



daca

ATLANTA AREA COMPENSATION ASSOCIATION

Welcome Back Luncheon!

Planning for Tomorrow: How to Build an Agile Compensation and Reward Framework

August 10, 2021

With Thanks to Our Sponsors

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2021 Upcoming Events

- **October 12: Annual Forum & Community Activity;** Cobb Galleria– 8:00-1:00 PM
Theme: Redefining Total Rewards in Dynamic Times
- **November 9: Breakfast Workshop;** Hall Benefits Law Conference Center; 8:30–10:00 AM
- **December 14: Holiday Celebration;** Seasons 52 Perimeter; 4:30–6:30 PM

Meetings are *generally* held on the 2nd Tuesday
(every other month)



2021 Initiative Update– University Relations

Activities:

- **Student Mentorship**
- **Student SRHM Partnership**
- **Compensation Career Day**
- **Comp 101 Workshops**



**Emory Career Center
Information Session:
September 15th; 7:00-8:00 PM**

2021 WorldatWork Update

AACA is the local partner of WorldatWork, the premier international total rewards association

- AACCA members receive **significant discounts** on WorldatWork classes, courses and e-learning
 - **\$700** discount on e-learning/virtual courses
 - **\$400** discount on upcoming Spotlight on Sales Compensation conference (August 23-25)

Note: WorldatWork currently **shares 20% of the revenue** from their classes, virtual courses, e-learning and conferences with AACCA. This helps AACCA pay for speakers, venues and other expenses.

WorldatWork offers:

- **Free resources**, including webinars and articles on today's hot topics
- **Classes, virtual courses, e-learning and conferences**, which may lead to certification



WorldatWork[®]
Total Rewards Association

SHRM Certification



**SHRM – PDC Credits Approved:
1.0 Credits**

Activity ID: 21-HPQAU

Our Presenters Today



Mike Chalmers, J.D.
Principal and Career
Practice Leader
Buck



Amy Heinz
Principal, Career Practice
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Planning for tomorrow

Building an agile compensation and reward strategy

August 10, 2021

Today's presenters



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Firmographics

103

Years in consulting

59

Net Promoter Score
(excellent)

25

Years in
benefits administration

2250

Employees

17

Years (average
client tenure)

1700

Clients

36

Global centers

11

Years (average
employee tenure)

108

of the Fortune 500



Atlanta, Birmingham, Boston, Bristol, Chandigarh,
Chicago, Dallas, Denver, Derby, Detroit, Edinburgh,
Fort Wayne, Guernsey, Honolulu, Houston, Iasi,
Ipswich, Kochi, London, Los Angeles, Manchester,
Maumee, Minneapolis, Mississauga, Montreal,
Nashville, New York City, Philadelphia, Pittsburgh,
Reading, San Francisco, Secaucus, St. Louis,
Stamford, Tampa, and Washington, DC

What we'll cover today

- Employee engagement: why it matters now more than ever
- The career framework: organizing the chaos and positioning your organization for the long-term
 - Employee centric
 - Resource optimization
 - Risk mitigation
- Developing and managing within a career framework
- Career Framework Outputs



The changing workforce and employee engagement: Our perspective

Transformation of the workplace

Yesterday

Paternalistic

Employment for life

Step progression

Nine-to-five

Physical workplace

“Climb the ladder”

Pensions

Work / life balance

Today

Transactional

Uncertainty

Pay-for-performance

Flexible schedule

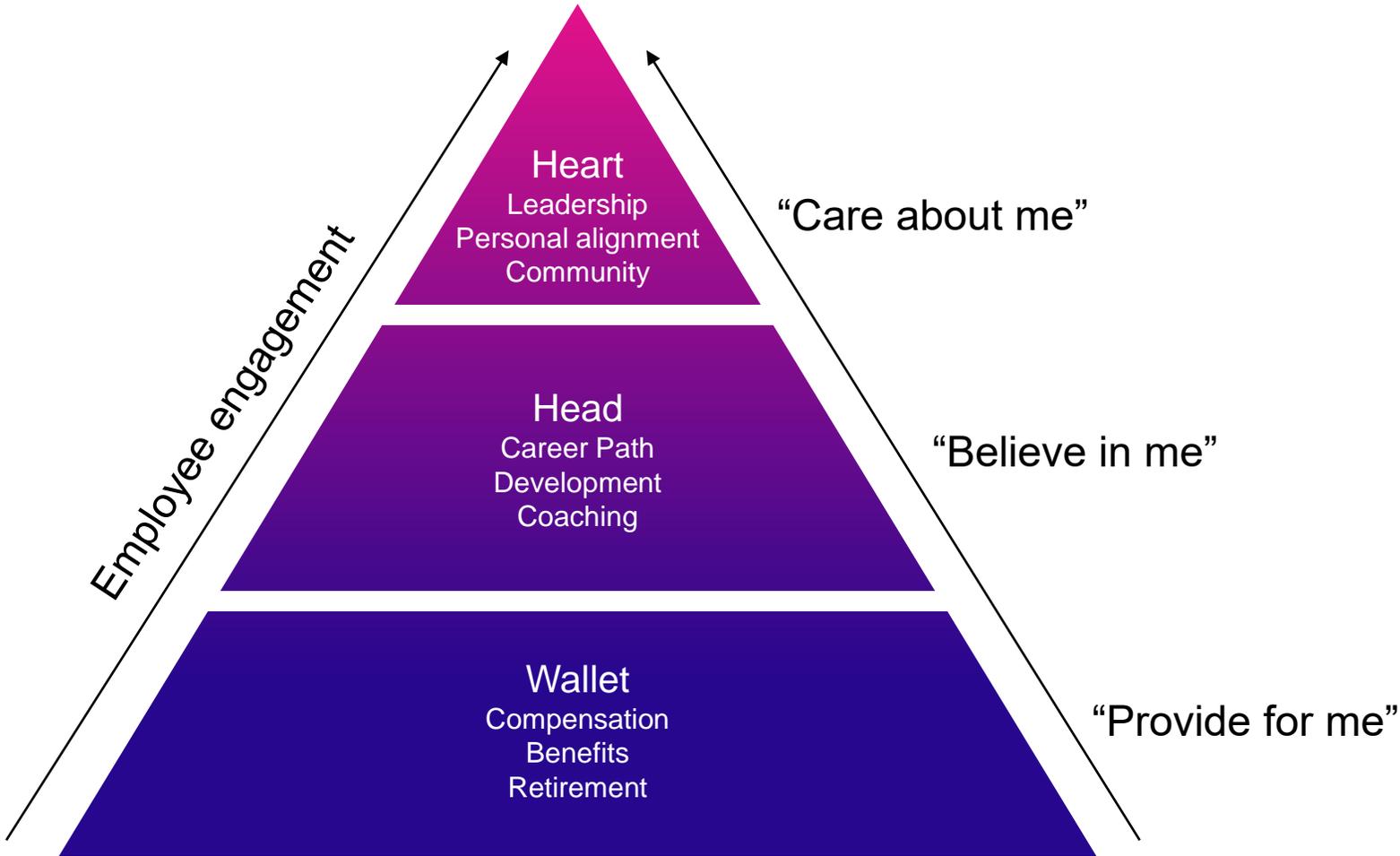
Work from anywhere

“Forge your own path”

401(k) retirement plan

Work / life integration

Achieving employee engagement



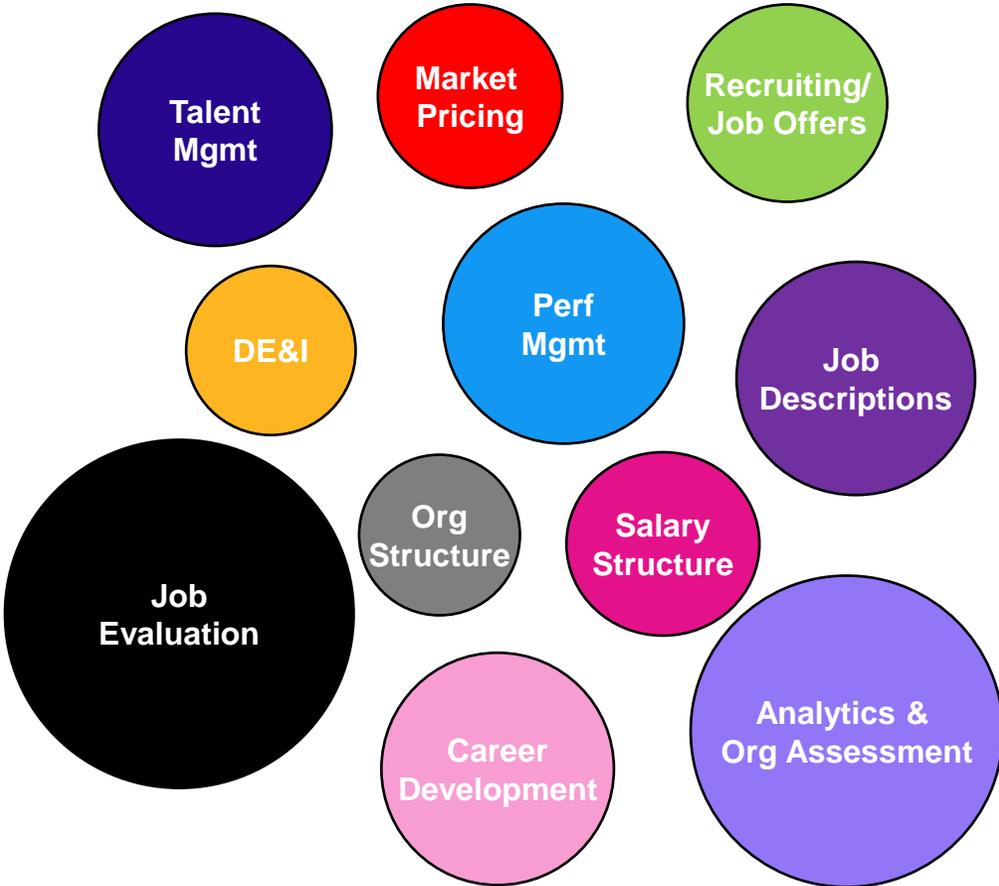
Top quartile business results

- 20% higher productivity
- 21% higher profitability
- 59% lower turnover
- 40% higher quality
- \$405b annual cost of disengaged employees across the country
- 5x – 10x higher shareholder returns over 5 years
- 233% increased customer loyalty

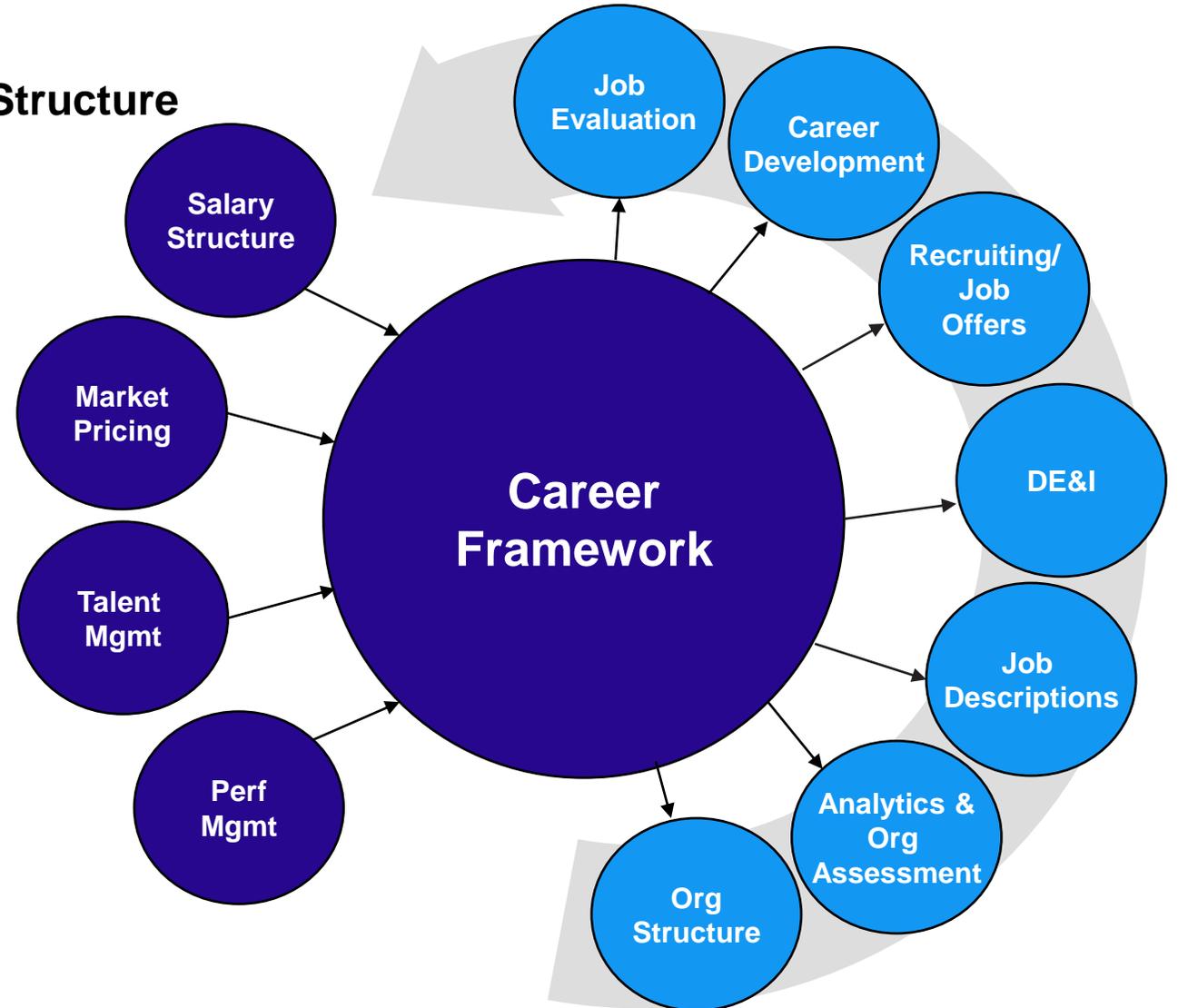
Career framework: a blueprint for sustainability

Career framework

Chaos



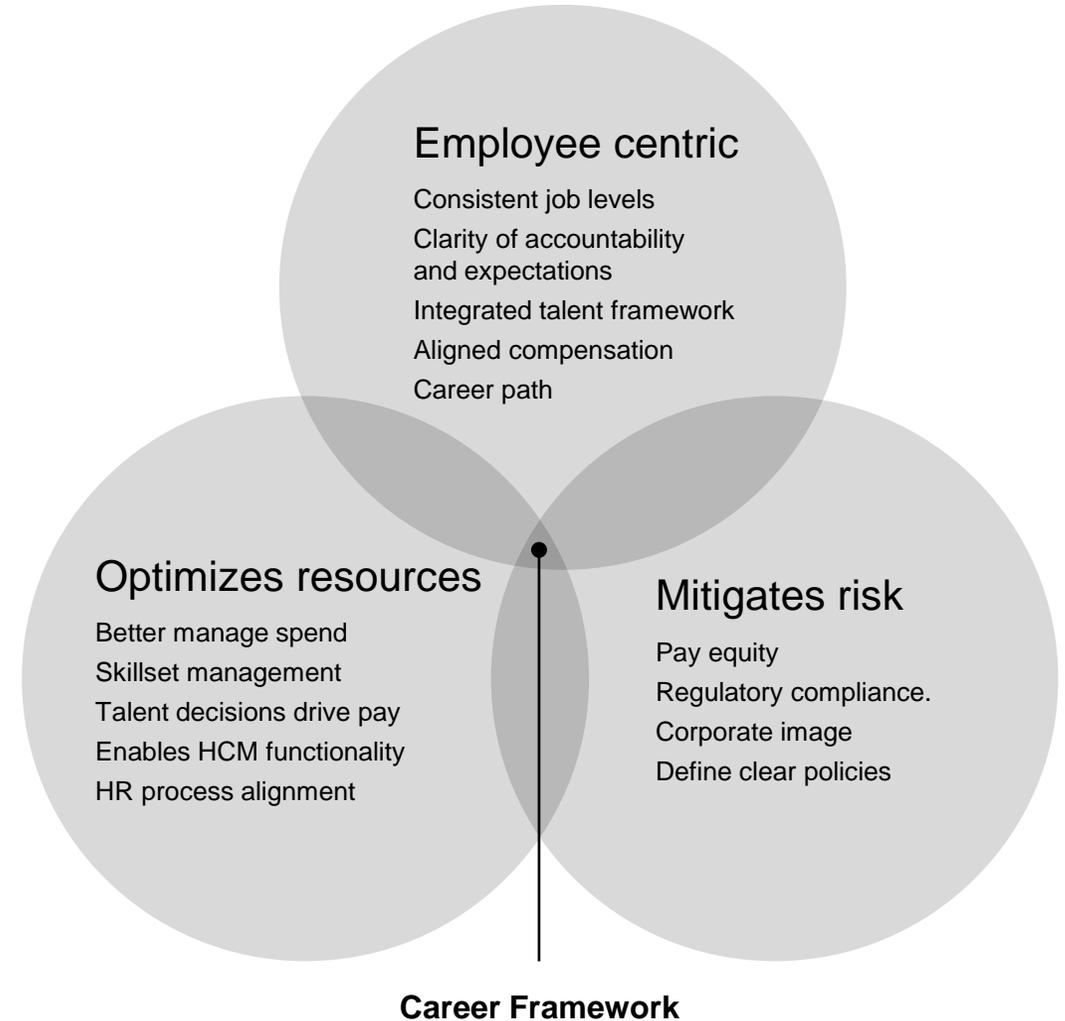
Structure



Career framework: Three perspectives

A career framework is a useful tool:

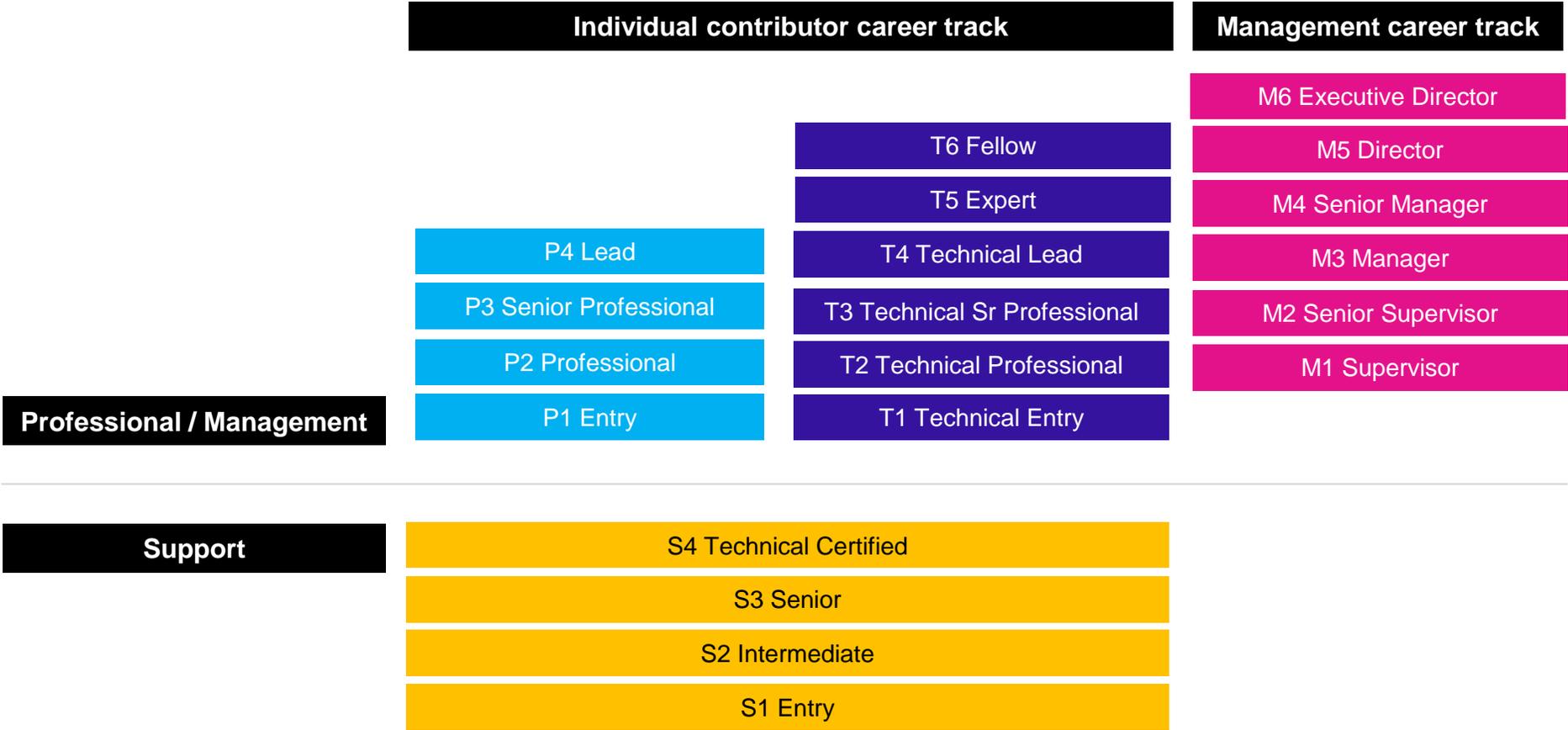
- Helps align employee investment (\$) with the organization's strategic roadmap and business plan
- Supports attracting, retaining, and developing talent
- Better aligns talent management with market competitive compensation decisions
- Is a foundation for the equitable and defensible delivery of pay



Step 1: Establish job groupings

Career tracks

- Management
- Technical
- Professional
- Support



Career levels will be globally consistent but structures will reflect local market pay rates

Step 2: Define career levels and job families

			Accounting example	Finance operations example
Level	Level description	Definition		
P3	Senior	<ul style="list-style-type: none"> Fully seasoned professional / technical level Independently carries out most assignments typical of the profession Considered a level where career may stabilize for many years Individual contributor, or may coordinate and supervise activities of non-exempt / hourly workers 	Responsible for maintaining the financial books and records and preparing financial statements in compliance with statutory and accepted accounting standards and principles. Senior Accountant	Responsible for finance operations such as customer and vendor administration, preparing accounts payable / receivable transactions, and / or disbursing payroll checks, payroll taxes, and employee benefit payments. Senior Accounts Payable Analyst
P2	Professional	<ul style="list-style-type: none"> Experienced professional / technical level Carries out most assignments typical of the profession with limited guidance or review Individual contributor, or may coordinate and supervise activities of non-exempt / hourly workers 	Accountant	Accounts Payable Analyst
P1	Associate	<ul style="list-style-type: none"> Entry professional / technical level Must already possess basic theoretical professional knowledge from a pertinent degree program Assignments should be predominantly professional in nature Individual contributor with no supervision responsibilities 	Associate Accountant	Associate Account Payable Analyst

Step 3: Benchmark roles

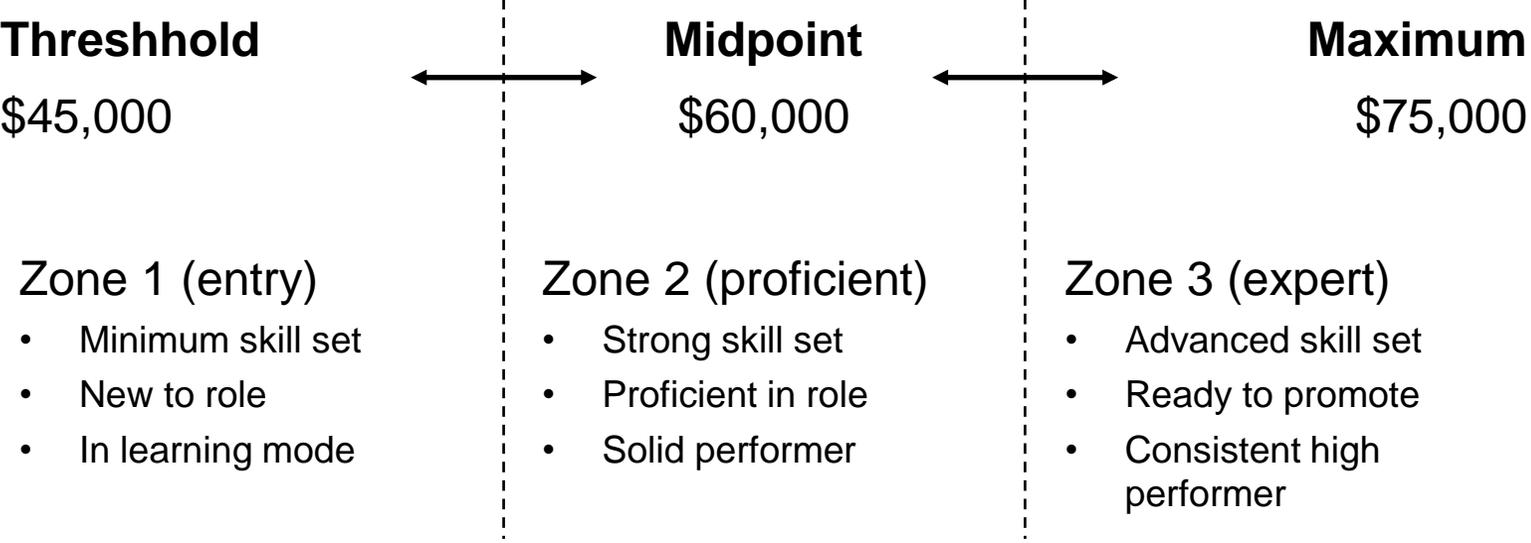
- Market pricing benchmark jobs ensures placement in a competitive salary structure within each level while ensuring consistent incentive percentages across levels
- Generally, in the market you see roles that require advanced degrees (e.g., Legal) or roles that are in high demand (i.e., IT) with higher market rates than core business roles
- In this example we have market confirmation that these roles should be in different salary structures within the same level

Illustrative

Core structure			Specialized structure		
Threshold	Midpoint	Maximum	Threshold	Midpoint	Maximum
\$105,000	\$140,000	\$175,000	\$131,250	\$175,000	\$218,750

Job	Market P50	Market bonus %
Call Center Director	\$131,000	20%
Director of Packaging	\$143,000	20%
Associate Counsel	\$174,000	20%
Director of Information Tech	\$183,600	20%

Step 4: Manage employees within a structure



Pay progresses based on an individual's:

- Skillset development
- Consistent strong performance
- Readiness to be promoted

The salary range is a tool for managers to use

Output: Establish appropriate compensation guidelines

- Compensation guidelines (e.g. a merit matrix) allow managers to consistently manage pay increases across the organization by leveraging an employee's pay against a leader's talent/performance decisions
- Reinforces a pay-for-performance culture while ensuring that individuals are paid competitively within the range

Merit matrix based on comp-ratio						
Performance rating	<75%	75% - 85%	85% - 100%	100% - 115%	115% - 125%	>125%
Outstanding (20%)	6.0%	5.0%	4.0%	3.0%	2.0%	0.0%
Good solid performer (80%)	4.0%	3.5%	3.0%	2.5%	0.0%	0.0%
Needs improvement (case by case)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Pay progresses based on an individual's:

- Skillset development
- Consistent strong performance
- Readiness to be promoted

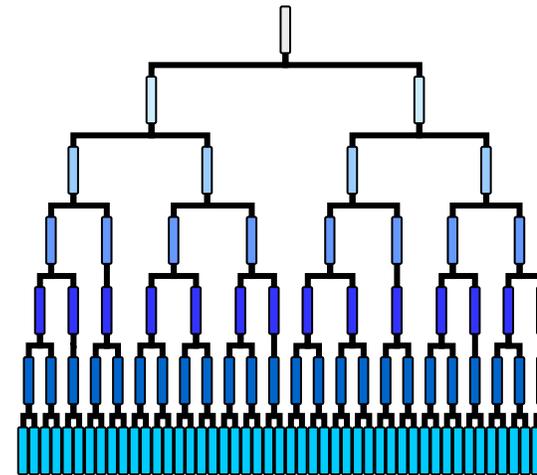
Output: Resource management

Balancing the urgent needs of the business while positioning the organization for long-term viability requires courage and creativity when implementing cost-cutting measures

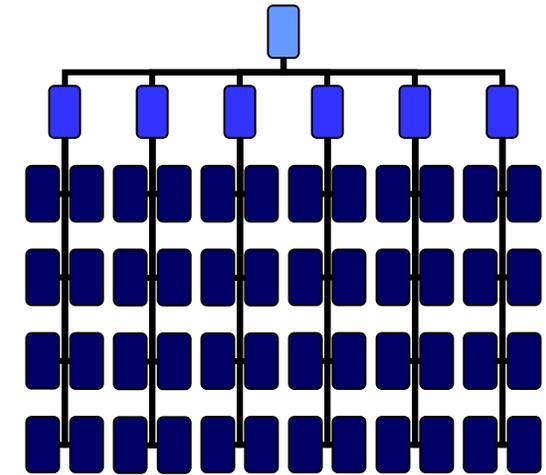
A Spans and Layers Assessment will inform both short-term staffing decisions driving immediate cost reduction, as well as position the company for sustained health over time

- Cost savings
- Work optimization
- Increased speed of decision making
- Improved communications
- Greater organizational flexibility
- Increased delegation (resulting in improved job satisfaction)
- Increased employee empowerment/engagement

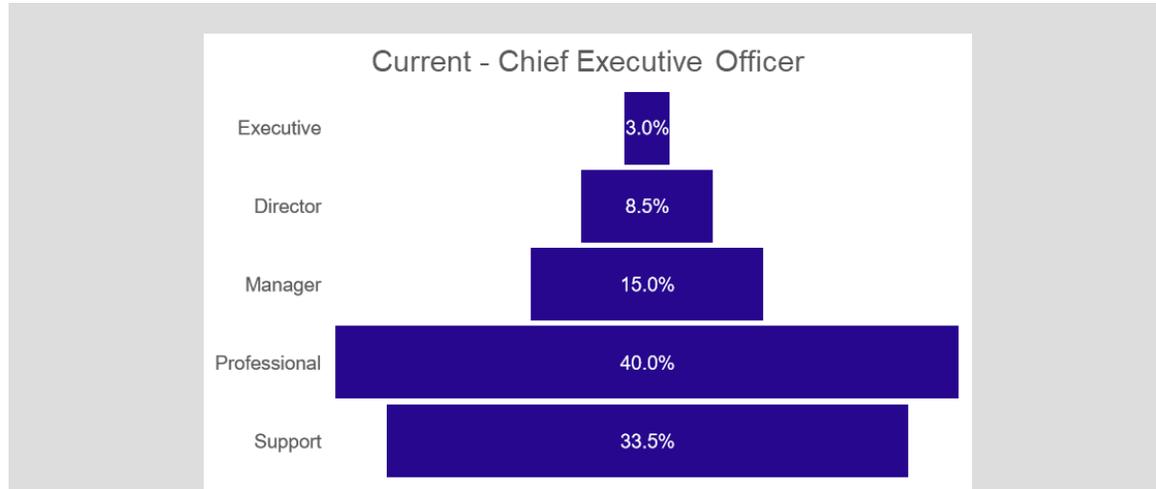
**Tall hierarchy:
Low span of control**



**Flat hierarchy:
High span of control**



Output: Resource management – org shape



Level	FTE count	% FTE	Salary allocation	Tgt bonus alloc	Tgt LTI alloc
Executive	71	3.0%	\$15,975,000	\$6,390,000	\$23,962,500
Director	202	8.5%	\$30,300,000	\$9,090,000	\$10,605,000
Manager	357	15.0%	\$35,700,000	\$7,140,000	\$2,856,000
Professional	951	40.0%	\$76,080,000	\$7,608,000	\$1,521,600
Support	796	33.5%	\$39,800,000	\$2,985,000	\$0
Total	2,377		\$197,855,000	\$33,213,000	\$38,945,100

\$270,013,100



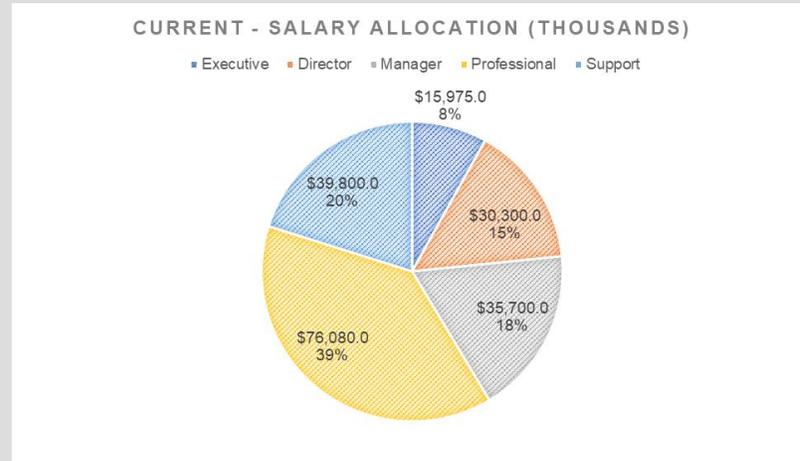
Level	FTE count	% FTE	Salary allocation	Tgt bonus alloc	Tgt LTI alloc
Executive	36	1.5%	\$8,100,000	\$3,240,000	\$12,150,000
Director	107	4.5%	\$16,050,000	\$4,815,000	\$5,617,500
Manager	238	10.0%	\$23,800,000	\$4,760,000	\$1,904,000
Professional	903	38.0%	\$72,240,000	\$7,224,000	\$1,444,800
Support	1,093	46.0%	\$54,650,000	\$4,098,750	\$0
Total	2,377		\$174,840,000	\$24,137,750	\$21,116,300

\$220,094,050

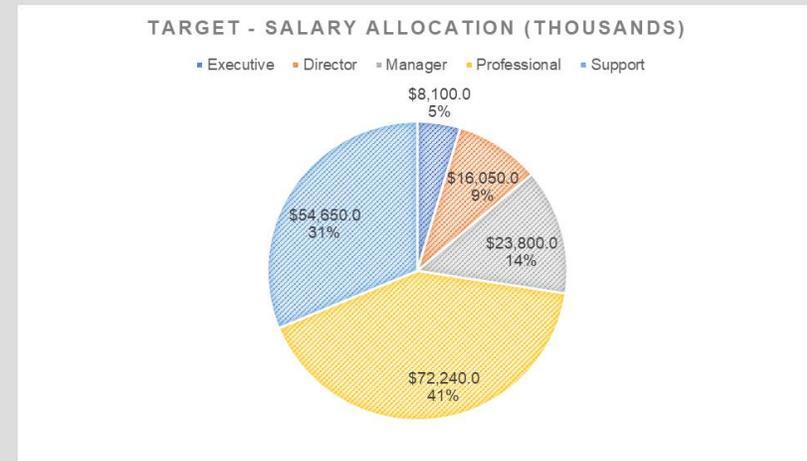
\$49,919,050 reduction in TDC (-18.5%) / 0 change in total headcount

Output: Resource management – salary by level

Chief Executive Officer – Salary allocation by level



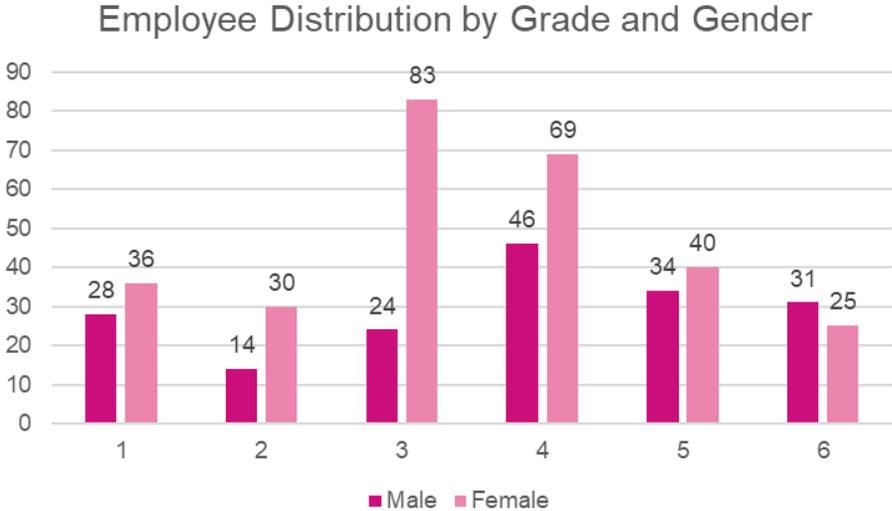
Level	Salary allocation	Tgt bonus alloc	Tgt LTI alloc	Tgt TDC
Executive	\$15,975.0	\$6,390.0	\$23,962.5	\$46,327.5
Director	\$30,300.0	\$9,090.0	\$10,605.0	\$49,995.0
Manager	\$35,700.0	\$7,140.0	\$2,856.0	\$45,696.0
Professional	\$76,080.0	\$7,608.0	\$1,521.6	\$85,209.6
Support	\$39,800.0	\$2,985.0	\$0.0	\$42,785.0
Total	\$197,855.0	\$33,213.0	\$38,945.1	\$270,013.1



Level	Salary allocation	Tgt bonus alloc	Tgt LTI alloc	Tgt TDC
Executive	\$8,100.0	\$3,240.0	\$12,150.0	\$23,490.0
Director	\$16,050.0	\$4,815.0	\$5,617.5	\$26,482.5
Manager	\$23,800.0	\$4,760.0	\$1,904.0	\$30,464.0
Professional	\$72,240.0	\$7,224.0	\$1,444.8	\$80,908.8
Support	\$54,650.0	\$4,098.8	\$0.0	\$58,748.8
Total	\$174,840.0	\$24,137.8	\$21,116.3	\$220,094.1

Output: Risk mitigation – demographics assessment

- Once your career framework is established, an assessment of how your workforce is distributed across the organization can answer questions about career progression opportunity
 - A review of gender by grade assignment or an assessment of dominant groupings by ethnicity can provide insights

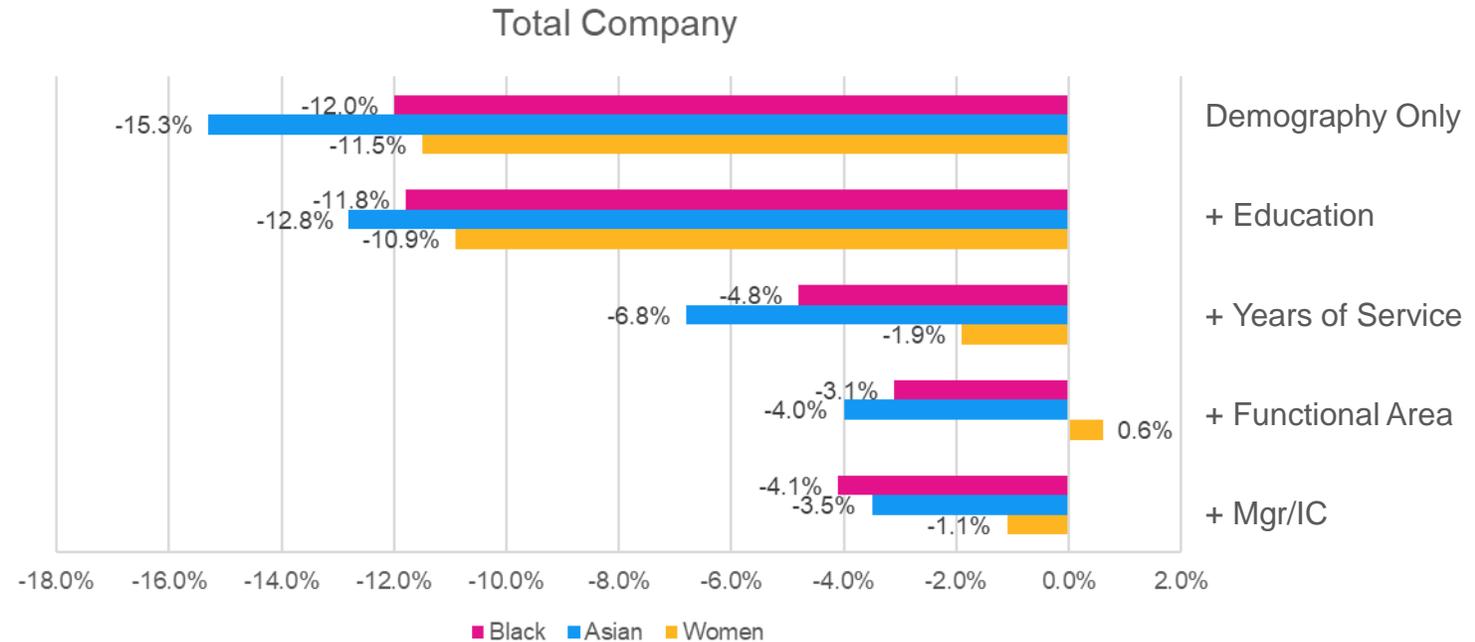


Grade	Mgr/IC	Incumbent Count			Incumbent Mix		
		Minority	White	Total	Minority	White	Balance
11	Mgr	0	2	2	0.0%	100.0%	White Dominated
11	IC	0	0	0	--	--	--
10	Mgr	0	4	4	0.0%	100.0%	White Dominated
10	IC	0	2	2	0.0%	100.0%	White Dominated
9	Mgr	0	9	9	0.0%	100.0%	White Dominated
9	IC	1	1	2	50.0%	50.0%	Balanced
8	Mgr	2	26	28	7.1%	92.9%	White Dominated
8	IC	1	4	5	20.0%	80.0%	White Dominated
7	Mgr	1	27	28	3.6%	96.4%	White Dominated
7	IC	0	28	28	0.0%	100.0%	White Dominated
6	Mgr	3	27	30	10.0%	90.0%	White Dominated
6	IC	4	40	44	9.1%	90.9%	White Dominated
5	Mgr	0	30	30	0.0%	100.0%	White Dominated
5	IC	6	63	69	8.7%	91.3%	White Dominated
4	Mgr	1	8	9	11.1%	88.9%	White Dominated
4	IC	13	93	106	12.3%	87.7%	White Dominated
3	Mgr	1	7	8	12.5%	87.5%	White Dominated
3	IC	13	86	99	13.1%	86.9%	White Dominated
2	Mgr	0	0	0	--	--	--
2	IC	10	34	44	22.7%	77.3%	White Dominated
1	Mgr	0	0	0	--	--	--
1	IC	47	17	64	73.4%	26.6%	Minority Dominated

Output: Risk mitigation – pay equity

An established career framework mitigates pay bias and is the foundation for the pay equity study

- Ensure that only legitimate, non-discriminatory compensable factors drive pay differences within an organization
- The statistical analysis provides insight into pay variances for black, Asian, and female employees in comparison to white males
 - Tests the degree to which compensable factors may explain that variance



Key takeaways: Thrive in the new normal

- The world has changed considerably, and the workforce continues to evolve at a rapid pace
- Employees are struggling to remain focused at a time when employee engagement is critical
- Short-term cost-cutting strategies are not long-term solutions
- A career framework will position organizations for long-term sustainability and success by:
 - Supporting engagement
 - Managing finite resources
 - Mitigating risk



Questions

For our latest news as you navigate the New Normal:

Check out Buck.com or follow us on LinkedIn and Twitter



Talk to us: 866-355-6647



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