



Let's Talk About Money

A Conversation About Equitable Compensation

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ANNIE CONSULTING

Introductions



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— Audience Pulse Check

How many of you have built a structured compensation program?

How many of you have done an internal equity assessment?

How many of you know for sure that your employees understand their total compensation?

How many of you post wages and compensation in job ads?...confidently?

How many of you have employees in other cities/states?

Have you communicated your compensation philosophy to managers and employees?



Goal for Today: Putting **INTENTION** Behind Compensation

WHY? Compliance Around Pay Continually Changes

- Pay Equity Laws
- Wage Transparency in Job Ads
- Easier Access to Pay Information
- FLSA Minimum Salary Threshold Increases
- Recruitment and Retention Strategy
- Inflation (6%) March 2023 –Oregon (5.6% US Bureau of Labor and Statistics)



Compliance: Pay Equity Laws

What you should watch out for....

In any manner discriminate between employees on the basis of an employee's status as a member of a protected class[1] in the payment of wages or other compensation[2] for work of comparable character;

Pay wages or other compensation to any employee at a rate greater than that at which the employer pays wages or other compensation to employees of a protected class for work of comparable character;

Screen job applicants based on current or past compensation;

Determine compensation for a position based on current or past compensation of a prospective employee (not including a current employee of the employer during a transfer, move or hire of the employee to a new position with the same employer);

Seek the salary history of an applicant or employee from the applicant or employee or a current or former employer of the applicant or employee before the employer makes an offer of employment to the prospective employee that includes an amount of compensation.

What is Internal Equity?

Positions regardless of title, will align with other roles in terms of comparable characteristics of the work within your organization.

For example, 3 VERY different positions may end up in the same pay level and pay band.

May have different levels of equitable factors, but when added up, they are the same overall number.

- Senior Project Manager
- Controller
- Electrical Engineer



Compliance: Wage Transparency in Job Postings

Currently in **New York City, Colorado, Washington State, and California**. In Total currently **11** states have adopted the same or similar requirements. There is currently a proposed bill (*The Salary Transparency Act*) at Federal level with similar requirements that employers may need to abide by.

Employers must disclose the salary range, or wage scale, and a description of all benefits and other compensation in job posting. Some states also require this information to be provided to employees upon promotion as well.



May depend on specific city or state compliance.



May depend on how many employees the company has.



Other states or federally are following and have a variety of other criteria depending on where in the hiring process compensation conversation comes up.



May also require compensation information to employees who are promoted or transferred internally.

Compliance: FLSA Minimum Salary Threshold

Federal Fair Labor Standard Act (FLSA) minimum Salary Threshold laws require \$35,568 based on established Exempt Status.

Some states have minimum salary thresholds for exempt employees.

Washington State Exempt Employee
Minimum Salary Threshold Schedule:

2023 Salary thresholds

Small businesses: \$1,101.80/week (\$57,293.60 a year)

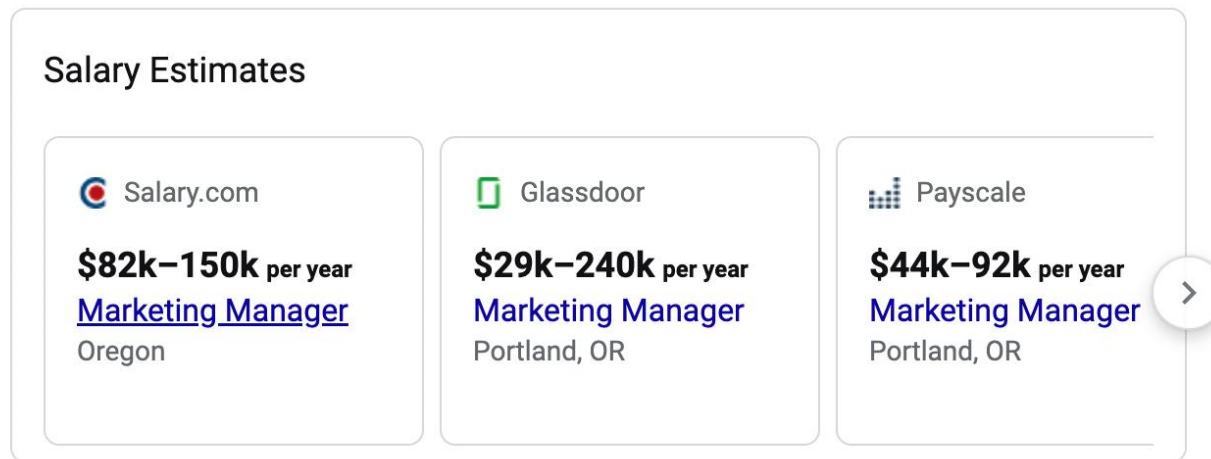
Large businesses: \$1,259.20/week (\$65,478.40 a year)



Around the Corner!! The U.S. Department of Labor is slated to hike the federal salary threshold for white collar employees and while the future rule is unlikely to push boundaries such as the failed Obama-era proposal, it will nonetheless expand overtime eligibility and likely lead to more misclassification litigation.

Easier Access to Pay Information

Searched Marketing Manager salaries: Oregon



What we want to look for to ensure reliable and valid information:

Organization Size (# Employees)

Organization geographical location(s) (Markets)

Organization Revenue

Industry and Entity Type

Recruitment and Retention Strategy

It's a Candidate's Market, but...
It's also an **INTERNAL** employee's market!

Quiet Quitting, Great
Resignation + A Lot of
Open Positions

Job ads require it

Internal promotions,
transfers and pay
changes require it

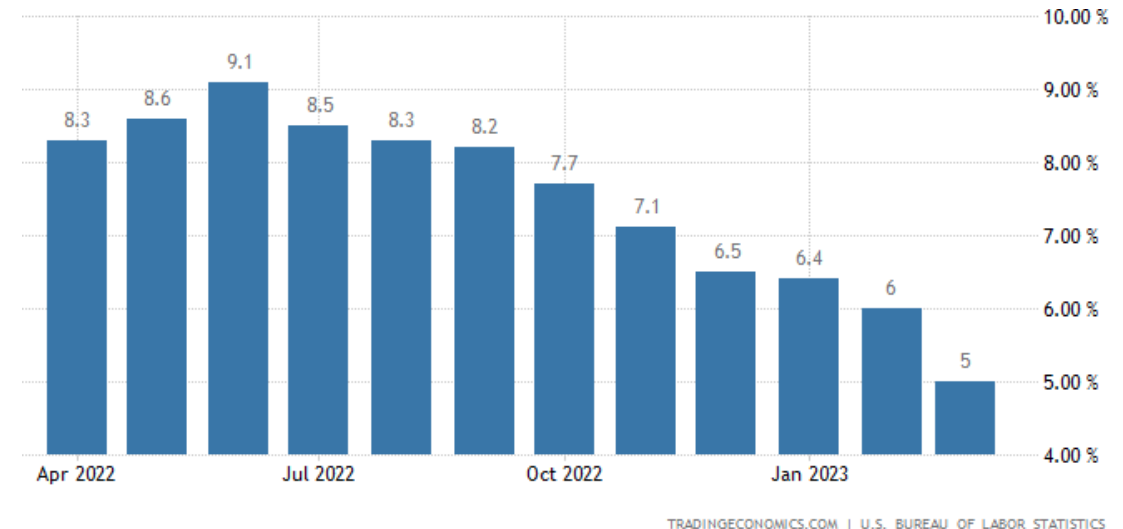
Adding other
compensable factors
into the overall
compensation structure

Inflation!

HR Annie has gone from recommending between 4-7% since December 2021, and now inflation CPI is 5% nationally as of March 2023, but we have seen unprecedented rates in the past few years.

Inflation is at an all time high the last few years, and costs of living (COLA) may never get lower.

Inflation is changing the Minimum and Midpoint of prior compensation structures that would have sustained 3-5 years, and now employers are going to need to review their compensation structure and market analysis more often.



Building Blocks of a Compensation Structure

What do you need to get started?



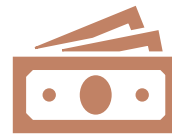
Job Descriptions

"We cannot base a job description around a person. We must develop a job description based on what the company needs now and around the corner."



Market Analysis

Gather pay data for like positions.
Use a reliable and valid source...



Current Employee Pay and Information

- Position Title
- Hire Date
- Current Pay Rate
- Additional Compensation



Other Compensation

Benefits, Bonuses Profit Sharing, Paid Time Off, Education Reimbursements, Perks and Stipends, Discounts



Internal Equity Factors

Factors		Degrees & Points					
		1st	2nd	3rd	4th	5th	6th
1.	Education Required	5	10	25	45	55	65
2.	Skills/Experience	5	20	40	50	80	
3.	Complexity of Work & Mental Effort	5	10	20	35	55	70
4.	Responsibility of Supervising	5	20	40	60	80	100
5.	Initiative Required	5	10	20	30	40	60
6.	Decision Making Required	10	20	35	55	75	
7.	Contacts Required	5	10	20	40	60	80
8.	Responsibility for Errors/Safety	10	25	40	55	70	
9.	Computing Skills	10	25	40	55	70	
10.	Working Conditions & hazards	10	15	20	10	40	50
11.	Physical Effort Required	5	10	15	20	30	40
12.	Travel Required	5	10	15	20	30	40

Final Compensation Structure

	A	B	C	D	E	F	G	H	I	J	K	L
	Wage Bands	Employee Full Name	Position Title	Hire Date	Internal Equity Factor	Current Pay	Market 50%	Market 75%	Market 90%	Minimum	Mid-Point	Maximum
1												
2	6	Cindy Free	Director of Finance	4/6/20	575	\$115,000	\$129,045	\$143,257	\$156,564	\$125,251.20	\$156,564	\$187,876.80
3	5	Heather Wall	Contract and Talant Manager	10/23/17	540	\$112,000	\$89,426	\$106,592	\$124,680	\$99,744.00	\$124,680	\$149,616.00
4	4	Brad Pitt	Division Manager- Action Film	2/6/19	475	\$145,000	\$85,246	\$98,717	\$111,820	\$93,861.87	\$117,327	\$140,792.80
5		Jennifer Anisten	Division Manager- RomComs	10/4/17	475	\$94,568	\$85,246	\$98,717	\$111,820			
6		Ruth Bader Ginsberg	Lead Production Engineer	6/4/21	460	\$90,345	\$97,713	\$111,896	\$128,342			
7	3	Michelle Obama	Sound Engineer	3/2/18	425	\$97,522	\$83,458	\$93,224	\$105,210	\$80,058.10	\$94,186	\$108,313.90
8		Jimmy Fallon	Sound Engineer	9/12/21	425	\$84,275	\$83,458	\$93,224	\$105,210			
9		Kate Hudson	Lighting Engineer	4/6/21	425	\$92,150	\$78,992	\$89,071	\$102,075			
10		The Tinder Swindler	Field Service Engineer	9/2/18	425	\$83,996	\$74,334	\$81,848	\$88,747			
11		Kim Kardashian	Production Engineer	n/a	420	TBD	\$74,334	\$81,848	\$88,747			
12		Darth Vader	Electrical Engineer	12/19/21	420	\$88,975	\$86,306	\$98,544	\$115,214			
13		Lil Wayne	Financial Controller	11/26/18	415	\$82,000	\$89,158	\$103,265	\$118,258			
14		Glennon Doyle	Senior Project Manager	6/9/20	415	\$87,693	\$97,525	\$112,464	\$128,480			
15	2	Brene Brown	Project Manager	10/8/20	365	\$89,000	\$78,907	\$90,028	\$100,988	\$70,422.40	\$88,028	\$105,633.60
16		Angelia Jole	Location Engineer	7/11/22	365	\$84,500	\$75,907	\$87,028	\$97,988			
17		Megan Markell	Location Engineer	1/15/18	350	\$87,868	\$75,907	\$87,028	\$97,988			
18	1	Justin Timberlake	Production Assistant	4/9/22	290	\$47,000	\$52,287	\$59,601	\$67,146	\$45,718.40	\$57,148	\$68,577.60
19		John Legend	Accounting Assistant	6/8/21	290	\$47,000	\$48,703	\$54,695	\$61,018			

Questions?

HR Annie Consulting Compensation Structure

COMPENSATION ANALYSIS



WHY HAVE AN INTERNAL PAY EQUITY STRUCTURE?

- ✓ Compliance
- ✓ Recruitment
- ✓ Retention
- ✓ Engagement

U.S. Equal Employment Opportunity Commission's Equal Pay Act requires that men and women in the same workplace be given equal pay for equal work. The jobs need not be identical, but they must be substantially equal. Job content (not job titles) determines whether jobs are substantially equal. Many states have additional pay equity requirements that extend protections in addition to gender.

OUR APPROACH

We know that pay transparency is essential in recruiting and retaining employees. Not only are we experts in compensation analysis and consulting, but we can also support you with messaging and rolling out a pay structure to your team.

Our compensation studies provide a thorough wage review and market analysis that takes an unbiased view of internal equity within the organization. All job descriptions are reviewed and revised to align with internal equity metrics that include state pay equity factors + HR Annie developed considerations. We make recommendations about your compensation structure that values your team and allows them to grow in your organization.

To complement the analysis, HR Annie provides an executive report and an Internal Equity Factor Guide of positions, wages, and pay bands. Our work doesn't stop here; we can be an ongoing pay equity and market compensation resource for your company. This comes in handy when considering hiring, promotions, discretionary bonuses, and many other employment decisions.



SOME OF THE INDUSTRIES WE SERVE...



HEALTHCARE



FOOD, BEVERAGE, &
HOSPITALITY



ENGINEERING



FINANCE &
ACCOUNTING



IT



NON-PROFITS



LOCAL GOVERNMENT

SUPPORTING ORGANIZATIONS WITH



5-50+ Employees