

HR INSIGHTS

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Competitive Compensation

It's no secret that top talent expects to be paid top dollar. Even with a developed recruiting program, fantastic work environment and great work-life balance, it will be difficult for your company to attract and retain the best employees without a competitive pay policy. Read on to learn about some of the benefits of a competitive pay policy and the basics of compensation strategy design.

Benefits of a Competitive Pay Policy

Though the initial investment appears steep, the benefits of competitive compensation are numerous. Here are a few ways higher salaries can aid your organization:

- Generous compensation allows your recruiters to aggressively target top talent for key positions.
- Competitive pay levels can serve as a way to create "brand recognition" for job seekers. It differentiates your company from other employers.
- If you are currently unable to offer an ideal benefits package or workplace environment, a competitive pay policy may be the best and most immediate way to acquire talented employees.
- Bonuses tied to the productivity of the company allow your employees to feel the success of the company. When success is rewarded, your employees are driven to succeed, driving your organization forward.
- Even the best managers cannot motivate underpaid employees. Better compensation will make your employees more motivated and managers more effective.
- Due to health care reform, some health plans are no longer allowed to discriminate in favor of key employees. A competitive salary may compensate for the reduction in benefits.
- Offering an above-average wage allows you to be more selective in the hiring process, ensuring the best fit when filling a position.

Compensation Strategy

When designing a compensation strategy, the first step is to identify if you have a competitive pay issue:

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- Research the salaries your competitors offer. Often, internet sites can provide the pay levels of current or past employees at competing companies.
- Track how often candidates turn down job offers for each position. If offers are frequently declined for a particular job, it likely indicates an issue with your compensation strategy for that position.
- Consult with managers to see if employees in certain positions are unmotivated. Determine if salary could be a factor.

If you find that salary is an issue for a particular position, the HR department will need to determine what they believe the pay scale should be to attract qualified candidates or to retain existing employees. For most positions, compensation strategy should be based on:

- The extent to which qualified candidates are available in targeted recruiting markets.
- The aggressiveness of other employers competing within those markets.
- Your company's clout in the marketplace to recruit qualified employees (i.e., financial resources to pay employees, perception of the company as an employer of choice).

For more information on wage statistics, national and regional averages and competitive compensation, visit www.bls.gov/bls/wages.htm.