



# What's Driving Compensation?

Manage strategically in today's highly competitive labor market.

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**NEWPORT**  
an ASCENSUS company

# How can compensation support attraction, retention and motivation?

## Big Picture

### Inflation vs. Salary Increases

Communication with Pay Increases

### Remote Work and Flexible Schedules

### Recognition

Higher Performers

(merit pay and market adjustments)

### Pay Transparency

### Retention Strategies

(How to use Bonuses/Incentives)

### Broader Total Rewards

(Unique Benefits)

# Tight Labor Market – 49% Actively Looking?!?

## Why Are They Looking?

- Better compensation (32%)
- Greater flexibility and better work/life balance (29%)
- Better benefits (25%)
- Disengagement
- Burnout (work from home)
  - 2 in 5 are worried that managers doubt productivity. They are working more.
- Desire for promotion
- Early retirements

## What Can Employers Do?

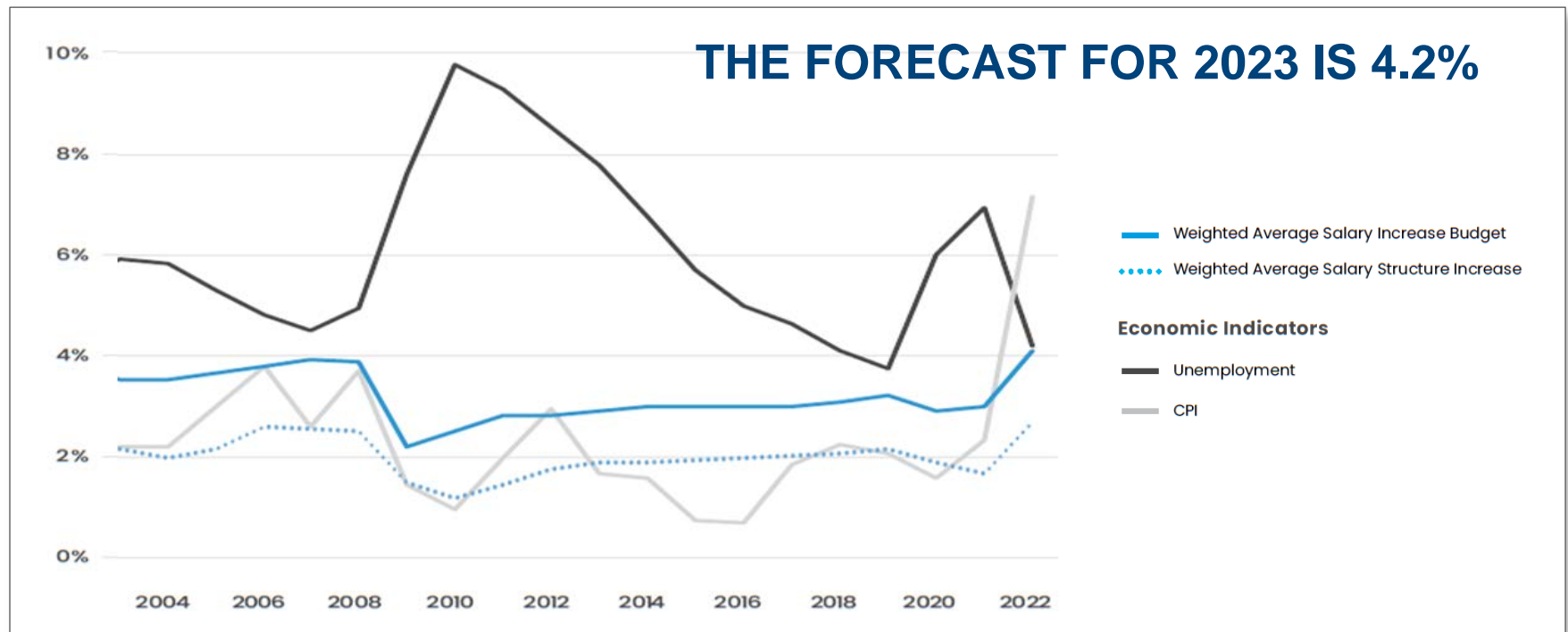
- Engage top performers
- Increase recognition for all
- Listen
- Conduct STAY interviews
- Consider how inflation affects people
- Sign-on bonuses
- Retention bonuses
- Referral bonuses

Source: Society for Human Resources Management:  
Surviving the Great Resignation January 2022

# How do I talk about salary increases when all my employees want to talk about is inflation?

Cost of Living vs. Cost of Labor  
The Real Wage Conversation

Businesses are holding onto their workers despite fears of recession in 2023



Source: World at Work Salary Budget Survey data tabulated over the years; CPI and Unemployment from BLR

# How do I retain my top performers and keep them engaged?



## Market Adjustment

**VERSUS**



## Merit Adjustment

Making immediate pay change to match the **“market” for the job**

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- Very popular right now with the talent battle.
- Frequently seeing \$2–\$3 hour immediate adjustments. Unprecedented!

differentiating increases based on **performance and tenure for the employee**

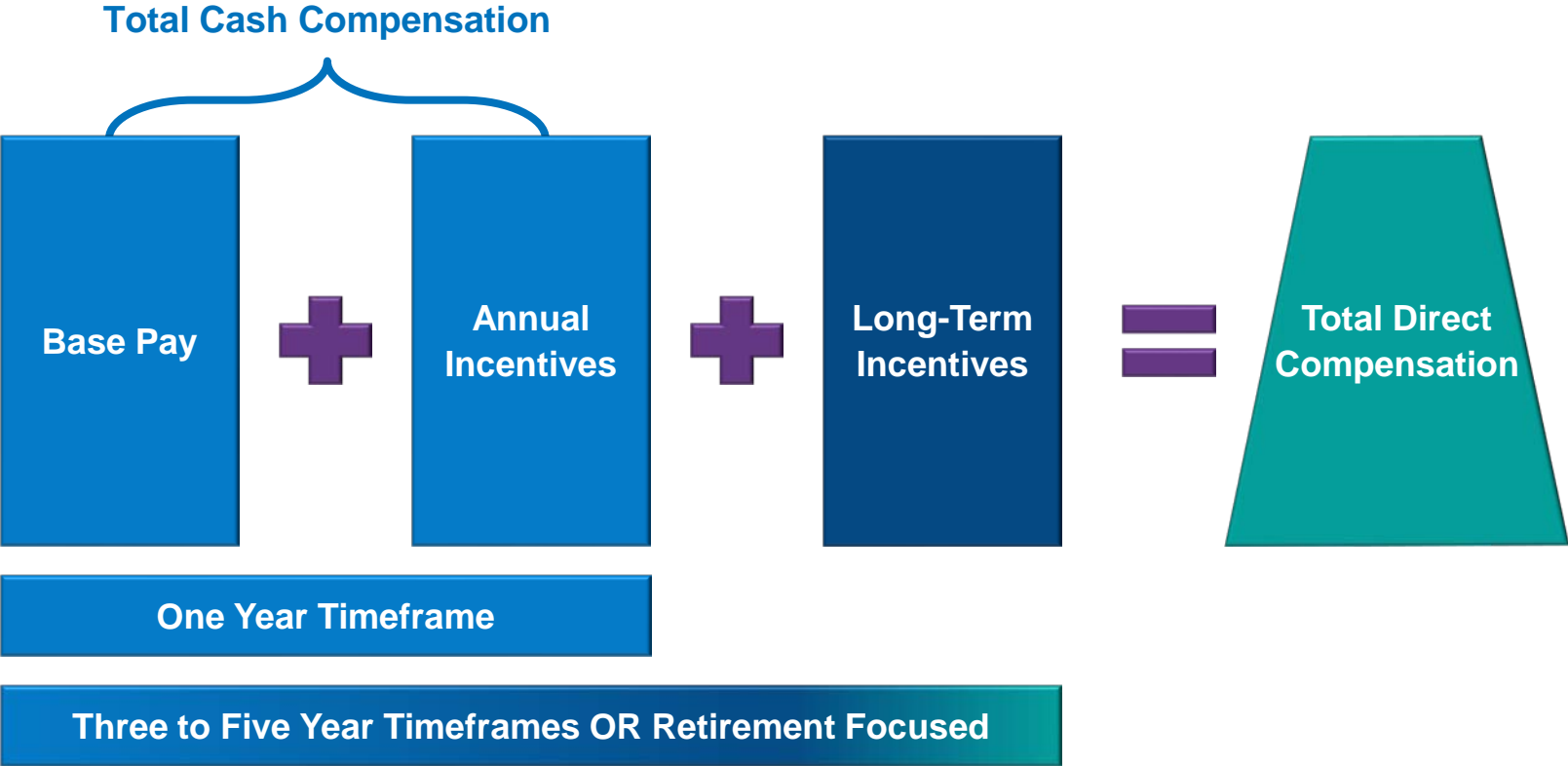
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- Annual reinforcement for performing or individual contribution
- Possibly linked to matrix

# Merit Adjustment – What should a person get as a raise?

- ✓ Considers **individual performance or value**.
- ✓ Put the **spotlight on top performers**... don't overlook.
- ✓ **Little differentiation** makes you susceptible.
- ✓ **Reality is about 1.4 times** based on recent WorldatWork surveys.
- ✓ Consider “**Outstanding**” for greater separation!  
**Seeing at least two times average** in their increase.

# How do I Connect **PERFORMANCE** Outcomes at the Organization to **PAY**



# Which incentive is right for your organization?

1. Should incentives be short-term or long-term? Do you want to encourage quarterly or annual results or longer-term results?
2. Are you for profit or not-for-profit?
3. If you're a for-profit, do you want to grant equity or not?
4. If you're a non-profit, do you want to encourage long-term retention to retirement or drive organizational results over a 3–5-year timeframe?

**Our clients have had GREAT success implementing Annual Performance Scorecards for their short-term incentives and various forms of synthetic equity in privately held companies to help executives feel and act like owners!**



# Which incentive is right for your organization?

	Performance Measures	Plan Weighting	Actual Performance	Performance Levels				Earned (Opportunity x Weighting)		
				Incentive Award Opportunity (% of Base Salary)						
				Below Threshold 0.00%	Threshold 20.00%	Target 40.00%	Excellent 60.00%			
Organizational Financial Performance	Revenue	50%	25% \$216,000,000.00	<200M	\$200,000,000	\$210,000,000	\$220,000,000	13.00%	\$43,518	
	EBITDA		25%	22.90%	0.00%	19.50%	20.70%	21.70%	60.00%	15.00%
Strategic Performance	Strategic Goal 1A: Performance Management: Annual Reviews	30%	15.00% 100.00%	<100%	N/A	100.00%	N/A	40.00%	6.00%	\$20,085
	Strategic Goal 2: Engagement Survey Participation		15.00%	99.50%	<90%	90.00%	95.00%	100.00%	58.00%	8.70%
	Individual Performance	20%	20% 4.00	<1	1.00	3.00	5.00	50.00%	10.00%	\$33,475
<b>Total</b>		<b>100%</b>						<b>53%</b>		

Chief Executive Officer													
<b>Assumptions:</b>		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Target Annual Value	\$583,500	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Annual Stock Growth	5%	Stock Price	\$2,334	\$2,451	\$2,573	\$2,702	\$2,837	\$2,979	\$3,128	\$3,284	\$3,448	\$3,621	\$3,802
Vesting over 3 years		Payout Date Value	\$204,225	\$428,873	\$675,474	\$709,248	\$744,710	\$781,946	\$821,043	\$862,095	\$905,200	\$1,900,920	
Annual Award (update for actual # of shares granted)	250	Grant Date Value	\$194,500	\$398,725	\$613,161	\$643,819	\$676,010	\$709,811	\$745,301	\$782,566	\$821,695	\$1,753,611	
		Grant Appreciation (%)		5.0%	7.6%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	8.4%	
<b>Shares Granted, Vested and Released</b>		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Units Granted		250	250	250	250	250	250	250	250	250	250	250	
<b>Shares Vested - by tranche</b>		2023	0	83	83	83							
		2024		0	83	83							
		2025			0	83	83						
		2026				0	83	83	83				
		2027					0	83	83	83			
		2028						0	83	83	83		
		2029							0	83	83	83	
		2030								0	83	83	
		2031									0	83	
		2032										0	
		2033										167	
<b>Total Shares Vested each year</b>		0	83	167	250	250	250	250	250	250	250	500	

# In an era of workforce flexibility and remote work, how can you compete for talent?



Remote work and flexibility is one of the most highly desired work arrangements today



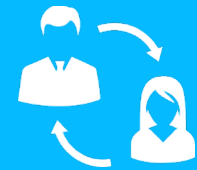
Can be a decision factor for top candidates



Organizations are finding middle ground



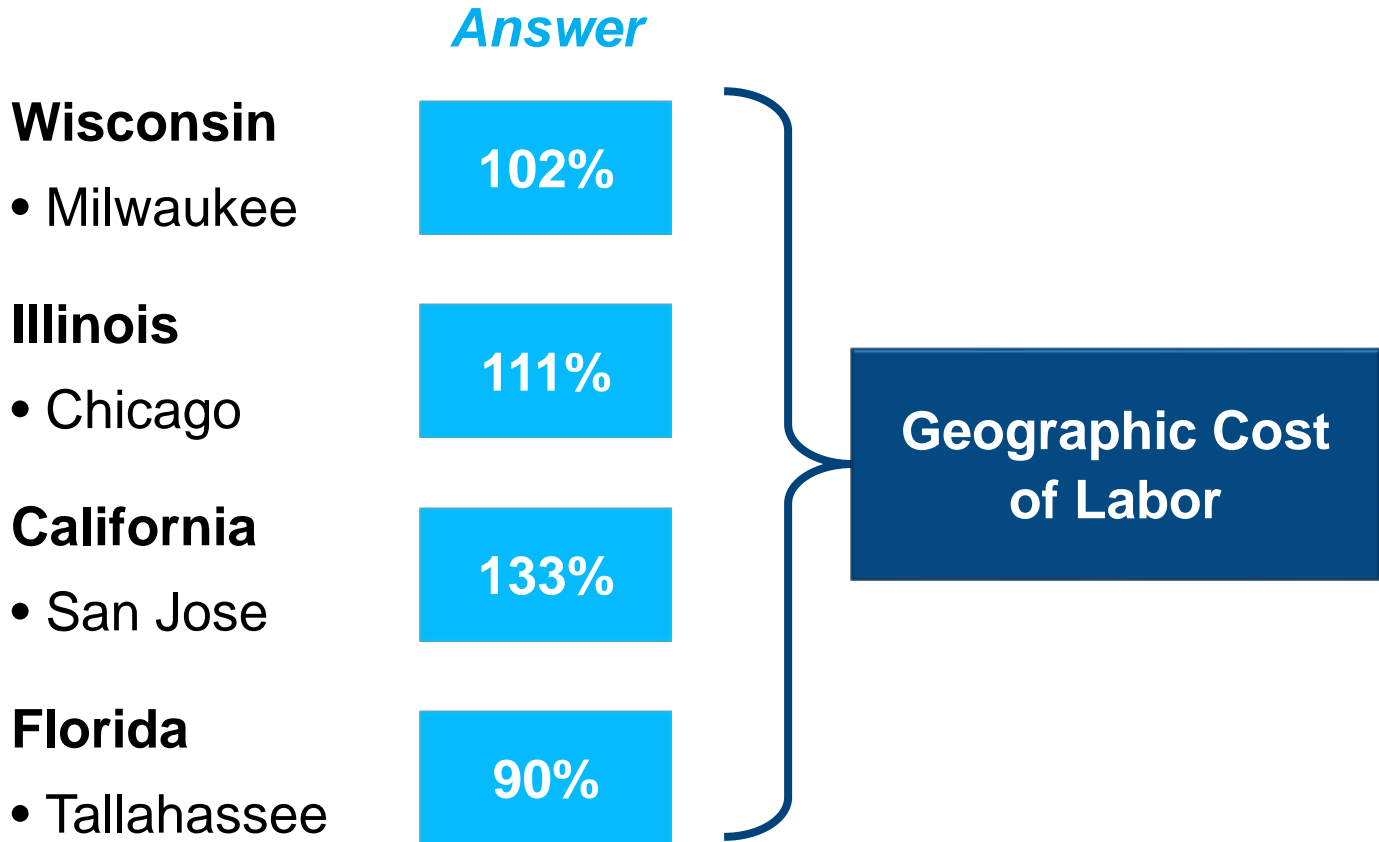
Flexibility is key



Human aspect

# Structures and Geographic Differentials

Comparison to National (100% = national)



Source: Economic Research Institute Geographic Labor Differentials as of January 2023

# How open should your organization be around pay transparency?

**Depends on local laws**

**Depends on how open you want to be in communicating actual pay or market information**

**Do we believe being more open about our pay can improve attraction and retention?**

# Pay Transparency – HR Dive Article

## Key Highlights

- Eighty-five percent of respondents (from Resume Builder) said they're more likely to apply for a job that lists a salary range.
- 68% of respondents of 1200 US adults said they probably or would demand to be paid the highest known end of pay range if given access to pay transparency.
- If they found co-workers were making more, 63% said they would demand equivalent pay.

[Given pay transparency, 7 in 10 workers say they'd likely demand top of salary range | HR Dive](#)

## Observations and Thoughts

- Have a foundation in place based on analysis and data
- Consider setting expectations with pay rate transparency, especially for multi-incumbent roles
- Educate direct supervisors on “how to use a range”

*Source: HR Dive: Given pay transparency, 7 in 10 workers say they'd likely demand top of salary range Published Nov. 9, 2022*

# Pay Transparency – IMA

A recent trend has been to increase pay transparency in job postings. When asked on prevalence for certain levels of roles, participants responses indicated the following:

	No. of Orgs	No	Yes, for Production positions	Yes, for Professional positions	Yes, for Leadership positions
<b>Do you include position wages in job postings?</b>	193	46%	52%	23%	14%

Source: Illinois Manufacturers Association Survey July 2022

## Observations

- Consider setting expectations with pay rate transparency, especially for production roles

# What other tools do I have in my toolkit besides pay and how can the broader total rewards package help me attract and retain key talent?

Orgs are focusing more on holistic benefits:



wellness and  
mental health



financial education



employee development  
and educational  
reimbursement

- Key New Benefits – low cost, personalized and unique to the organization
- Employees can select and customize

# Total Rewards Philosophy

World at Work

## Total Rewards Components:

- Compensation
- Benefits
- Work-Life Effectiveness
- Performance Management
- Talent Development
- Recognition





# All the Unique Things Going On!

**Compensation:** Reliability Bonuses      Significant Salary Increases  
Cash for Candidates      Gas Cards      Sign-On and Retention Bonuses

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**Benefits:** Zoo Passes on the Intranet      Millie Giving      Dinner with the Family  
Bonus 162 Plans      Milk Stork      HeadSpace App      Student Loan Repayment

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**Work-Life Effectiveness:** 4-Day Work Week      Summer Hours  
WFA (Work from Anywhere)

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**Performance Management:** Quarterly Check-ins  
Coaching for Mid-Level Talent to Get to Senior Level

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**Talent Attraction and Development:** Talent Cafe  
A raffle for employees who post on social media about jobs to win an iPad

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**Recognition:** Special Event Gifts      Milestone Dream Gifts

# Questions and Answers

What questions can we answer on today's presentation topics?

Also contact your Newport representative for more information or visit [newportgroup.com](http://newportgroup.com).

## Today's Presenters



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