

# INTRODUCTION TO COMPENSATION



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## KEY TAKEAWAYS

This is an introduction to compensation and the key takeaways are: gaining an understanding of the compensation on where it begins, the fundamental terminology of compensation and how each component is a building block to a solid foundation of attracting, retaining and motivating employees.



# AGENDA



Introduction into Compensation



Compensation Terminology



Compensation Philosophy



Compensation Policy



Conclusion



# INTRODUCTION TO COMPENSATION

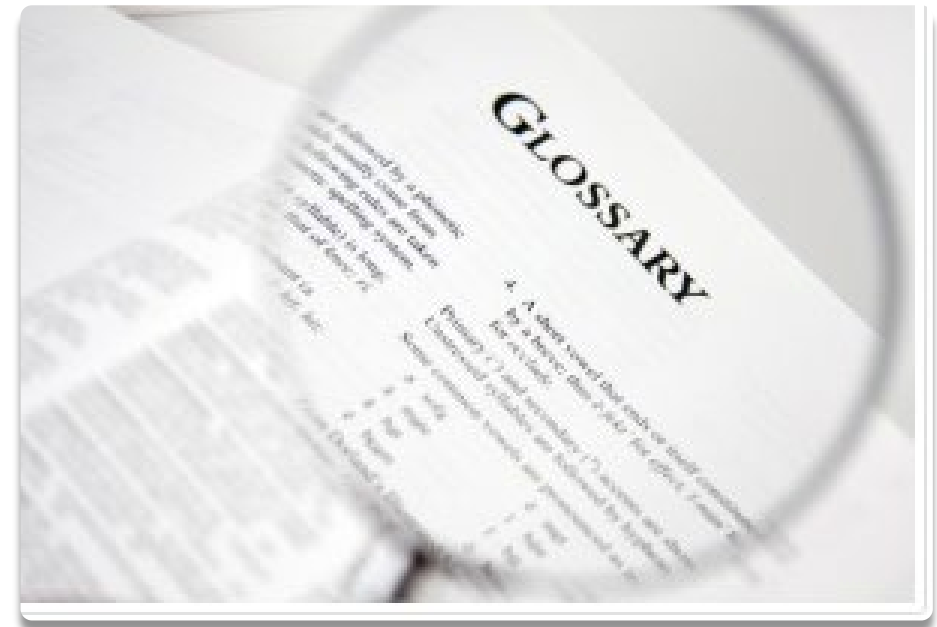
“Compensation is a systematic approach to providing monetary value to employees in exchange for work performed.

Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.”

~hr-guide.com

# COMPENSATION TERMINOLOGY

- Total Rewards
- Market Data
- Market Pricing and Job Evaluation
- Pay Grades
- Job Description and Job Title

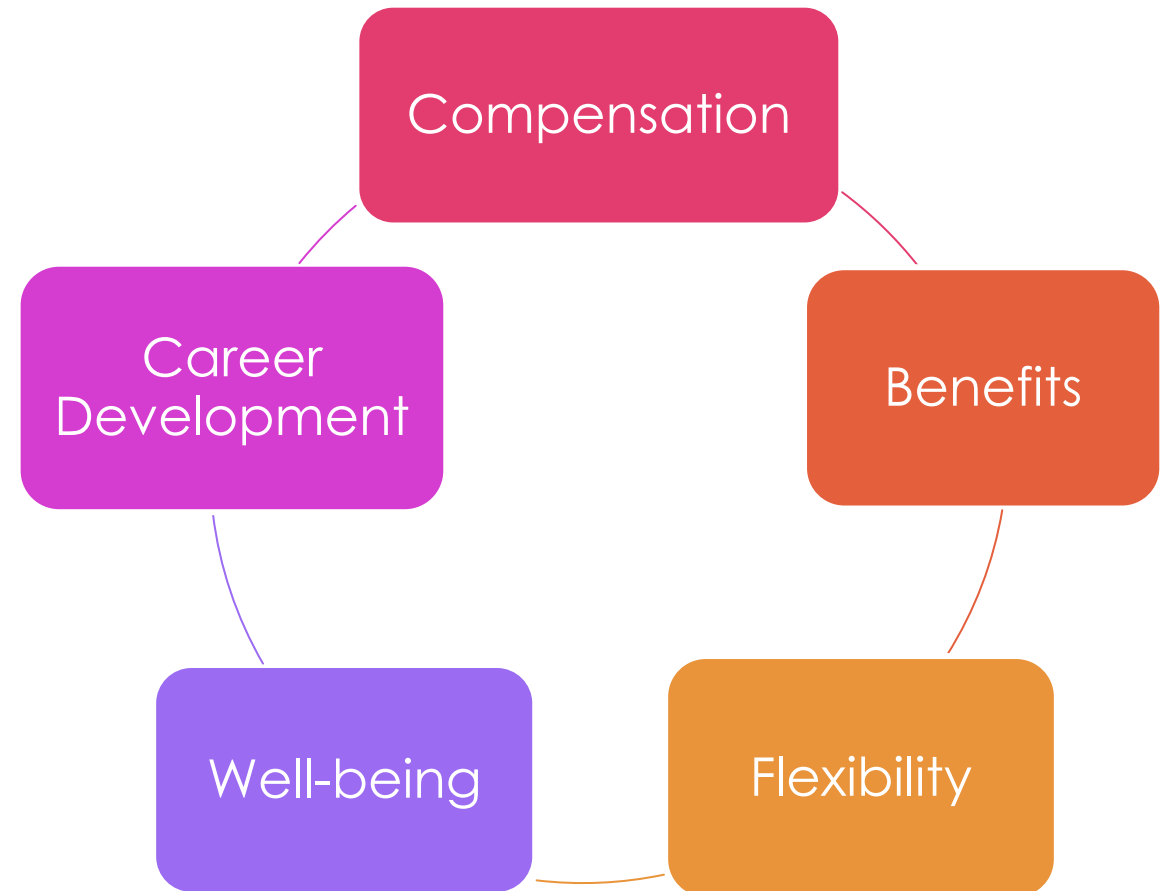


# COMPENSATION TERMINOLOGY

## TOTAL REWARDS

Total rewards can be defined as a combination of compensation, benefits, flexibility, well-being and career development programs.

Source: WorldatWork



# TOTAL REWARDS MODEL

## TOTAL REWARDS STRATEGY

Total Reward Model





# COMPENSATION TERMINOLOGY

## MARKET DATA

Market data is a benchmark tool used to determine compensation on a position in order pay competitively for the purpose of attracting and retaining employees.





# MARKET DATA SAMPLE

**JIMS 3.0** [home](#) - [research](#) - [stats](#) - [help](#)

Job title searched for: human resources analyst

Job Title - description link	Organization	Function	EEOC	Level	Bench	Low	Mid	High	Exempt	Job Upd	Pay Upd	Created
<a href="#">Human Resources Analyst</a>	Chandler, City of	<a href="#">HR</a>	PRO	JNY	064	75,150	92061	108,971	Y	7/18/2023	8/11/2023	5/21/2014
<a href="#">Human Resources Analyst</a>	Glendale, City of	<a href="#">HR</a>	PRO	ENT		57,241	71552	85,862	Y	3/12/2021	3/6/2023	10/2/2020
<a href="#">Human Resources Analyst</a>	Marana, Town of	<a href="#">HR</a>	PRO	JNY		49,578	61973	74,368	Y	6/22/2020	6/22/2020	6/22/2020

Source: JIMS  
[www.jims.tempe.gov](http://www.jims.tempe.gov)

# COMPENSATION TERMINOLOGY

## MARKET PRICING

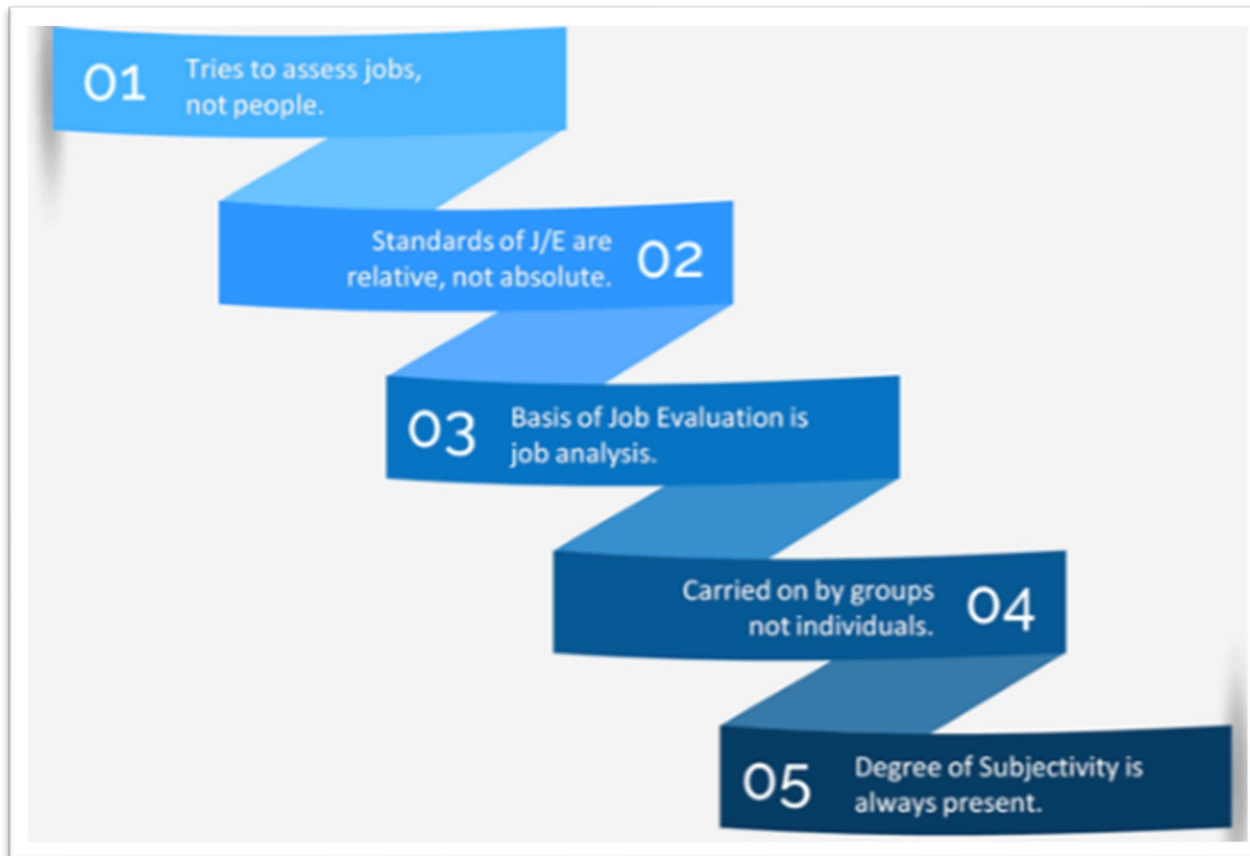
“Market pricing is defined as the process of analyzing external salary survey data to establish the worth of jobs, as represented by the data, based upon the “scope” of the job (company size, industry type, geography, etc.).”

Source: [onlinelibrary.wiley.com](http://onlinelibrary.wiley.com)

1. Determine and select market (local municipalities and competitors)
2. Select a reliable market source
3. Factor the age of the data being used
4. Identify benchmark jobs

# COMPENSATION TERMINOLOGY

## JOB EVALUATION

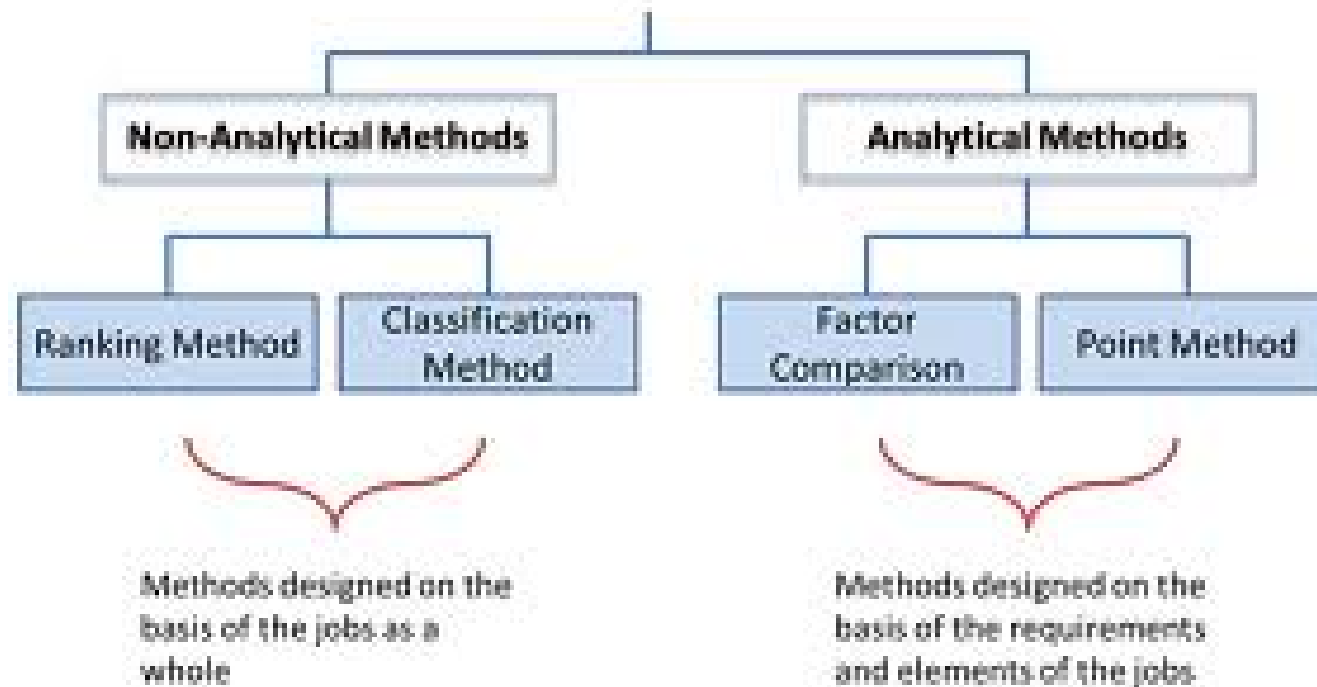


“Job evaluation is the process of determining the relative worth of different categories of jobs by analyzing their responsibilities and, consequently, fixation of the remuneration.”

<https://www.mbaknol.com/human-resource-management/methods-of-job-evaluation/>

# JOB EVALUATION METHODS

## Job Evaluation Methods





# COMPENSATION TERMINOLOGY

## PAY GRADES

- ▶ “Pay grades are defined as a method of categorizing different types of jobs into groups that have the same relative pay rate and internal worth. They are used to determine a standard framework of monetary compensation for both private and public sector organizations.”
- ▶ “Pay grades typically encompass two separate levels of evaluation. The vertical range is associated with the responsibilities needed for a specific position, while the horizontal range corresponds to tenure and performance in the workplace. “

Source: <https://www.mightyrecruiter.com>

# PAY GRADES EXAMPLE

	A	B	C	D	E	F	G	H	I	J
1	Pay grade	Minimum	Midpoint	Maximum	Step 1	Step 2	Step 3	Step 4	Step 5	Job title in this grade
2	1	\$ 10,000	\$ 20,000	\$ 30,000	\$ 14,000	\$ 18,000	\$ 22,000	\$ 26,000	\$ 30,000	Cashier
3	2	\$ 20,000	\$ 30,000	\$ 40,000	\$ 24,000	\$ 28,000	\$ 32,000	\$ 36,000	\$ 40,000	Clerk
4	3	\$ 30,000	\$ 40,000	\$ 50,000	\$ 34,000	\$ 38,000	\$ 42,000	\$ 46,000	\$ 50,000	Accountant
5	4	\$ 40,000	\$ 50,000	\$ 60,000	\$ 44,000	\$ 48,000	\$ 52,000	\$ 56,000	\$ 60,000	Sr Accountant
6	5	\$ 50,000	\$ 60,000	\$ 70,000	\$ 54,000	\$ 58,000	\$ 62,000	\$ 66,000	\$ 70,000	Supervisor
7	6	\$ 60,000	\$ 70,000	\$ 80,000	\$ 64,000	\$ 68,000	\$ 72,000	\$ 76,000	\$ 80,000	Asst Manager
8	7	\$ 70,000	\$ 80,000	\$ 90,000	\$ 74,000	\$ 78,000	\$ 82,000	\$ 86,000	\$ 90,000	Deputy Manager

Source: Chegg.com

# COMPENSATION TERMINOLOGY

## JOB DESCRIPTION AND TITLE

Job descriptions provide:

- ▶ A summary of the job
- ▶ Essential functions or tasks of the job
- ▶ KSA: knowledge, skill and ability of the job
- ▶ Minimum qualifications of the job
- ▶ Additional credentials such as certification (s), ability to pass background check and driver's license

Important to Note: A job description should never be written around an employee

# COMPENSATION TERMINOLOGY

## JOB DESCRIPTION AND TITLE

- Determination of job title can be determined by using the following resources

- BLS>Occupational Profiles

[https://www.bls.gov/oes/current/oes\\_stru.htm](https://www.bls.gov/oes/current/oes_stru.htm)

- O\*NET Online



**O\*NET OnLine**

Help ▾ Find Occupations ▾ Advanced Searches ▾ O\*NET Data ▾ Crosswalks ▾



U.S. BUREAU OF LABOR STATISTICS

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Bureau of Labor Statistics > Occupational Employment and Wage Statistics

### Occupational Employment and Wage Statistics

OEWS Home OEWS Publications ▾ OEWS Data ▾ OEWS Methods ▾ A

### May 2022 Occupation Profiles

#### Major groups

- 00-0000 [All Occupations](#)
- 11-0000 [Management Occupations](#)
- 13-0000 [Business and Financial Operations Occupations](#)
- 15-0000 [Computer and Mathematical Occupations](#)
- 17-0000 [Architecture and Engineering Occupations](#)
- 19-0000 [Life, Physical, and Social Science Occupations](#)
- 21-0000 [Community and Social Service Occupations](#)



# COMPENSATION PHILOSOPHY

Each organization's compensation philosophy is a written statement specifically to how they want to pay in accordance to market as well as attract, retain, and motivate employees.

Source: SHRM

# COMPENSATION POLICY

A compensation policy outlines the organizations pay practices such as salary determination, other forms of compensation (i.e. additional duty pay, acting pay, merits, etc.) and when it would apply.

An organizations compensation policy should be transparent and help your employees understand:

- ▶ How they are paid
- ▶ When they are paid
- ▶ How their pay is tied to performance

<https://www.bamboohr.com/hr-101-guide/chapter-6-compensation-and-benefits>

<https://hrmhandbook.com/hrp/compensation/policy/>

# CONCLUSION

Any additional questions?

*Thank  
You*