

Guest Contributor, From the PHP Team

# How to talk with staff about compensation topics



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*Perhaps the most uncomfortable topic to discuss between an employer and employee is that of compensation. However, it's also among the most important.*



Few conversations strike fear into a parents' heart like that of the 'coming of age' discussion about the birds and bees. Not to be outdone, the 'pay' conversation in the workplace has much the same impact on even the most experienced manager. While I can't promise to eliminate your fight or flight response entirely, here are a few tips which I have found make the conversation the most productive it can be.

## Know the Facts

As a manager, *you* may not know how pay is determined at your company (that's a whole other blog!) but make sure you do your research so you understand before you have the conversation with an employee. Does your company have a Compensation Philosophy? If so, what is that? Are there pay ranges for the position? Where does the employee fall in that pay range? Does your company embrace merit-based pay or pay for performance or are **Cost of Living Adjustments** (COLA) used across the board? What is the employee's pay history? What special skills or experience does this employee bring to the position that may not have been acknowledged upon hire or the skill/experience was acquired after hire? In addition, know who else to have in the discussion. If you work in a union environment, you may want to have a union representative present.

## Test the Market Yourself

Even a quick Google search will yield some data to gut check the range you uncovered. For example, if you are given a range with a maximum of \$25,000 annually for a salaried, exempt position, you can assume it is stale because that amount no longer meets the salary threshold test for such a position. What have you hired your newest employees at? What are people putting on their applications as a desired salary or current pay if it is filled out? Call one of your staffing agency friends to see what the going rate is for the job in question.

## Approach the Discussion with an Open Mind

Listen. Hopefully your employee has done some research. But even if they have not, let them speak first and share their perspective and concerns. Give them the opportunity to share their information and reasoning before launching into 1,001 reasons why you won't – *no, you just can't*, make a pay adjustment. Feeling heard is essential to this discussion being successful no matter the actual outcome of the discussion. Listen with empathy, not sympathy. After all, if your company has set pay ranges appropriately, you cannot always respond to the individual circumstances prompting the discussion. For example, employees may be struggling to make ends meet based on factors unrelated to their job or pay which prompts the ask for additional compensation. Perhaps the employee's spouse suddenly lost their job and your employee is feeling the pressure of paying bills with only one income. While you can certainly empathize with the situation, it doesn't mean you can make up the income deficit with a pay increase for your employee. At times, employees may feel that wages should adjust to their lifestyle. It is a challenging mindset to change but going back to explaining how wages are set and helping the team member to see they are being paid fairly for the position, is your best shot.

# Don't Volunteer Confidential Information

If the conversation starts with *'I heard Ralph got a \$1.00 per hour increase and I want to know why I didn't get the same thing because I work way harder than Ralph does and I've been here 2 years longer'* take a minute to refocus the conversation. You don't want to fall prey to rumor mill misinformation or worse, tactics meant to draw out confidential information. Your initial response might be to say, "No! He only got a 75 cent per hour increase!" and set the record straight. However, the best approach is to refocus the conversation to the person in front of you and not discuss the pay of other employees. Even if your company practices 100% pay transparency, discussing the why's behind the pay differentials of other employees isn't a good use of time.

## Understand and Accept the Consequences of the Discussion

Do you have the authority to authorize a pay change? If you do, remember to follow through with any promises you make. The conversation is difficult enough, but if you promise a change in pay, make it happen. The message sent by unremembered promises is even worse than going to work every day feeling like the boss is avoiding the conversation.

Know that pay is discussed and while we wish employees would treat the discussion of pay like that of body weight, the truth is employees do talk about pay and the law protects their right to do so. Once news hits the floor that Sam went in and slammed his fists on the table demanding a raise and the boss gave him more than asked for, you can bet you will see an increase in requests for the "pay talk". Not necessarily a bad thing, but off-cycle pay changes tend to bust the budget. And to be honest, as a manager, you feel a little like you are threatened into pay adjustments.

There are also consequences to not considering an off-cycle adjustment. Losing a great, well-trained employee because they didn't feel like they would be heard in the pay discussion stinks because there really isn't anyone to blame. Sometimes employees just knowing they can have the discussion goes miles even when the answer to a pay adjustment is still 'no'. Still, small adjustments can have a big impact. If the employee making \$15.00 per hour asks for \$17.00 per hour, \$16.00 may be acceptable when accompanied with a new understanding of how their pay is determined.

## Discuss the Value of the Compensation Package and Intangibles

Salary is not the only part of compensation. Benefits in most companies are often upwards of 30% of the base salary of an employee. For lower wage earners, benefits can be an even larger percentage of wages. Your company spends a huge amount of money offering these benefits, so make sure your employee understands how much the company is paying on their behalf. Most companies share the cost of the entire medical premium so the deduction from an employees pay for medical insurance is only a fraction of the cost of the coverage. For example, many companies cover 75% of the total cost of the premium and the employee pays only 25% of that total cost. Sharing that with team members is important. Some employers produce a Total Compensation Statement so help workers see that value in the total package – beyond what they see in the weekly wage.

Another area of value but often overlooked in a pay conversation, include things like flexibility in scheduling, paid time off benefits, company culture, and other benefits more difficult to quantify. Having a great deal of flexibility in when you work may be highly valuable to a single mom who wants to attend their child's sporting events. These types of benefits are valuable in different ways and at different times to employees. But often time, employees forget to consider them when focused only on a rate or annual salary amount.

## Know When to Say When

Finally, knowing when you really can't or shouldn't adjust pay is important. In some instances, this happens when an employee has an offer from another company you just can't match. Having that discussion about why you can't match the salary is important. An employee who leaves feeling like they weren't valued enough to try to 'save' might negated a 10-year positive employment experience. However, if you discuss with the employee why you can't match the offer it will go a long way in to maintaining an otherwise happy relationship. For example, an employee who is getting a 25% increase to take a supervisory position, should understand it is not an apple to apples comparison.

In addition, making pay adjustments on an individual basis to placate this employee or save that employee, without looking at the bigger pay picture, can create internal inequities unintentionally. Pay should be looked at holistically across an organization to make sure it doesn't disparate impact on certain demographic groups. Collaborating with your HR Department or other leaders in your organization as to a comprehensive approach to pay, will work to eliminate issues arising out of addressing pay in a silo.

While pay conversations can be one of the more challenging discussions to have with an employee, the right preparation and the right approach will help make them a positive experience for both participants.