FINDLEY perspective

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Using Compensation Management as a Tool to Recruit and Retain Top Talent

By Jen Givens

The U.S. had experienced a dramatic power shift in the workplace. It was a long, slow recovery, but the job market has turned a corner, presenting job seekers with multiple employment options. The month of February saw 7.1 million job openings across a range of industries, and the U.S. unemployment rate is 4.5% according to the U.S. Department of Labor Bureau of Labor Statistics. It's clear that employees are taking advantage of their options.

A strong job market is great news for employees and job seekers, but it isn't so good for employers that must compete for new talent as they struggle to retain top performers. In a PayScale 2019 Compensation Best Practices study, 66 percent of all organizations agree or strongly agree that retention is a growing concern (up from 59 percent last year).

In today's economy, employers that fail to attract and retain talent will ultimately lose, and employers with poor retention rates will find themselves spending more time and money recruiting and training new employees than focusing on growing their business. Finding a solution (or solutions) is critical to long-term success.

Successful companies know that one way to compete for talent is to become a preferred employer, where employees are so engaged in their jobs that they aren't interested in pursuing other opportunities. An essential element in achieving preferred employer status is a well-thought out compensation strategy. This is crucial, as compensation is one of the top three drivers of attrition.

A compensation strategy is a compass to guide disciplined pay design, administration, and governance. It will also:

- Provide a philosophical framework to develop and manage compensation systems and policies,
- Provide key messages to communicate with employees, and
- Recruit top talent to meet growth and profit objectives.

When it comes to what type of compensation strategy to implement, a best practice to consider is a pay for performance philosophy. Pay for performance plans base employee pay on productivity, as opposed to hours spent on the job or at a set salary. While this can result in employees feeling less financial security, there are several advantages for both the employee and employer. If done correctly, a pay for performance structure will:

- Promote teamwork and avoid promoting behaviors that benefit individuals to the detriment of the company or other employees,
- Deliver compensation under a disciplined and objective structure that rewards employees,
- Link pay levels to the performance of the individuals and the organization,
- Use survey data and technology to analyze and understand the changing dynamics of pay for specific jobs, and
- Design executive compensation plans that motivate and retain top talent and drive performance that creates shareholder value.

A culture without a pay for performance philosophy does not reward high performance and sets the company up for high turnover. A company that continues to reward low, average, and high performers with the same salary increase or bonus ultimately encourages high performers to look elsewhere. There is simply too much competition for talent to avoid properly rewarding high performers.

Questions? Please contact the Findley consultant you normally work with, or contact Jennifer Givens at jen.givens@findley.com*, 216.875.1944.*