

HOW AVOIDING COMPENSATION CONVERSATIONS HURT YOUR COMPANY

24|seven™

Awkward and uncomfortable. Two words that managers and workers alike would probably use to describe conversations about compensation. We'd like to add another to the list: essential. Even under the best conditions – like a promotion or a raise – conveying someone's worth in dollars and cents can be difficult to maneuver. But avoiding the talk doesn't just impact an employee's bank account – it has workplace implications too.

SHOWING THEM THE DOOR

Our most recent job market research shows that over half of workers are looking for a sweeter employment deal. That means the chances are high that someone (or a couple of someones) on your team is planning to make a move in the next twelve months. The number one reason to flee? Better compensation. Countless studies show that replacing an employee is much more expensive than bumping up their salary. Being frugal with a top performer today can become quite costly in terms of lost time, money, morale and productivity over the long term.

ENGAGEMENT BREAKER

Our research found that salary has the most power to influence engagement. Employee engagement is a critical component to company spirit and productivity. When employees aren't working to their full potential or are souring their co-workers' attitudes, it's a hit to the bottom line. Gallup's comprehensive study of employee engagement estimates the annual cost of disengaged workers to the U.S. economy to be around \$500 billion (yes, that's billion with a 'B'). Think about what an upward tick to a rising star's salary and their resulting engagement could mean for your business.

COMPENSATION IS A TOP FACTOR ON

- APPEAL OF COMPANY CULTURE
- EMPLOYEE ENGAGEMENT
- EMPLOYEE ATTRITION
- ON-THE-JOB STRESS

AS IF THERE ISN'T ENOUGH STRESS

In our study, when we asked what the most nerve-racking aspect of the job was, workers agreed it was compensation. And guess what? Those who admitted that comp is their biggest stressor also said that if the company took that stress away, they'd be more likely to get back to work and stop looking for greener pastures. Much of the power of creating productive and happy employees is in the hands of those who hold the purse strings.

TRANSPARENCY IS YOUR FRIEND

Sensitive information, like pay scale, has traditionally been kept under wraps at most companies. But organizational transparency is increasingly becoming a sought-after feature of company culture. It's among the top ten cultural hallmarks job seekers want in an employer – as is the attitude toward employee compensation. In fact, employees who were most engaged in our study were more likely to say they worked for a transparent company. Unfortunately, only half of the workers we studied stated they are engaged, and a similar number are unhappy with their company's level of transparency (especially when it comes to the salary range for their role). Want happier workers who are going to stick around and do their best? Be honest about their earning potential.

ANNUAL REVIEW = DINOSAUR

Employees want to hear how they are doing a lot more often than once a year. Only six percent of those participating in our job market study felt that an annual review was adequate. Instead, weekly, monthly and quarterly appraisals were preferred equally. Open and frequent performance communication is a good thing, but bumping salary every month is probably overkill. Perhaps tying increases to quarterly reviews would be more realistic. This approach could be effective in giving workers a reason to stay motivated, engaged and optimistic throughout the year.

NO CONTROL? NO PROBLEM

So what's a manager to do if budgets are tight and there just isn't any wiggle room on compensation? Workers surveyed said there were alternatives to salary they'd consider in that situation. Tops were flexibility in schedule and more paid time off. Tied for third: a plan in place that specifies the path and timing to the desired salary. It looks like there is just no avoiding that compensation discussion.

TALKING COMPENSATION – SOME TIPS

DO YOUR HOMEWORK & WARM-UP – Know how your employee has performed against their job goals. Research what a similar role earns in the marketplace. Practice your delivery of their performance review ahead of time.

EXPRESS APPRECIATION – Psychologist & philosopher William James famously said, “The deepest principle in human nature is the craving to be appreciated.” Detail your employee's achievements, acknowledge the value they bring to the team and call out the contribution they make to the company.

BE HONEST & OBJECTIVE – Be prepared for an emotional reaction when it comes to money. The best case is happiness; the worst case is anger. Try to be as open and factual as your company allows about salary and raise information – including budget constraints. Be aware of marketplace compensation as well.

HAVE A PLAN – If you've maxed out what you can offer in money, identify alternative rewards that have personal meaning to your employee such as additional vacation time or a training class they may have mentioned.