

Beyond fairness and pay equity

HOW COMPENSATION DRIVES PERFORMANCE

How can you tell if your compensation programs are driving employee and organizational performance?

In today's dynamic and disruptive business environment and war for scarce and elite talent, Total Rewards professionals are increasingly required to re-evaluate and update their programs and policies to meet ever-changing needs. Legislatively compliant salary structures and compensation programs are simply not enough.

On the one hand, this article reminds us how a salary structure can be used to achieve equity and, on the other hand, points out that to truly drive performance, an organization needs to adopt and apply practices that **go beyond** an equitable salary structure.



THE THEORY

DEVELOPING YOUR COMPENSATION INFRASTRUCTURE USING THE 4 EQUITIES APPROACH

Many Total Rewards professionals use the 4 equities approach to develop equitable and compliant salary structures: internal equity, external equity, individual equity, and pay equity (namely in Ontario, Quebec).

An organization respects **internal equity** by classifying roles and grouping jobs by relative value into salary grades, thereby offering these jobs the same potential compensation opportunities.

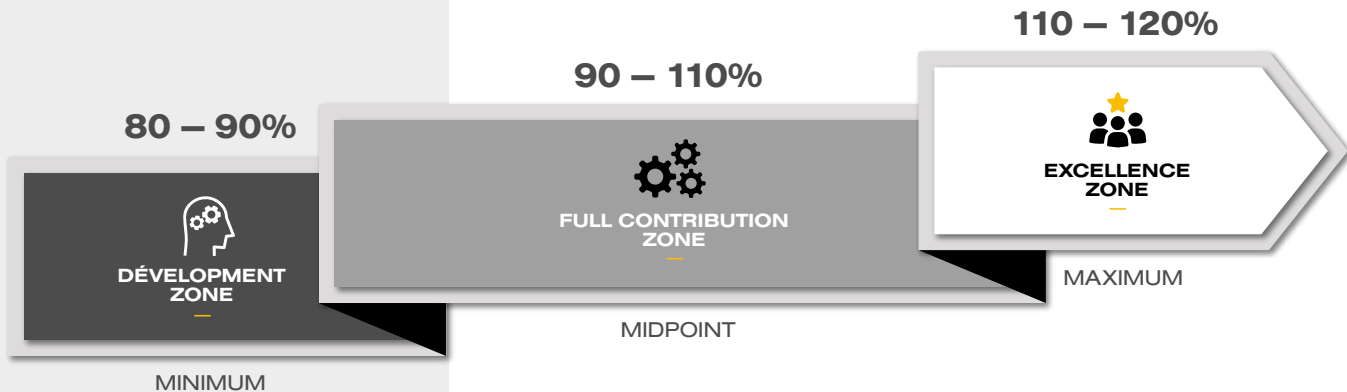
Aligning the midpoint of salary grades with the desired positioning increases organizations' ability to attract and retain employees and thus comply with **external equity**.

total rewards

Finally, managing salaries within salary grades aims to recognize the performance, contribution and capabilities of employees and; therefore, respects **individual equity**.

To help align employees' salaries to their level of contribution, organizations may define individual progression zones as guidelines within the salary grade, as illustrated in the image below.

INDIVIDUAL PROGRESSION ZONES IN A SALARY GRADE



“ When the principles of internal and individual equity are applied, pay equity compliance is expected. ”

Employees whose salaries are within the ‘development zone’ are relatively new to their jobs or have not yet fully acquired the knowledge and skills required to perform the duties of their role. The ‘full contribution zone’, on the other hand, is the stage where the employee has acquired the full knowledge, skills and experience necessary to perform their duties independently. Finally, employees in the ‘excellence zone’ are considered experts in their role and consistently exceed their job’s requirements.

CONVERGENCE OF INTERNAL AND INDIVIDUAL EQUITY FOSTERS PAY EQUITY

When the principles of internal and individual equity are applied, pay equity compliance is expected. The compensation infrastructure ensures that jobs that are deemed equivalent within an organization are managed within the same salary grade, thus offering the same compensation opportunity to female-predominant jobs and male-predominant jobs.

BEYOND THE THEORY

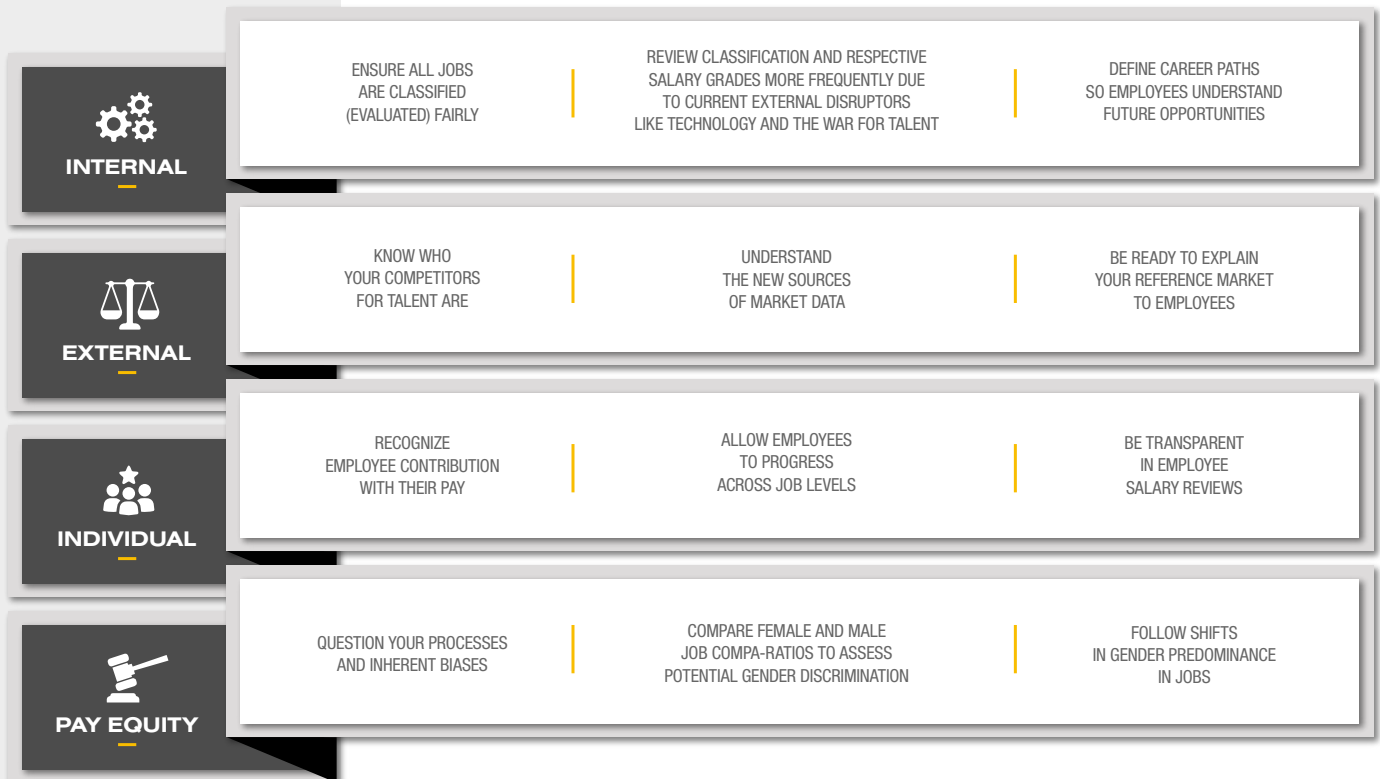
While the 4 equities approach ensures the compensation infrastructure is built upon a strong foundation and is legislatively compliant, organizations must go beyond this foundational element and provide additional strategies inherent to the design and communication of compensation programs in order to truly drive employee and organizational performance.

TRANSPARENCY

With greater focus on gender pay gaps and pay transparency legislation making headlines, organizations would be remiss to ignore these topics. Now more than ever, it is vital that employees fully understand 1) how their pay is determined, 2) their pay opportunity and 3) have a perception of fairness.

How to achieve a perception of fairness among employees relies on how well-equipped managers are to engage in compensation discussions with employees.

EXAMPLES OF GOING BEYOND THE FOUR EQUITIES IN THE DESIGN AND MANAGEMENT OF YOUR COMPENSATION INFRASTRUCTURE



CONCLUSION

While the theory ensures an organization has sound programs and policies that are legislatively compliant, to truly drive performance an organization needs to think and execute **beyond** a foundational compensation infrastructure. For each of the 4 types of equity that should be addressed in the design methodology, consider adopting various approaches to further differentiate your programs from your competitors and demonstrate fairness.

But it doesn't stop here! You must also invest in a communication strategy that accounts for both the message you want to convey and the medium used for that message to ensure proper understanding and the perception of fairness among employees.

Authors: Audrey Campbell – Principal, Compensation and Diane White – Principal, Compensation

Manny Campione, *CHRP, CHRL*

Market Leader and Principal, Compensation
647-208-3517
mcampione@nbac.ca

who is normandin beaudry?

Founded 25 years ago, with offices in Toronto, Montreal, and Quebec City, Normandin Beaudry is now among the largest Total Rewards Canadian-owned consulting firms. With over 250 employees, we help hundreds of clients create human capital and financial performance every year. Our team of compensation professionals approach situations from a targeted results standpoint. Whether through very specialized assignments or on-site interventions, we deliver simple and innovative solutions to meet your strategic and tactical needs. Our knowledge of market practices includes every aspect of total rewards, from base pay and incentive pay to employee benefits plans and retirement plans, as well as paid time off.