



Values-Based Compensation, A Case Study

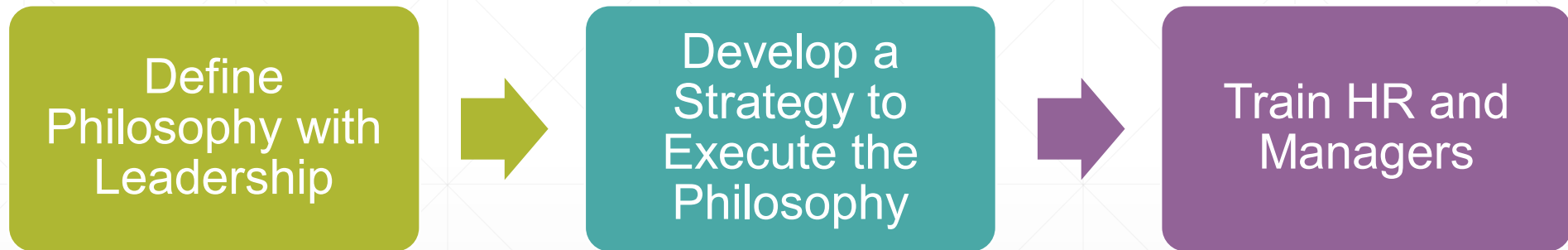
Swati Patel, Human Resources Consultant

Jessica Carl, Chief People & Culture Officer at Oregon Humane Society

Pathways to a Values-Based Compensation Approach

- Air out the closet
 - Utilize a decision-making framework revolving around alignment (not agreement)
 - Define your philosophy and total rewards equation
 - Determine your strategy
 - Execute in a phased and prioritized approach
 - Invest in training and bringing people along on the journey – lean in and talk about where you are
-

OHS' Journey



Define Philosophy with Leadership

1. Align leadership
 2. Agree on philosophy statement using “Four Pillars” guidelines
 3. Hash out critical questions
 4. Identify parking lot items (things to solve for over time but not now)
-

Elephant(s) in the Room



Notice Our Own Baggage

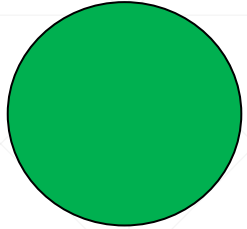


Intellectual Humility is...

**“I’m here to
get it right,
not to be right.”**

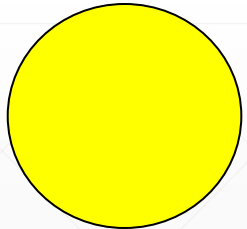
Decision-Making: Red-Yellow-Green Method

Alignment is everyone is at least a yellow, if not green. If there are any red votes, person must indicate what needs to change to vote yellow, and the group discusses and debates the change proposed.



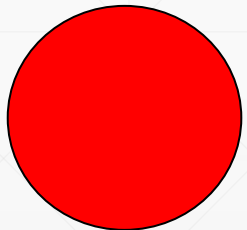
Green

"I agree, and I support this."



Yellow

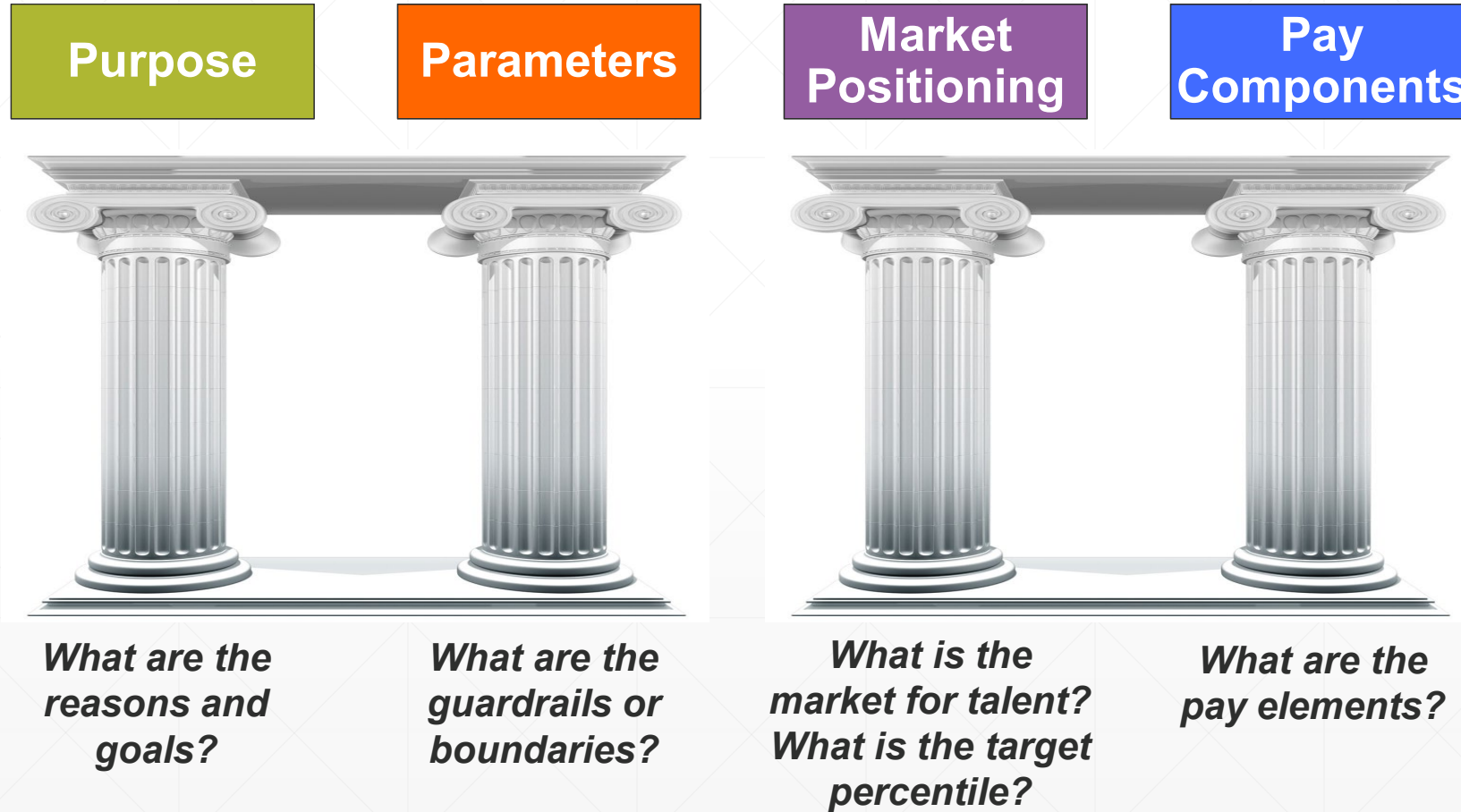
"I may not agree fully, but I support this."



Red

"I do not agree, and I do not support this."

Four Pillars (P's): Elements to a Compensation Philosophy



For Reference:

Purpose: what are the reasons and goals?

Parameters: what are the guardrails or boundaries?

Market Positioning: What is the market for talent? What is the target percentile?

Pay Components: What are the pay elements?

OHS' Compensation Philosophy

OHS strives to be **an employer of choice, offering an inspiring work culture and environment that supports a diverse, equitable, and inclusive workforce.** We believe offering competitive compensation is an important part of being able to **attract and retain talent and to support our employees** as they carry forward our mission to create a more humane society.

OHS believes in a total compensation philosophy, and as such, our compensation package includes **competitive base salary, performance incentives, and comprehensive benefits** that reflect the diverse needs of our employees.

OHS aligns its base salary to select organizations with whom we compete for talent. **Given the various functions and roles within OHS, our “market for talent” spans various sectors: nonprofit, for-profit, higher education, veterinary medicine, and animal welfare.** OHS uses competitive market salary data from comparable sectors as available to determine base salaries for specific roles and functions. **OHS anchors its salary scale at the market median (50th percentile) of the competitive market data.**

As a non-profit organization, **OHS must be a financially responsible employer, accountable to its donors and aligned with applicable labor laws.**

We believe our compensation philosophy supports “who we are” as well as **our organizational mission and commitments to transparency, flexibility, equity, and sustainability.** Compensation is one of many factors that **inspire people to come and stay at OHS.** We will continue to evolve and grow as an employer and **create a culture that supports our mission of creating a more humane society.**

Creating Frameworks

- Org Charts
 - Employee Roster by Department
 - Job Level Definitions
 - Salary Scale Guidelines (e.g., Range Placement Guidelines)
-

How to Level Positions

Step 1: HR reviewed job descriptions and “graded” (or assigned the appropriate grade) based on a grade definition such as the one below

Step 2: Managers reviewed HR’s recommendations and discussed discrepancies.

Grade B –Technician 2

Key Responsibilities: Under general supervision of Supervisor or Manager, executes specific activities to achieve short-term goals within functional area(s). Recommends revised course(s) of action to Supervisor or Manager based on observations.

Accountability: Ensures the execution of specific activities within functional area(s).

Salary Scale Guidelines

Goal of these guidelines is to provide transparency, consistency, and accountability within our practices to determine salaries for our employees

- **How was the salary scale designed?**
 - Job Evaluation
 - Benchmarking
 - **How to use the salary scale**
 - Determine salaries upon hire (starting salaries and hiring hard to fill roles)
 - Determine salaries for current employees (Position in Band)
 - Lead Differentials
 - **Promotions & Job Changes**
 - When to post positions (internally or externally)
 - When to promote employees or change an employee's job
-

Range Placement Guidelines – OHS Example

Position in Band	Performance History in the Position	Experience at Level
Minimum to 32nd Percentile of salary band	Performance is <i>acceptable for developmental expectations</i>	Limited experience, typically 1 – 3 years in role
33rd Percentile to 65th Percentile of salary band	Performance is <i>consistent and meets expectations of role</i>	<i>Typically</i> , 2+ years of internal experience
66th Percentile to Maximum of salary band	<i>Reserved</i> for those individuals whose performance history is <i>consistently exceeding</i> expectations	<i>Typically</i> , 5+ years or more of internal or relevant experience

Hash Out Critical Questions - Examples

- Why don't we use metrics like number of direct reports and budget size to determine a person's job level?
 - What happens when the market salaries for a position is outside the range for the job level. For example, the market salary for a Salesforce Administrator is closer to the Director band than the Sr. Professional Band.
-

Critical Question: Why don't we use quantitative criteria when we level positions?

Qualitative	Quantitative
Key responsibilities	Budget responsibility (\$'s managed by position)
Accountability to organization (i.e., decision authority, autonomy)	# of Direct reports/size of department
Building effective teams	# of Locations managed under position (local vs. regional)
Managing change	Experience (relevance and # of years)

Critical Question:

What happens when

Internal Equity



External Competitiveness?

Parking Lot from OHS' Leaders

- Employee value proposition discussion: “What makes OHS an “employer of choice”?”
 - Livable wage discussion
 - COLA + Merit
 - Recognition programs vs. bonuses
 - Learning and development including education reimbursement programs and training budget
-

Develop a Strategy to Execute the Philosophy

- Gather information on your staff
 - Identify key activities to implement/enhance the pay elements defined in your compensation philosophy (e.g., competitive base salary, performance incentives, and comprehensive benefits)
 - Prioritize activities: Short-term vs. long-term perspective
-

Gather Information About Your Staff

- Demographics
 - Benefits utilization
 - Exit interview feedback (reasons for leaving)
 - Recruitment statistics (offers declined, reasons)
 - Requests/complaints to HR
-

26%

Feel they do not
have a stable income



63%

Have been living
paycheck to paycheck
since the pandemic

1/3

Have opened up a
new credit card since
the pandemic

53%

say they were not
living paycheck to paycheck
before the pandemic

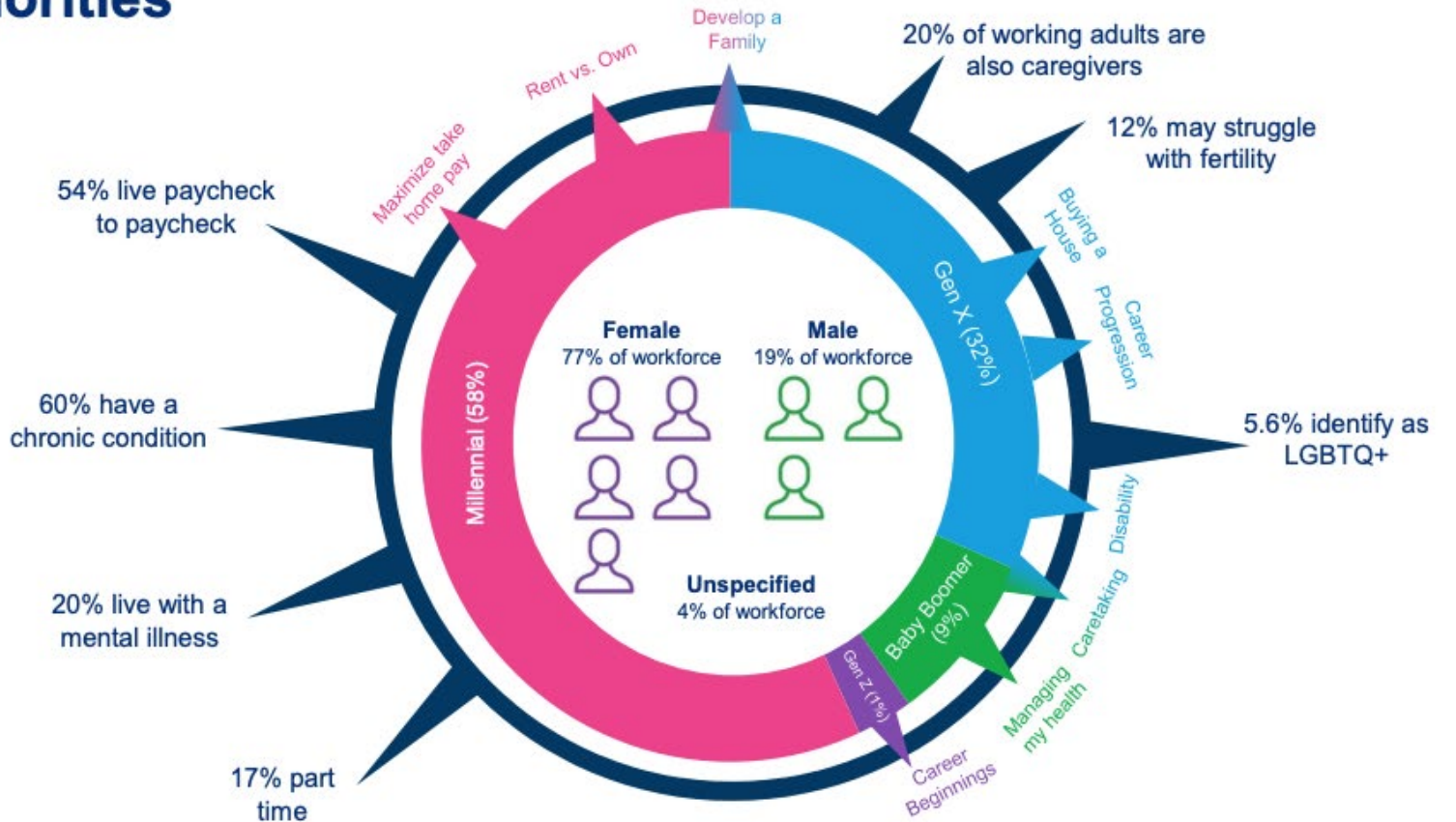
64%

of millennials say
they are currently living
paycheck to paycheck

OHS' Demographics

- 58% of our workforce is millennials, and 32% are GenX
- 60% of workforce have a chronic condition and 54% live paycheck to paycheck
- Key employee needs are medical care and take-home pay

What do we (maybe) know about your employees and their priorities



OHS's Total Rewards Strategy

01

Competitive Compensation

1. Discussion/decision on functional scales
2. Reduce number of levels/grades
3. Collection/analysis of reputable market data, & updating of current scale(s)
4. Executive Compensation Review, Analysis and Recommendations
5. Revisit experience, credentials, and differentials to develop range placement guidelines
6. New Hire salary placement guidelines

02

Comprehensive Benefits

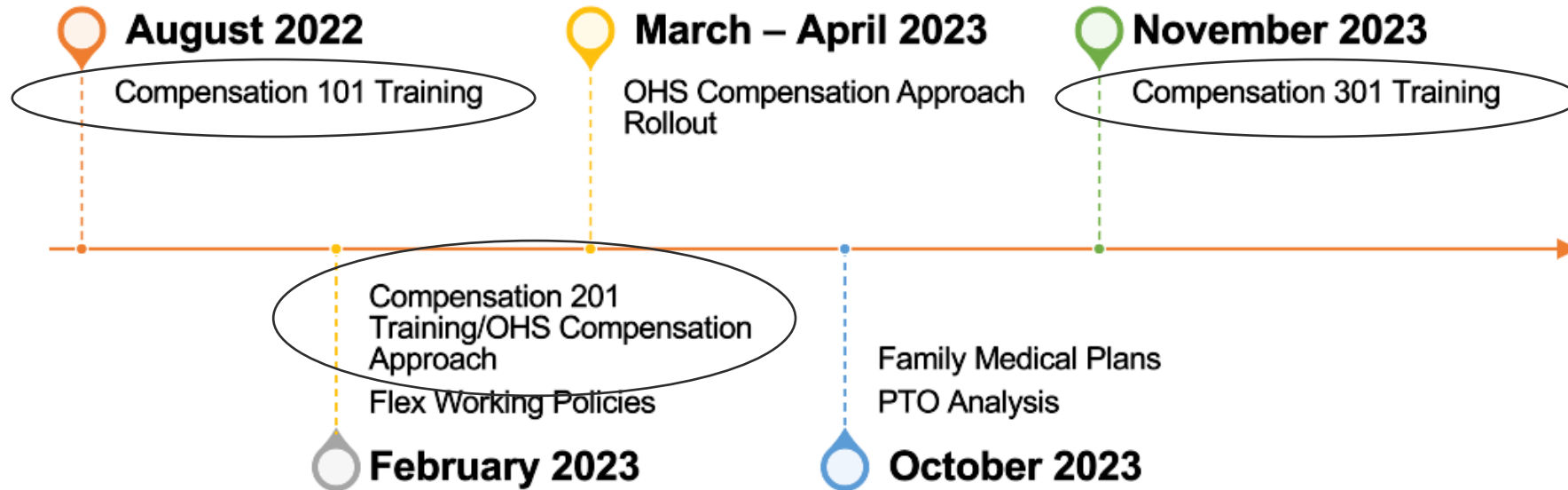
1. Medical insurance plan costing for families
2. Maternity leave
3. Flexible working policies
4. Benefits overview to increase employee awareness

03

Performance Incentives

1. Enhanced performance management process
2. Bonus guidelines, including eligibility
3. Career pathing

Training – OHS' Schedule



Compensation 101 - Primer

- **Give space** for HR and Managers to air out baggage and pink elephants
 - **Orient** Managers to Compensation Philosophy
 - **Introduce** new terms of compensation practices like job evaluation and benchmarking
 - **Shift mindset** from focusing on individuals to aligning decisions to the organization's philosophy
-

Compensation 201 - Rollout your scale and guidelines

- Present job levels and scale to Managers
 - Share benchmarking methodology and job evaluation approach
 - Present timeline for the rollout of new scale and salary changes to staff
 - Define the role of a Manager and HR in the rollout
 - Provide Managers with rosters of their direct reports and their new salary grades and salary changes if any
 - Prepare Manager toolkit to support their conversations – FAQ sheet, talking points, employee letter with new job grade and salary
-

Compensation 301 – Dig Into Deeper Topics

- **Clear up questions** on certain job levels and the differences between them
 - **Present progress on overall Total Rewards Strategy** including benefits and performance incentive updates
 - **Continue to shift mindset** from individuals to organization – aligning to compensation philosophy
-

Lessons Learned

- ✓ Manage expectations – this is a journey!
 - ✓ Listen, analyze the data, have deep conversations of who you want to be as an origination and employer of choice.
 - ✓ Conduct multiple trainings for leaders to navigate conversations with their employees.
 - ✓ Hire third-party experts to conduct the analysis and training.
 - ✓ Invest in HR structure and training (skills-building).
 - ✓ Prioritize the shift in mindset to organization-wide thinking (e.g. is there a business need?) and to the fact that compensation is more than salary and employer of choice is beyond “highest payer”.
 - ✓ Create space for dialogue and for people to ask questions. It is ok to say “we don’t know” or “we don’t have the answer”.
-

Questions to Ask Yourself

1. What is the maturity of my current program - what is feasible?
 2. Is my HR team fit-for-purpose to support this effort?
 3. What is the organization's financial capacity to implement compensation programs or changes at the moment?
 4. Where are the major gaps inhibiting the operations of the organization? Where is our greatest risk? (Hint: It might not be compensation!)
 5. What is the data telling me is the priority?
-

Q&A

