Training and communication
- Follow-up and review

By following these guidelines to keep your Program current, you can avoid these pitfalls.

Companies should consider the reassessment of their Salary Administration Programs, along with all their compensation plans, as a vital and on-going part of the Program's success. Assessing the Program to ensure that it continues to meet your company's needs, and is perceived as a credible and functional part of the Human Resources process, will enhance your company's ability to remain a competitive force in the marketplace.

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