

Compensation Programs & Practices Survey

WorldatWork, with underwriting support from Willis Towers Watson, conducted a survey to gather information about trends in compensation programs and practices. This survey focused on the prevalence of base and variable pay programs as well as common practices used to administer and communicate these programs in today's workplace.

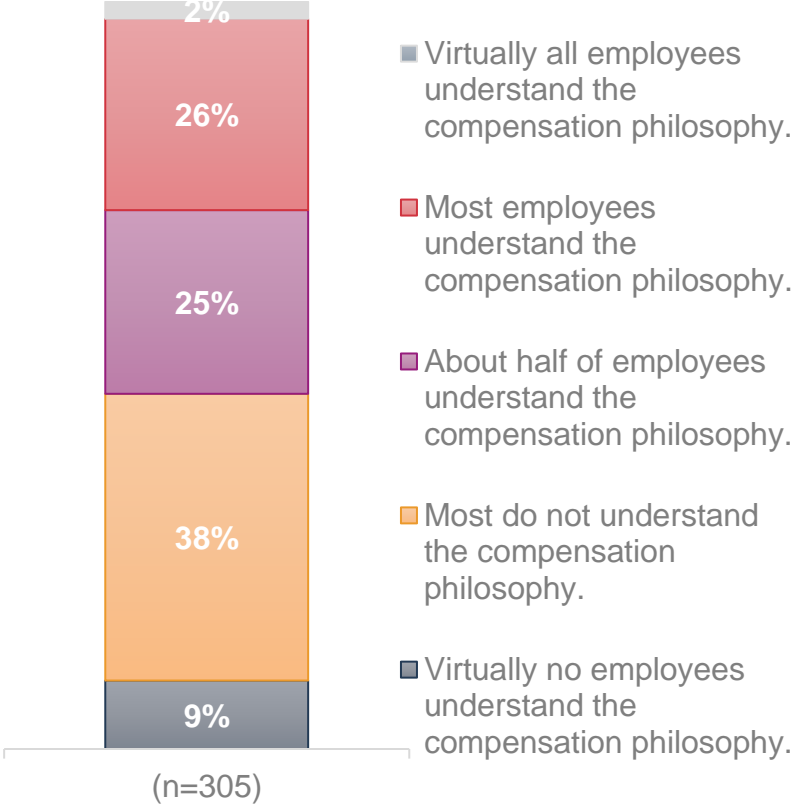
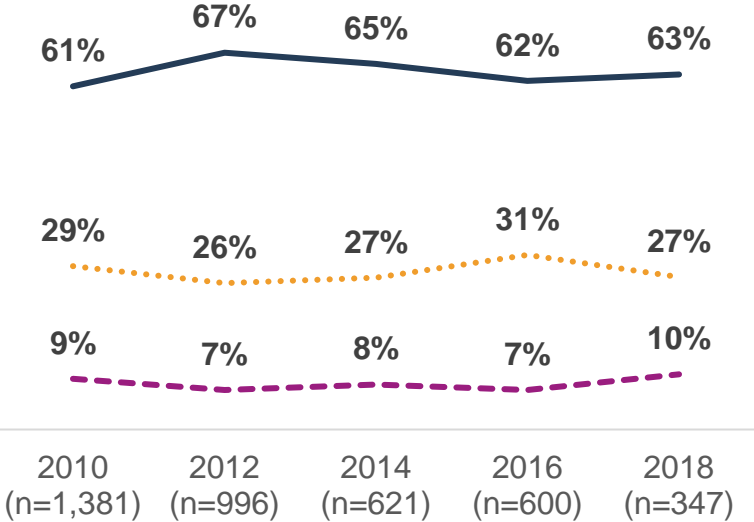
Executive Summary

- Compensation philosophies are prevalent, but there is opportunity to improve employee understanding.
- Most organizations target median/50th percentile of the market for base and variable pay.
- Most organizations formally assess performance and share ratings with employees.
- Organizations continue to differentiate salary increases for top performers, though size of differentiation has tapered.
- More than half of organizations allow managers flexibility in allocating merit increases, even if a merit matrix is provided as a guide.
- The use of multiple salary structures within an organization is extremely common.
- Broad pay transparency remains uncommon.
- Compensation philosophy and performance management tend to be applied consistently in multinational companies.

Compensation philosophies are prevalent, but there is opportunity to improve employee understanding.

Compensation Philosophy

— Written Unwritten - - - None



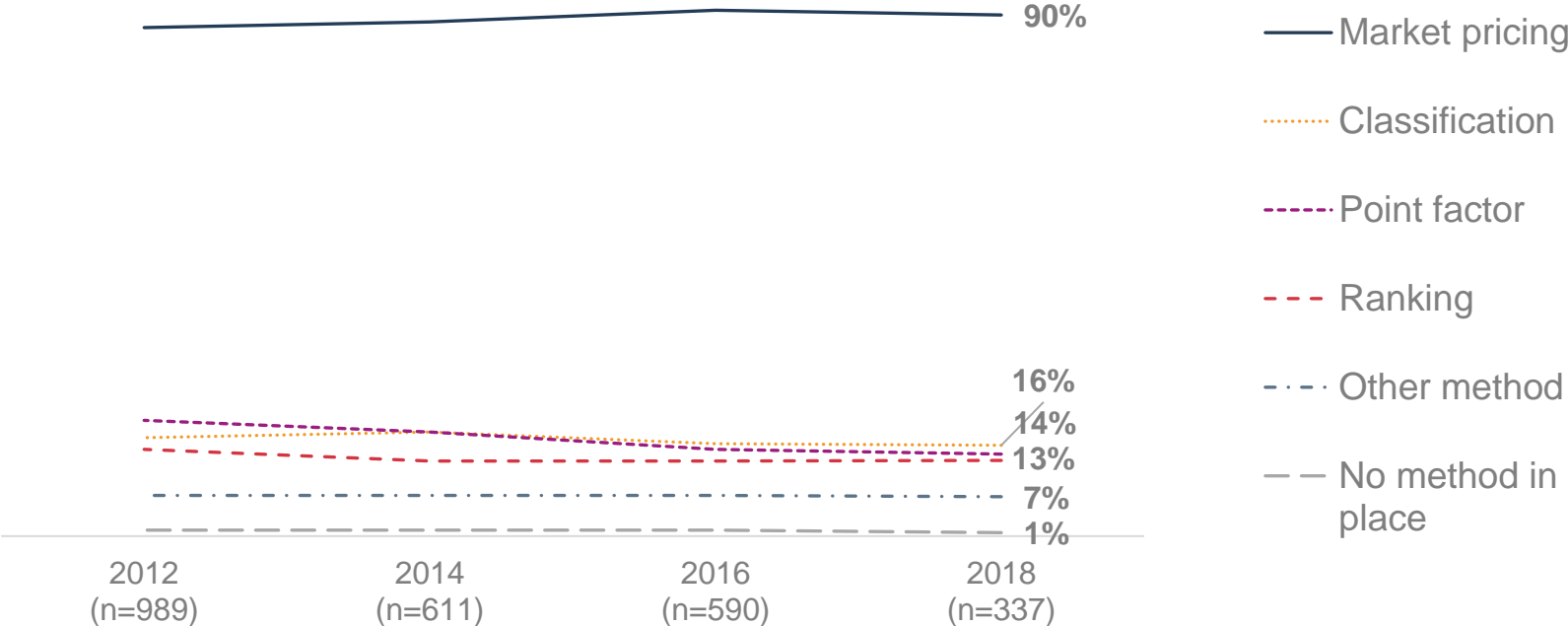
- Virtually all employees understand the compensation philosophy.
- Most employees understand the compensation philosophy.
- About half of employees understand the compensation philosophy.
- Most do not understand the compensation philosophy.
- Virtually no employees understand the compensation philosophy.

Most organizations *aim* to compete at the median, with more variance in *actual practice*.

Comparison to the relevant labor market	25 th percentile	Above 25 th but below 50 th percentile	50 th percentile, or median	Above 50 th but below 75 th percentile	75 th percentile or above
Base salary target (or goal) (n=329)	0%	5%	87%	6%	2%
Base salary practice (n=324)	1%	24%	63%	10%	3%
Total cash target (or goal) (n=282)	1%	4%	80%	11%	4%
Total cash practice (n=283)	1%	21%	59%	15%	5%
Variable pay target (or goal) (n=259)	2%	9%	78%	10%	2%
Variable pay practice (n=258)	4%	18%	59%	17%	2%

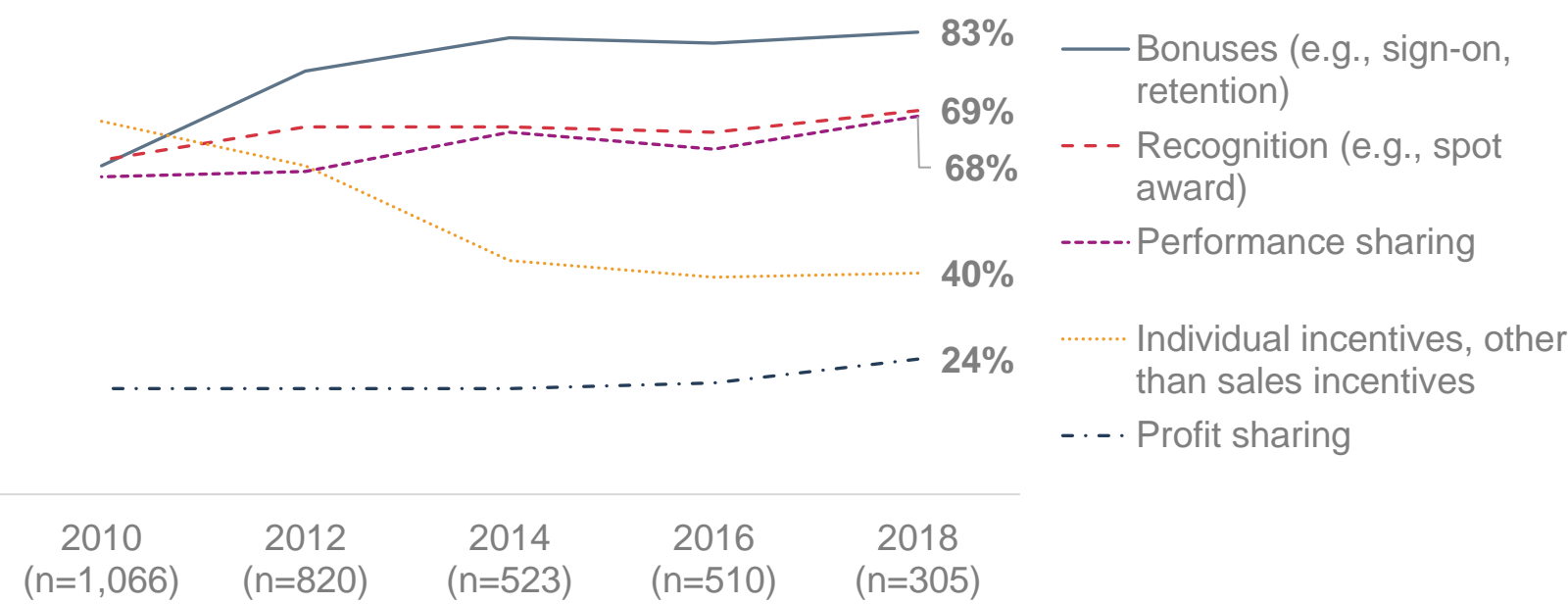
No significant changes in job evaluation methods used; market pricing remains the dominant leader.

Method for Determining the Relative Value of Jobs



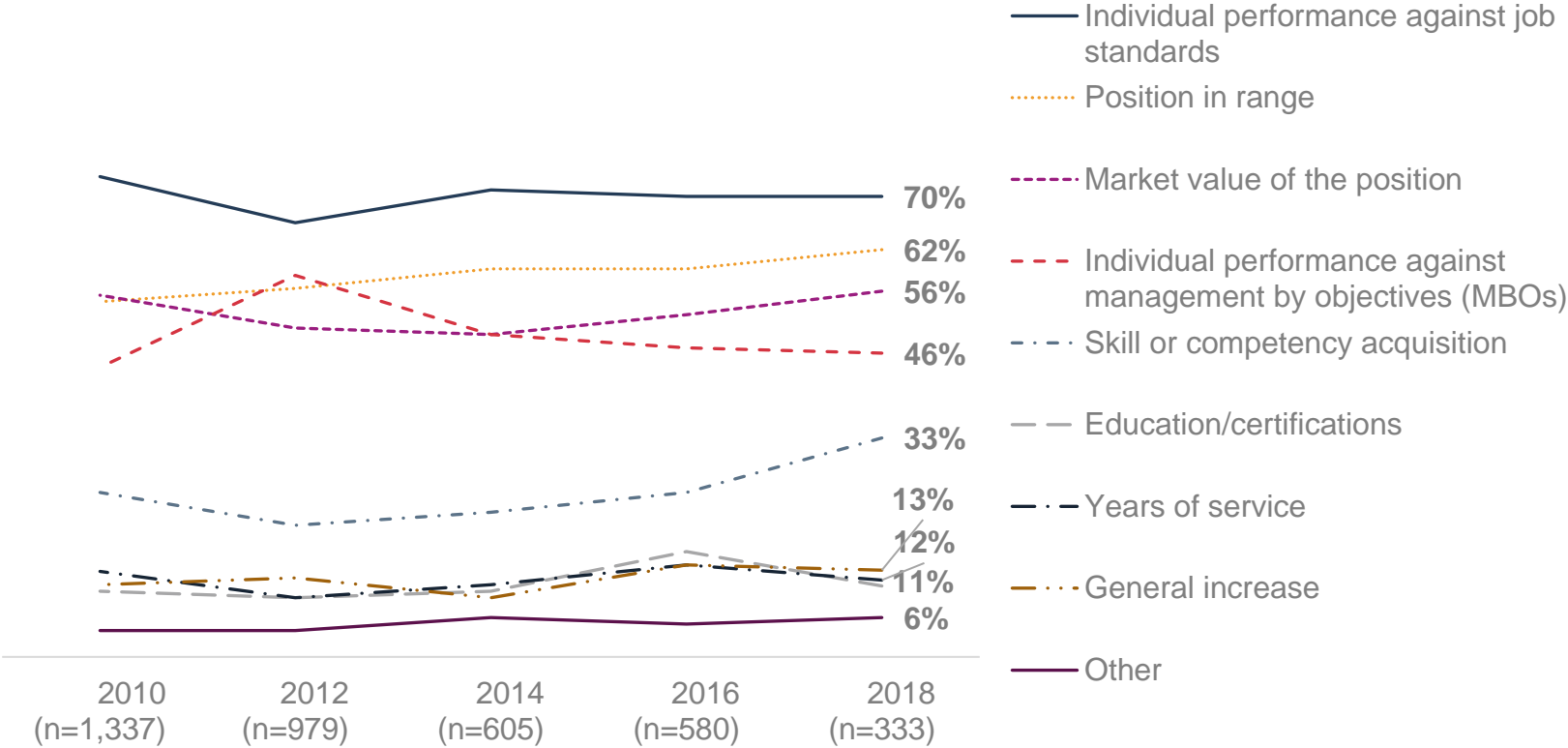
91% of organizations use at least one form of variable pay (not including sales commission plans).

Variable Pay Used

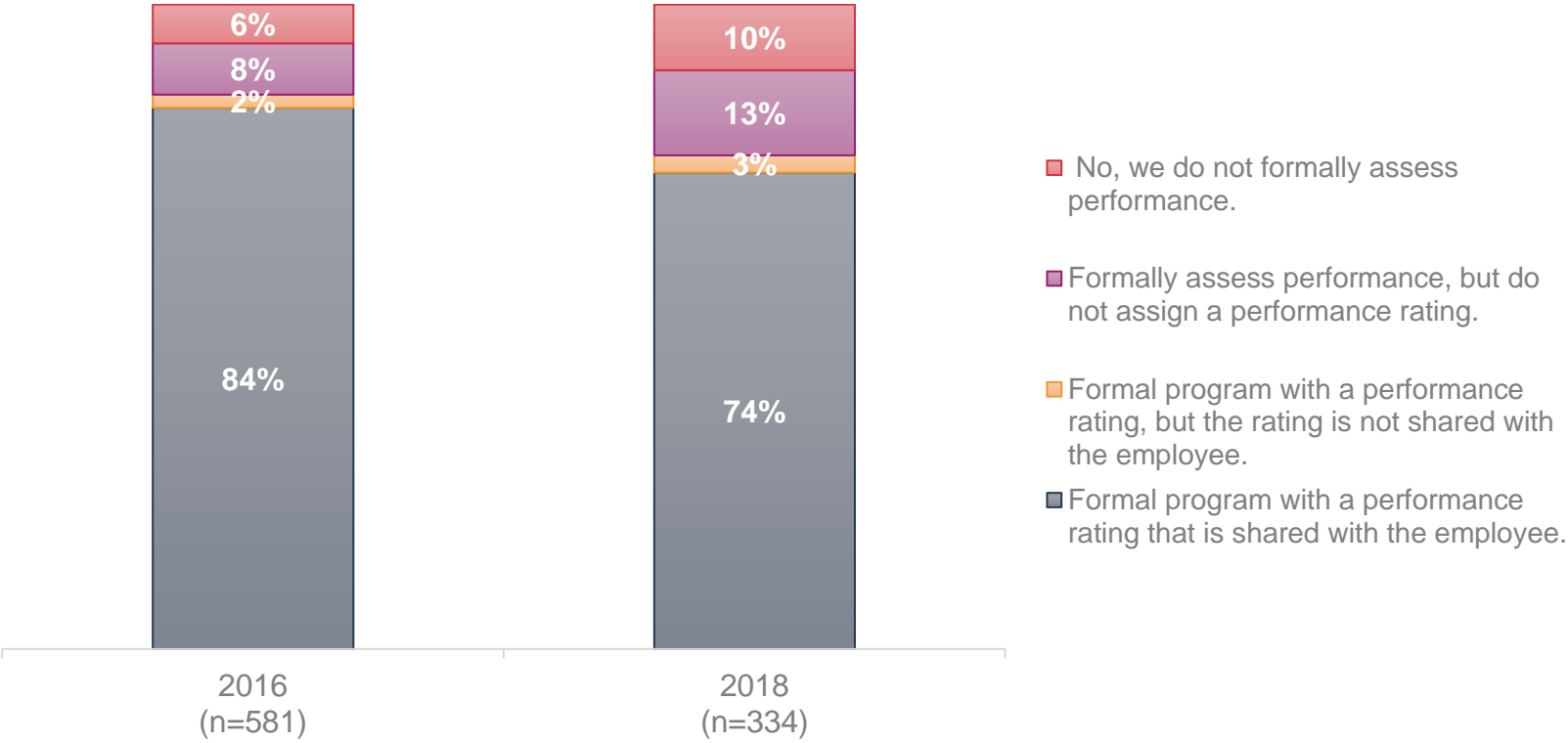


Individual performance, position-in-range and/or market value are most common determinants of pay increase size.

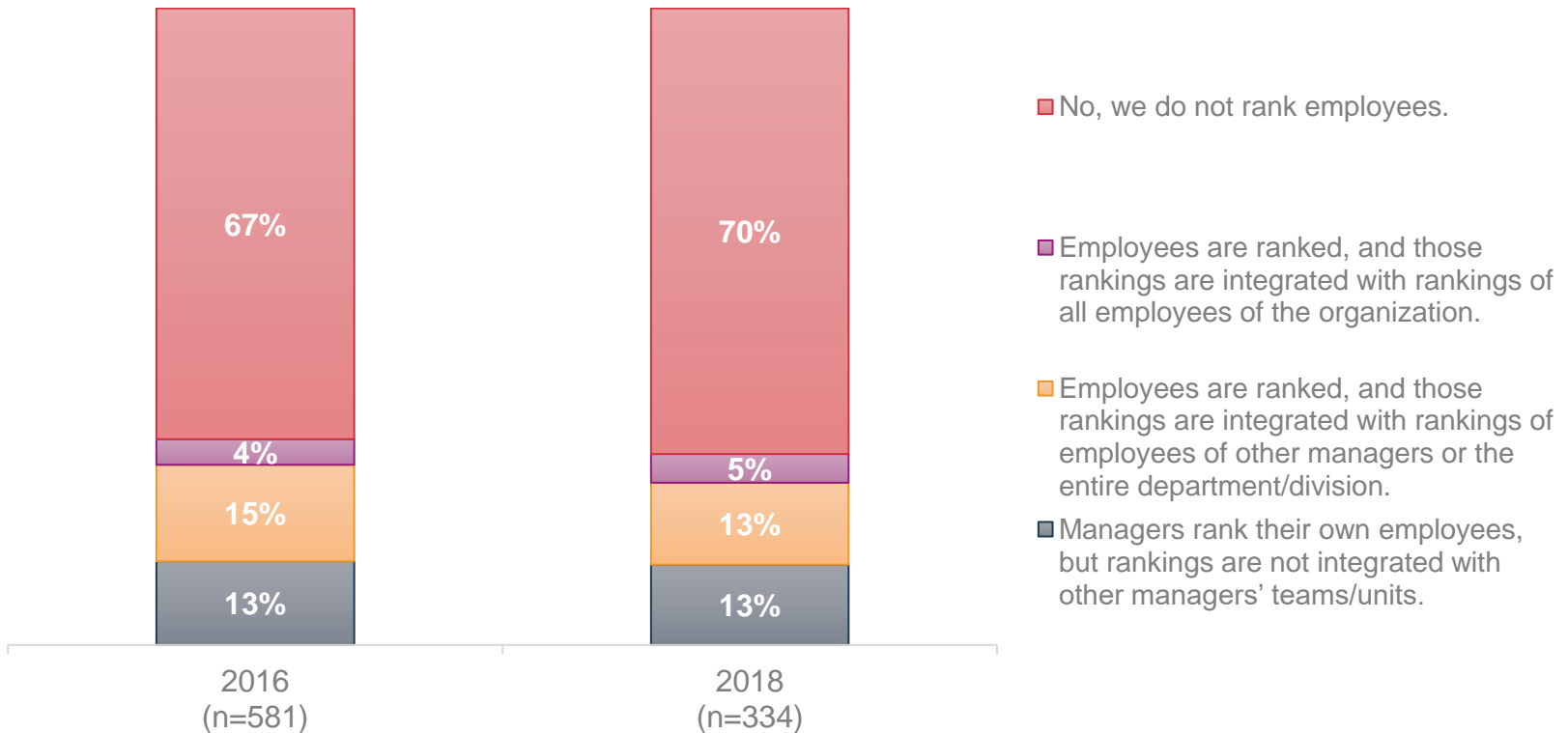
Determination of Base Salary Increases (n=333)



Formal assessments of performance and use of ratings are declining.

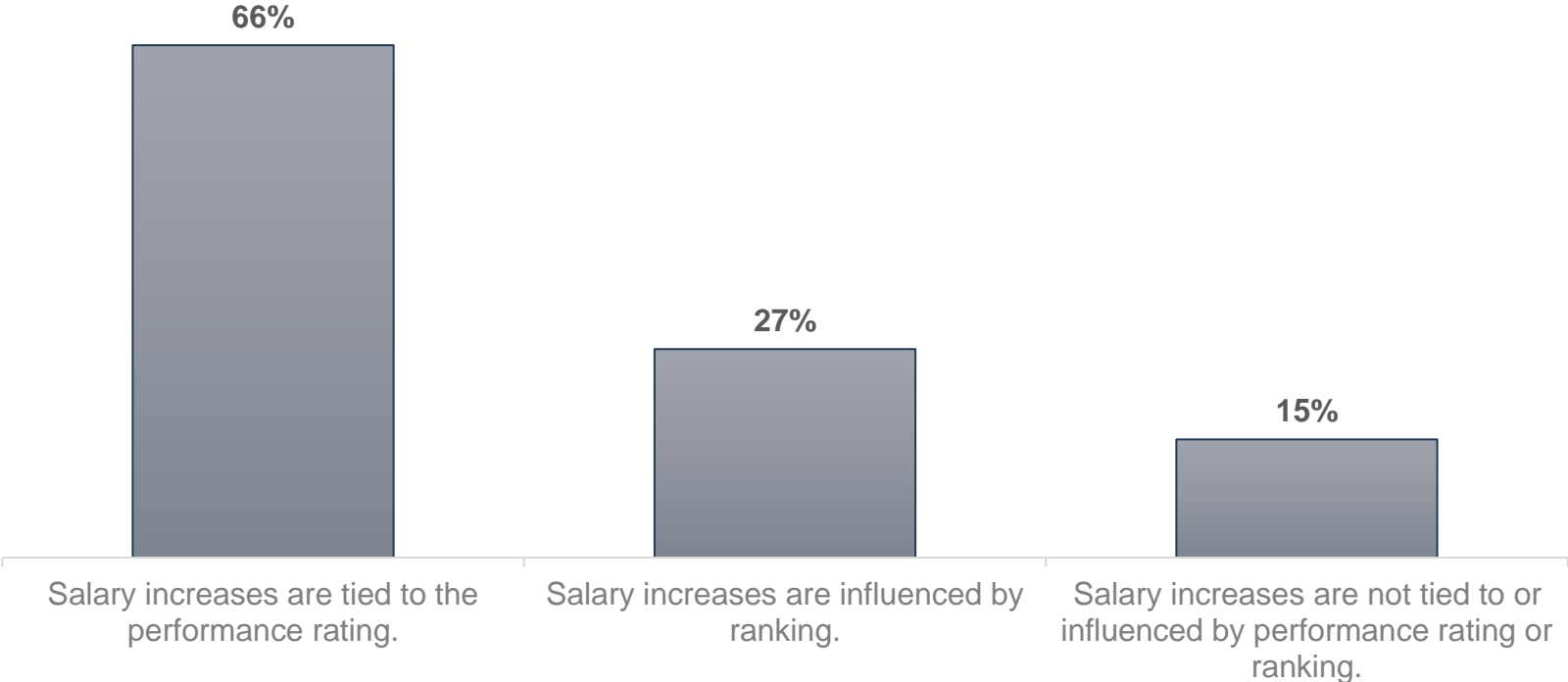


Ranking of individual employees by performance is rare.



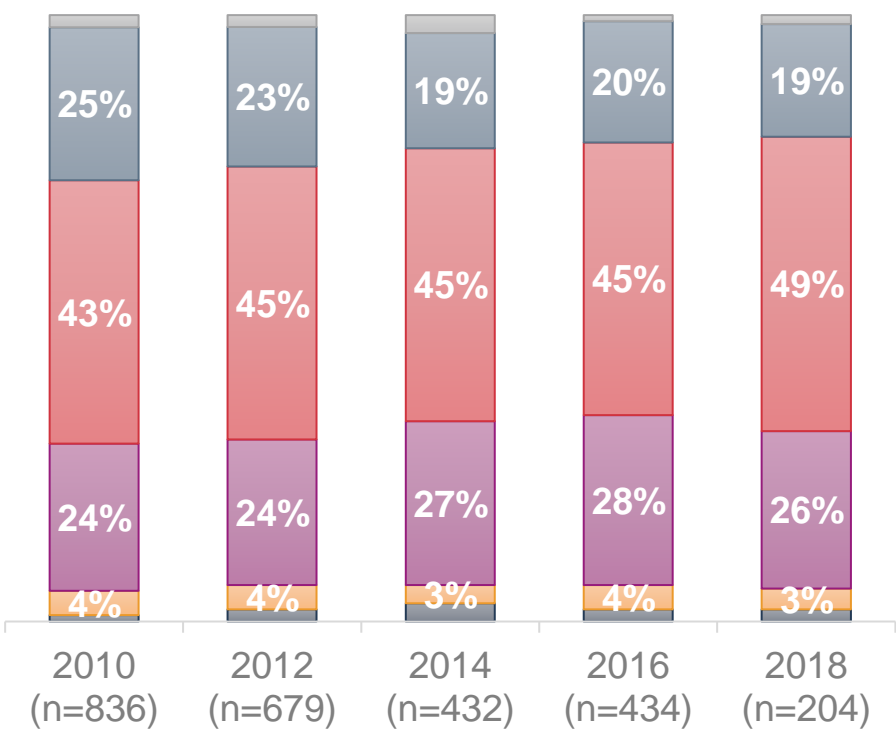
Salary increases tend to be tied to performance rating.

Salary Increases Tied to Performance (n=302)



Organizations continue to differentiate salary increases for top performers, though size of differentiation has tapered.

Typical Variation in Salary Increases



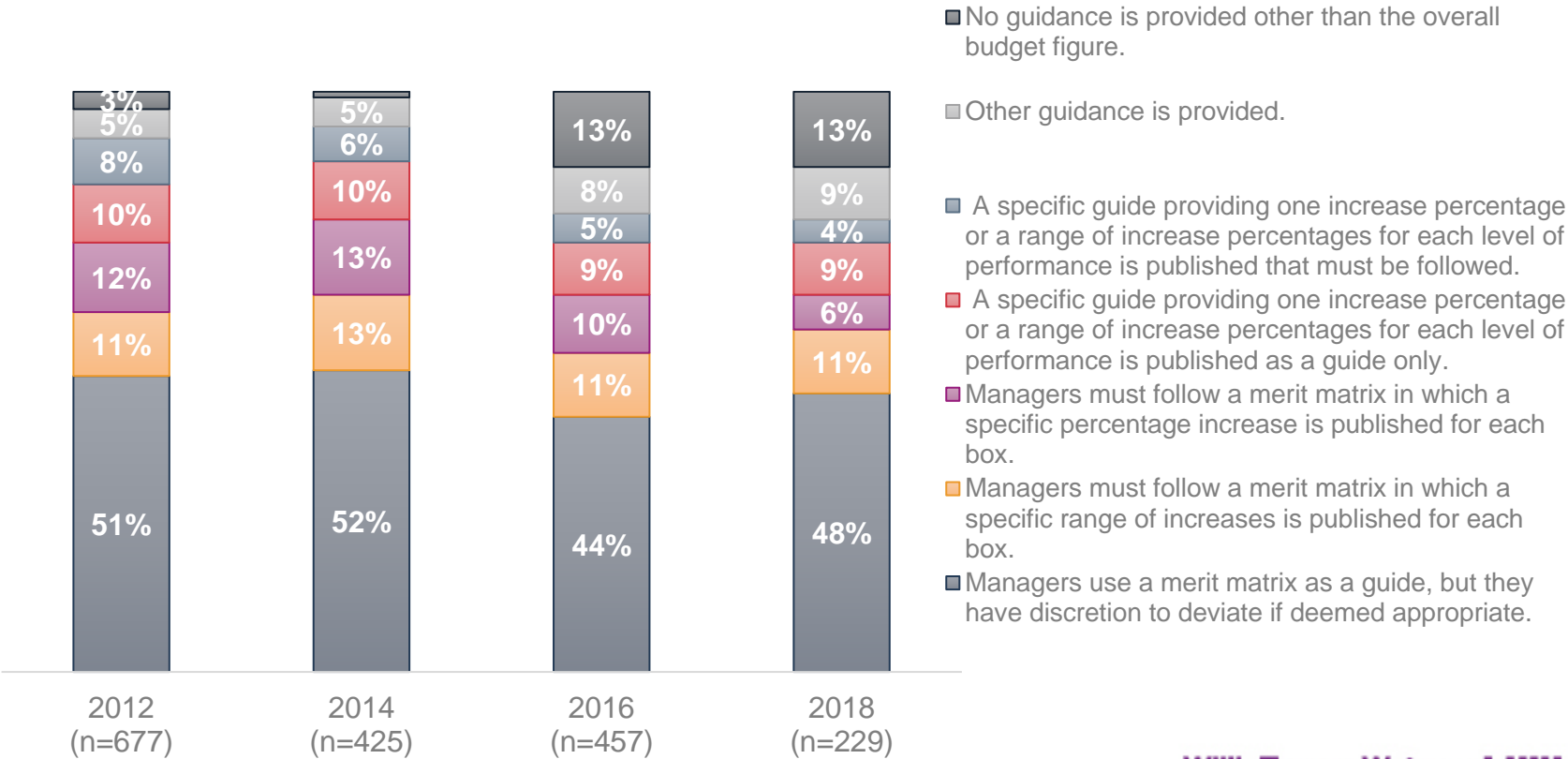
- Extreme variation (increase for top performers is at least 3x average)
- Considerable variation (increase for top performers is 2x average)
- Moderate variation (increase for top performers is 1.5x average)
- Small variation (increase for top performers is 1.25x average)
- No variation (approximately the same increase for everyone)
- Base salary increase is based on something other than individual performance.

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About half allow managers flexibility in allocating merit increases, even if merit matrix is provided as a guide.

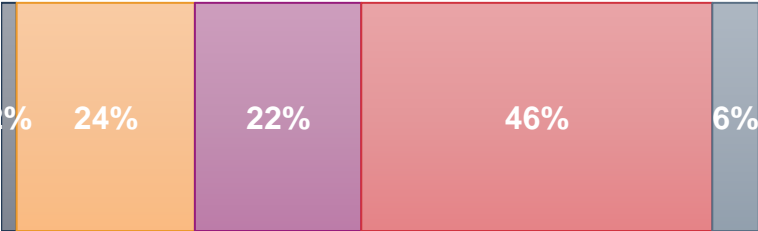
Method for Determining Salary Increase Based on Performance



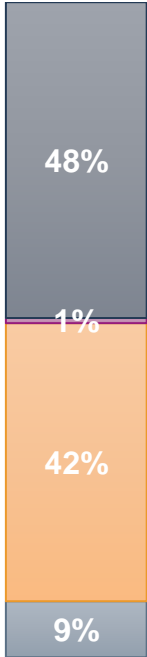
Organizations tend to have 3 to 5 performance levels, but the tendency to skew to higher ratings is common.

Number of Performance Levels Used to Assess Individual Performance (n=247)

■ Two ■ Three ■ Four ■ Five ■ 6+



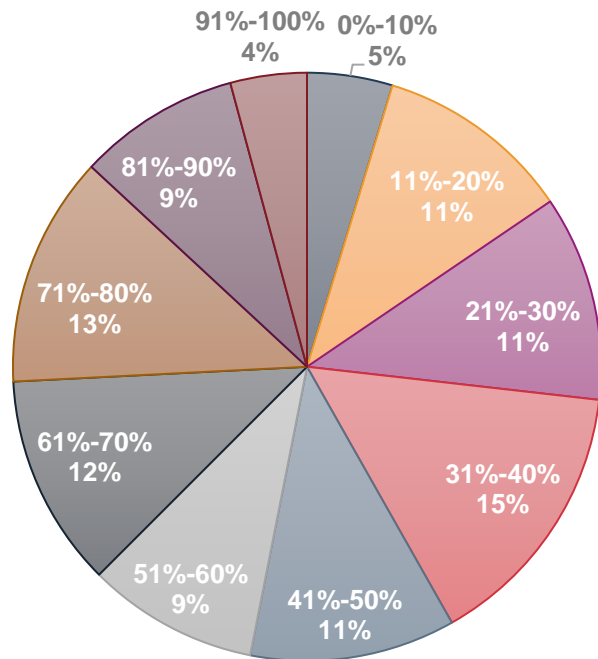
Distribution of Employees Across Performance Categories (n=246)



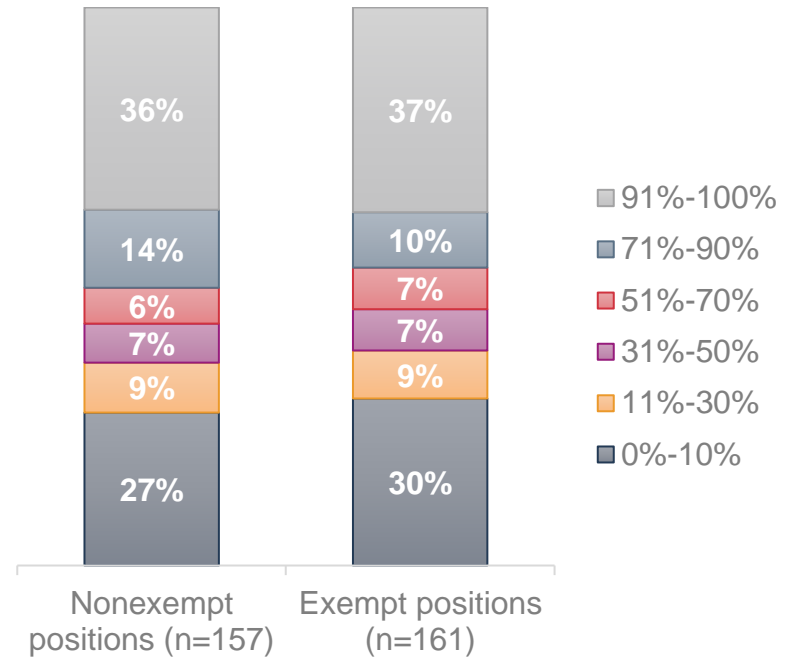
- Most people fell in the middle, with a bell-shaped distribution around the middle.
- The spread is skewed toward lower performance ratings.
- The spread is skewed toward higher performance ratings.
- We do not track this information.

Documentation to justify FLSA classification is common.

Portion of Employees Exempt from FLSA Requirements (n=213)

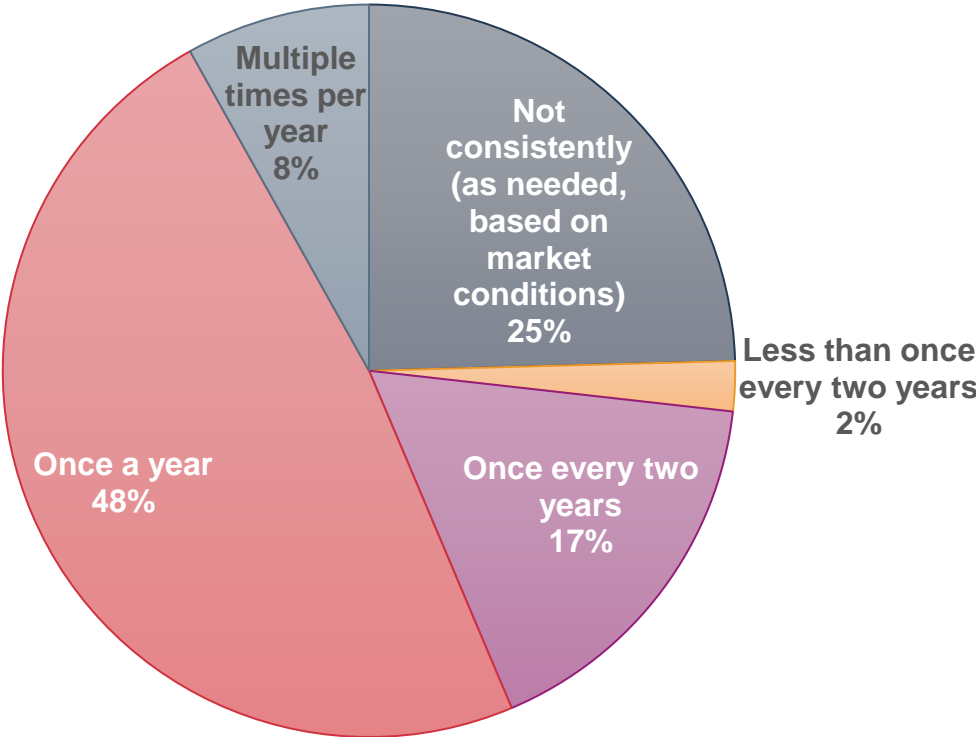


Portion of U.S. Positions/Jobs that have FLSA Exemption Status Documentation



Almost half of the organizations market price annually.

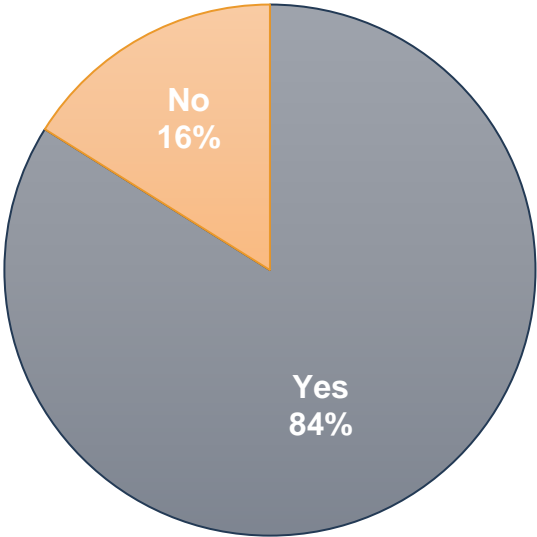
Frequency of Market Pricing
(n=322)



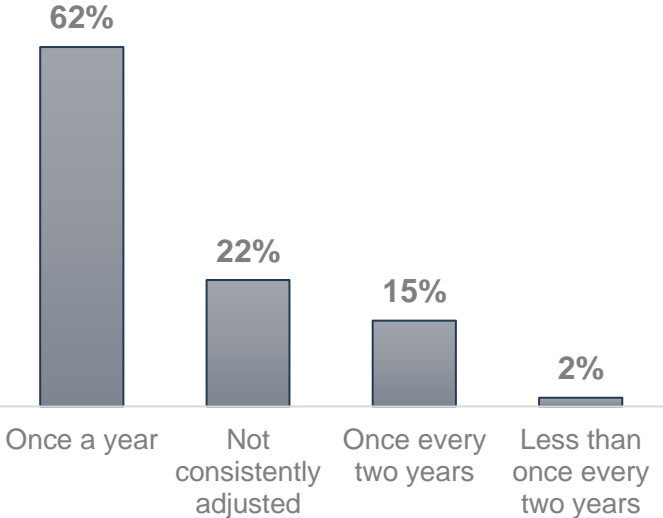
Most organizations have a salary structure with grades, which they adjust annually.

Organizations with Formal Salary Structures (n=322)

86% of salary structures consist of salary grades, compared to **9%** consisting of broadbands. (n=268)

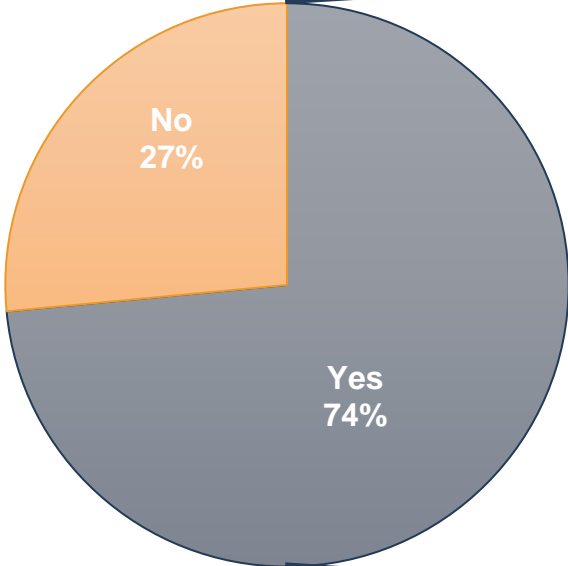


Frequency of Salary Structure Adjustments (n=271)

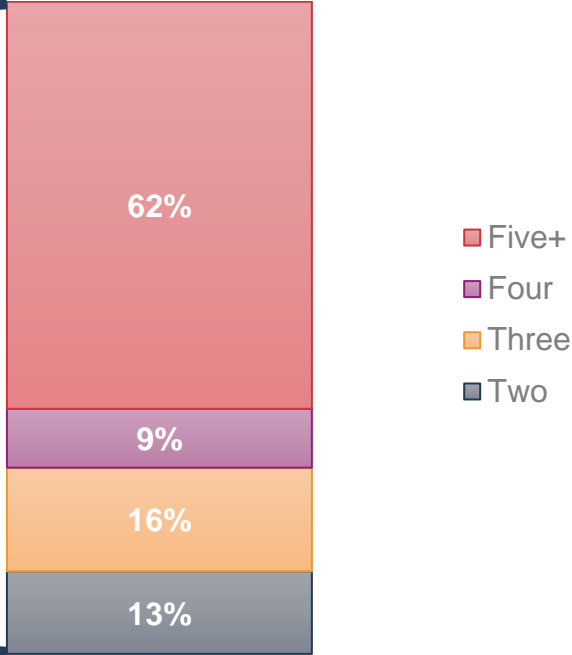


Use of multiple salary structures within an organization is extremely common.

Organizations with >1 Salary Structure (n=204)



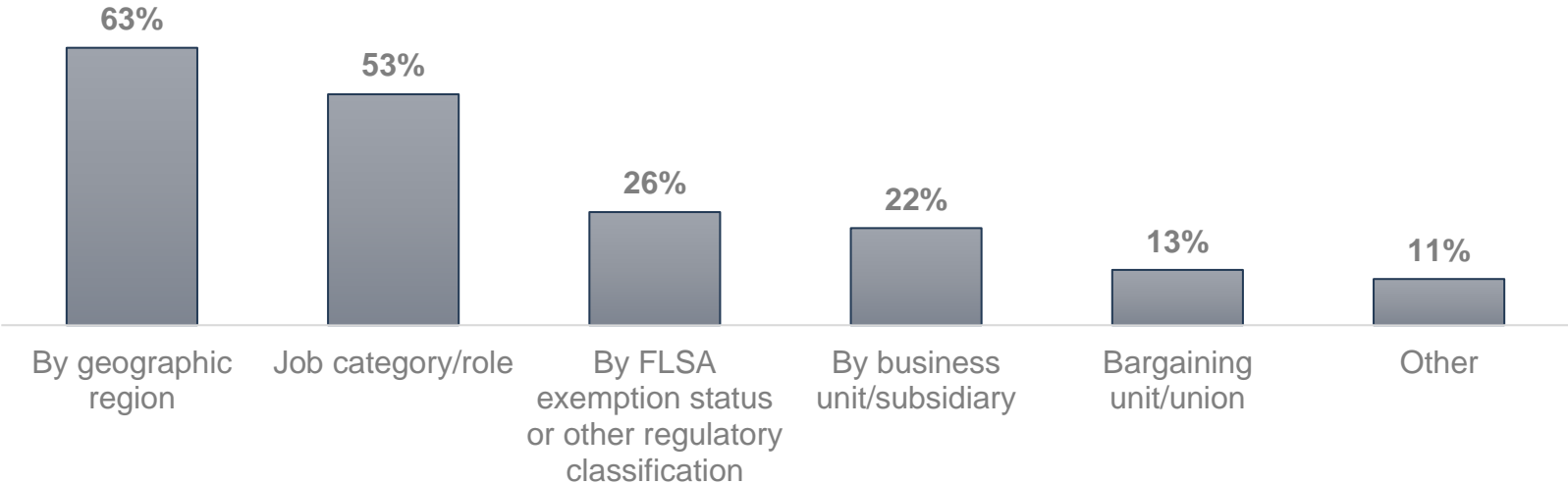
Number of Salary Structures (n=189)



- Five+
- Four
- Three
- Two

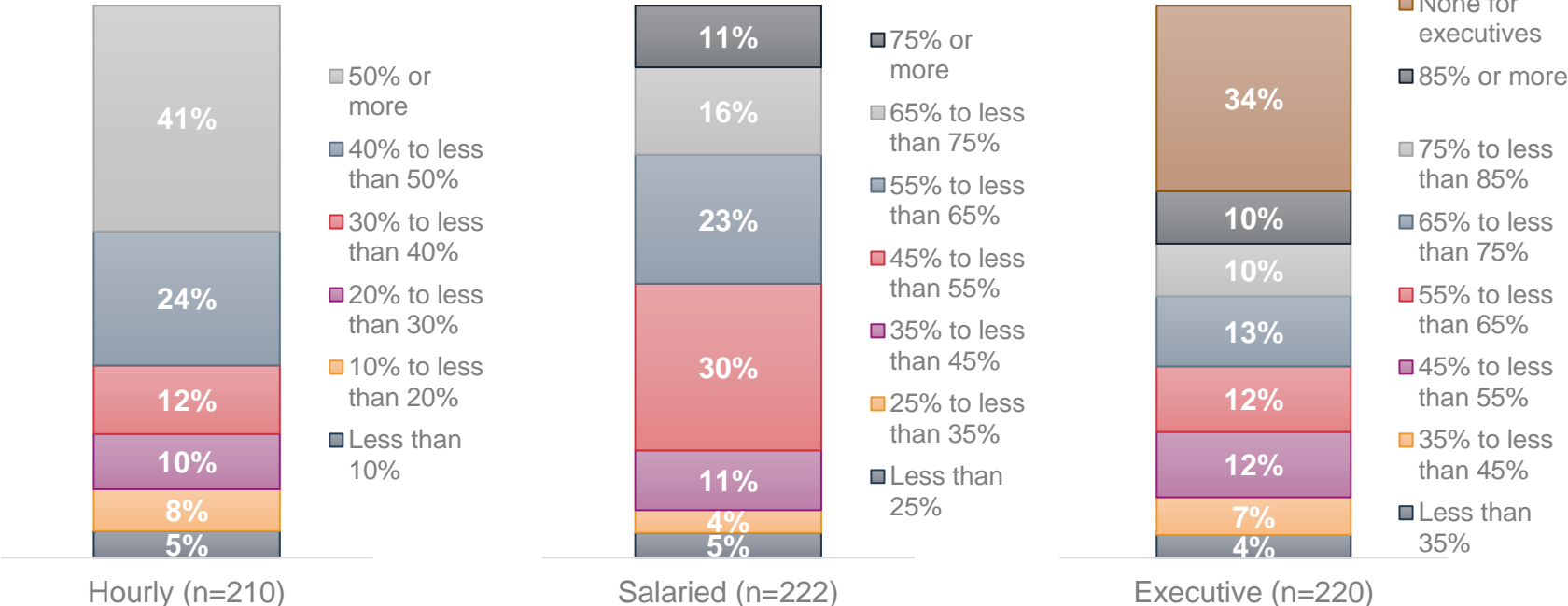
Salary structures are often defined by geographic region and/or job categories.

How Separate Salary Structures Are Defined/Identified (n=190)



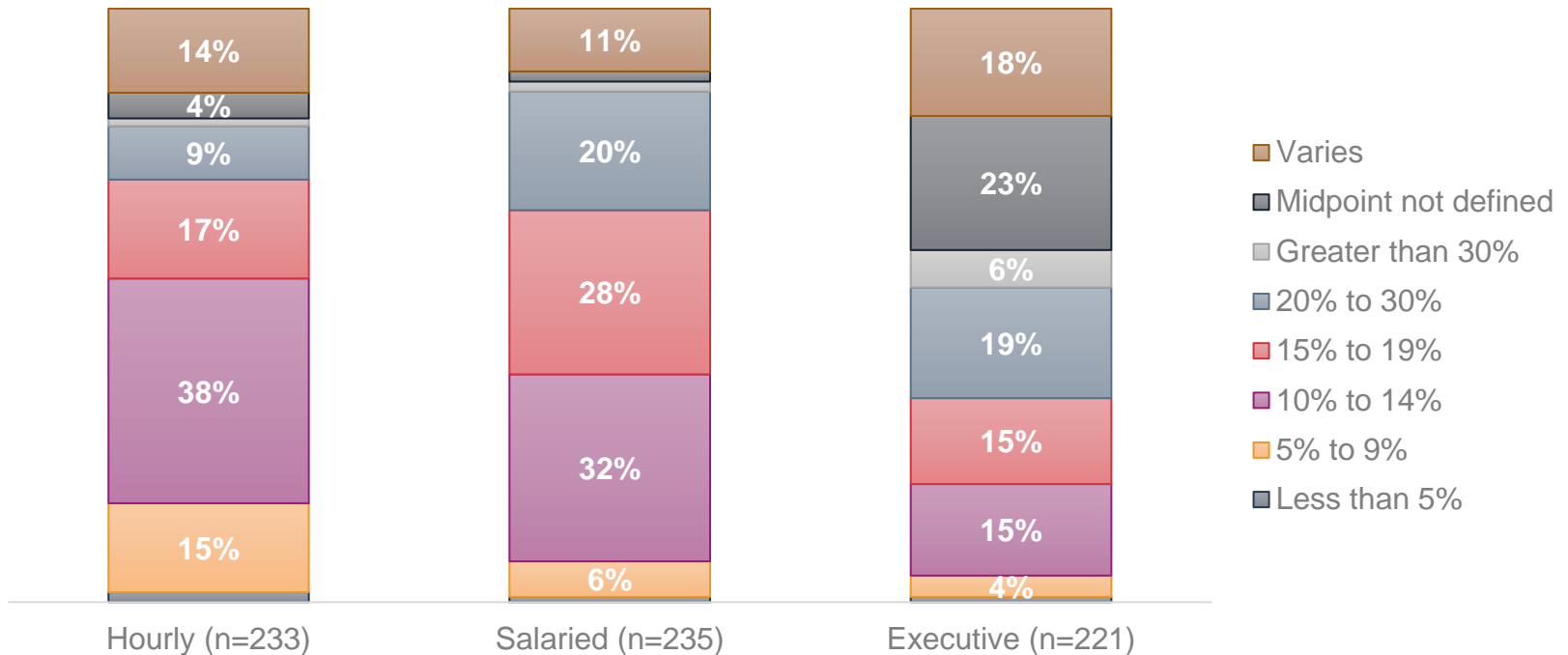
Typical range spread structures vary by employee category.

Typical Range Spread



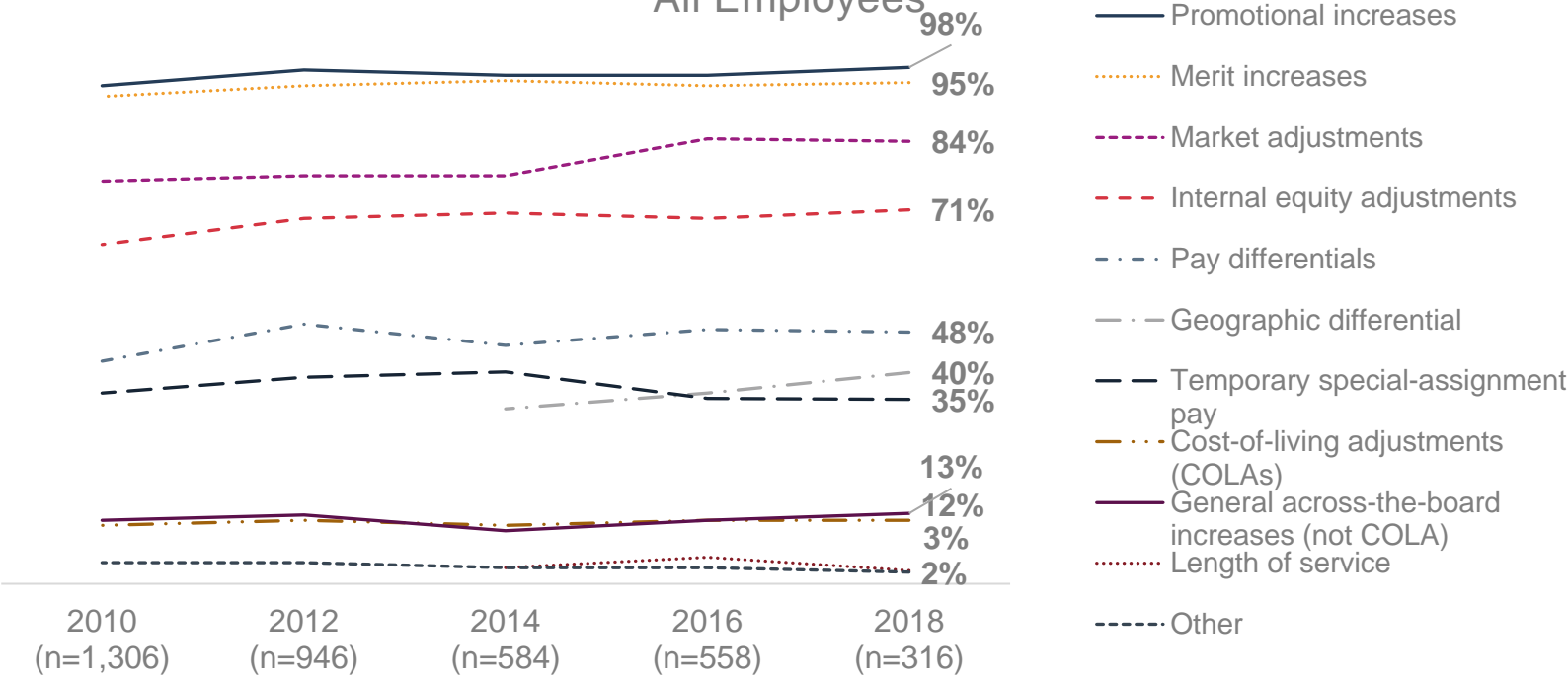
Midpoint progressions also vary by employee category.

General Midpoint Progression



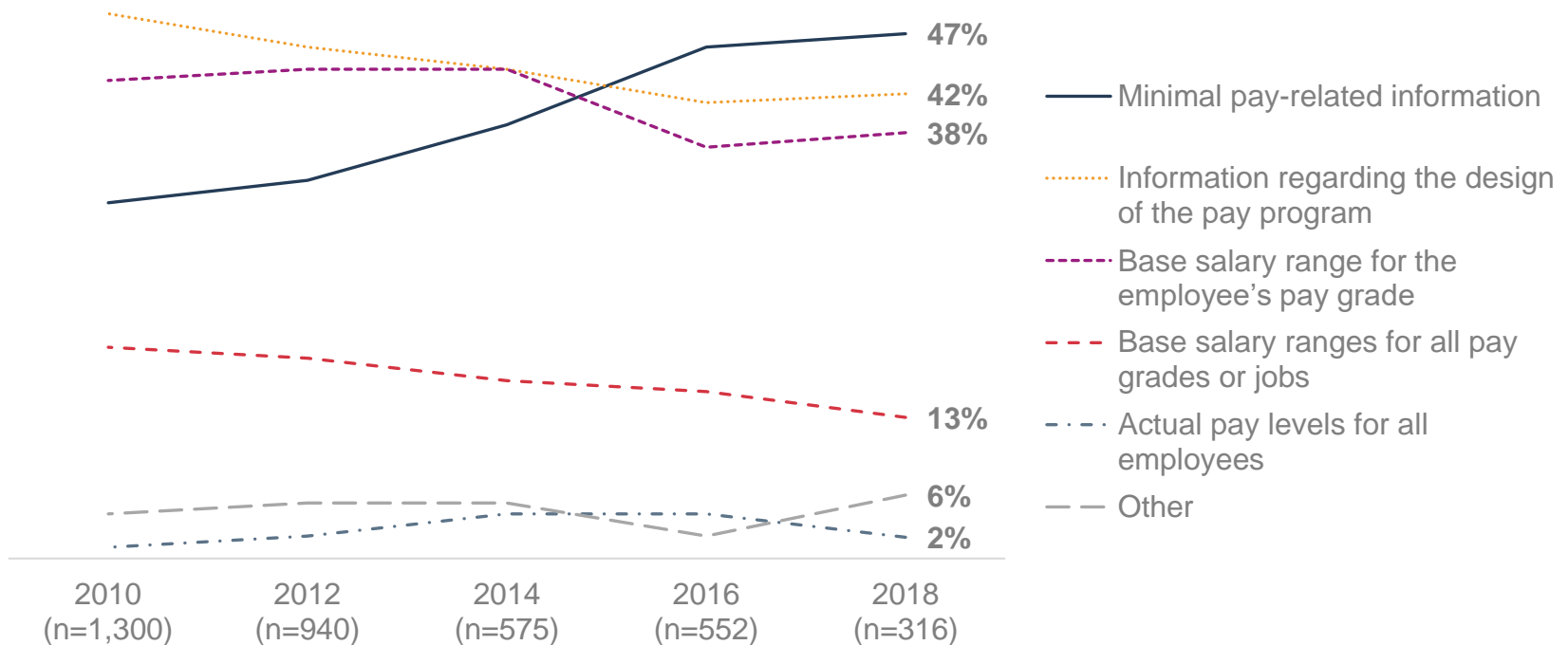
Performance and/or market adjustments are most common types of salary increases.

Types of Salary Increases and/or Adjustments Awarded to Some or All Employees



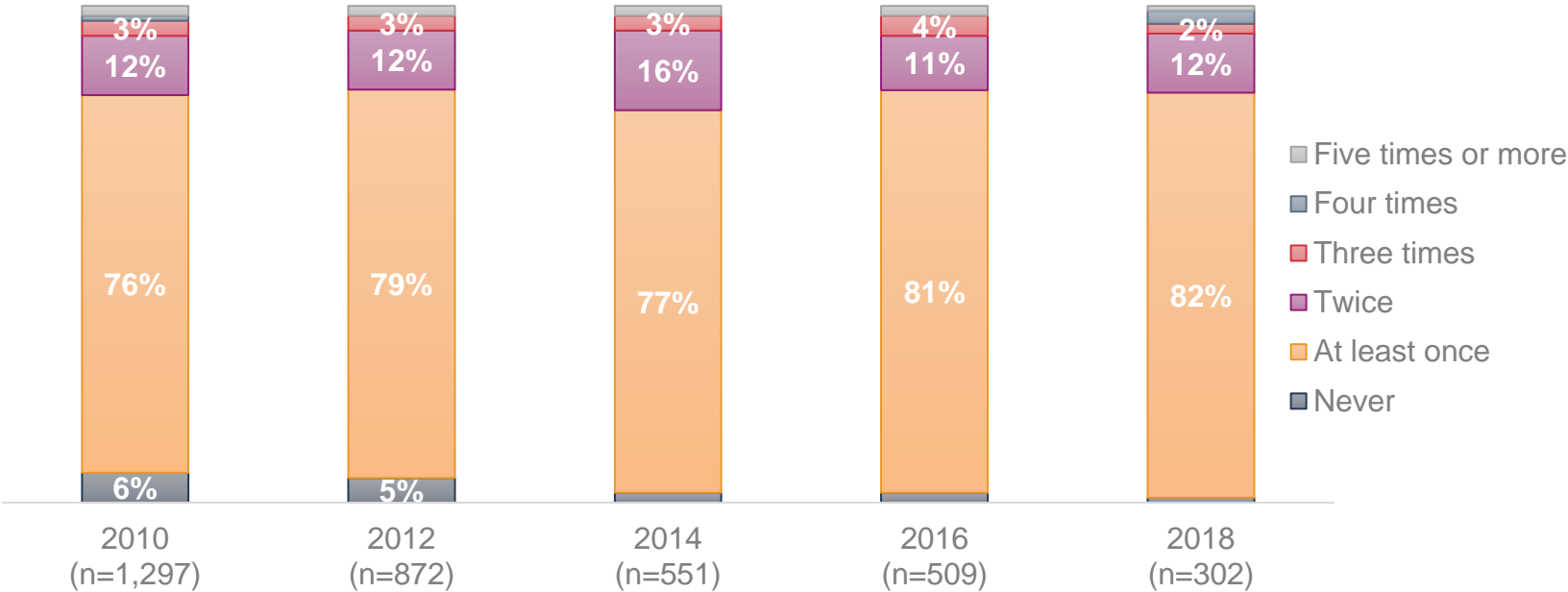
Broad pay transparency remains uncommon.

Information Shared with Employees About Their Individual Salaries



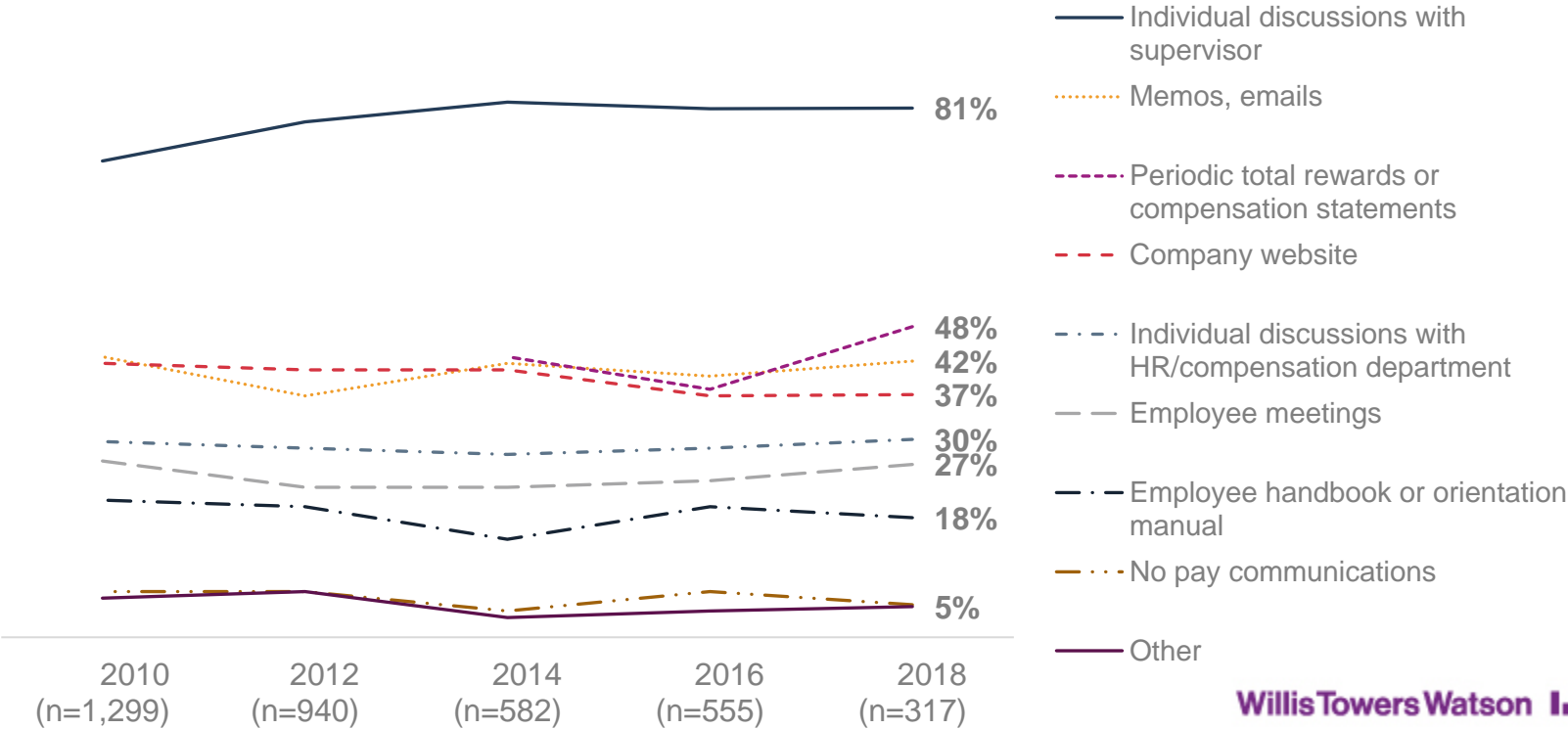
Employees tend to receive information about their individual pay once per year.

Frequency of Employee Communication About Pay in 12 Months



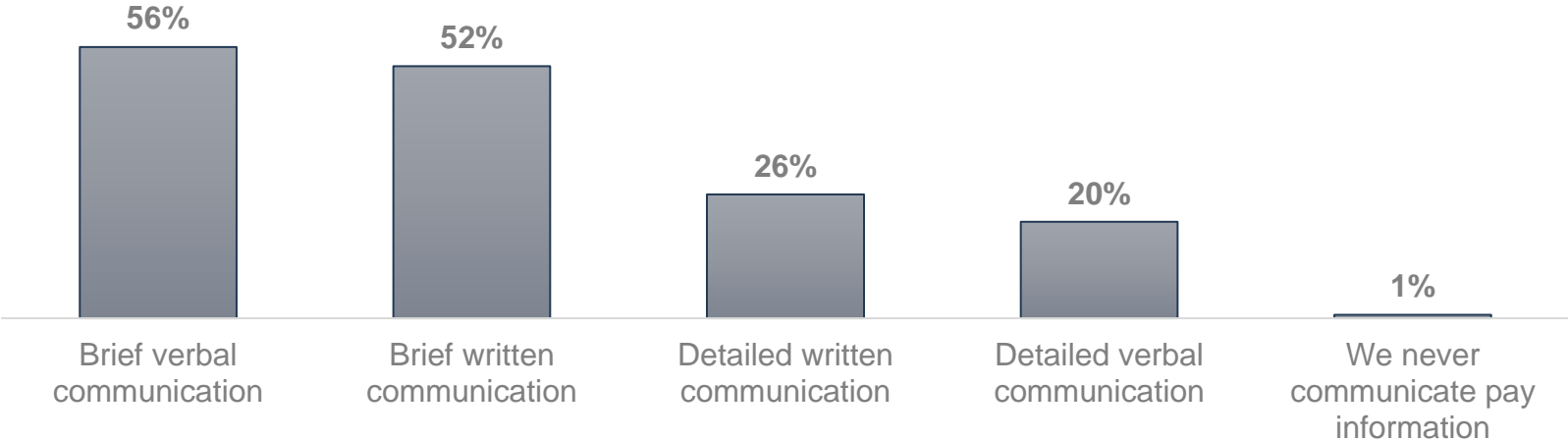
Pay communications are generally handled through supervisors, but use of TR or comp statements are up.

How Employees Received Communications About the Pay Program in the Last 12 Months



Salary increase communications are usually brief.

Approach to Communicating Individual Salary Increases (n=300)



Turnover/retention and satisfaction surveys are relied on mostly for assessment of pay program.

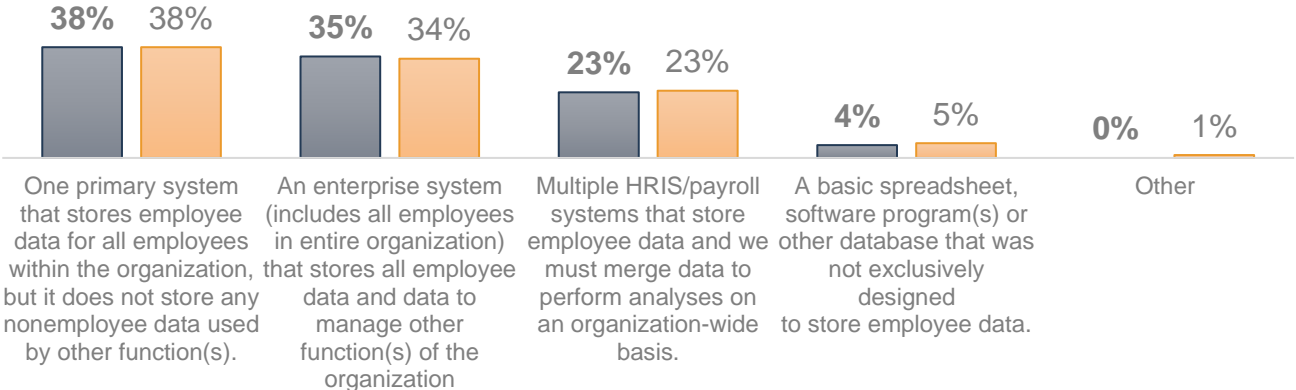
How Management Determines Pay Program Effectiveness (n=305)



Variety in degree of HRIS system/function integration is virtually unchanged since 2016.

Systems Used to Maintain Compensation-Related Employee Data

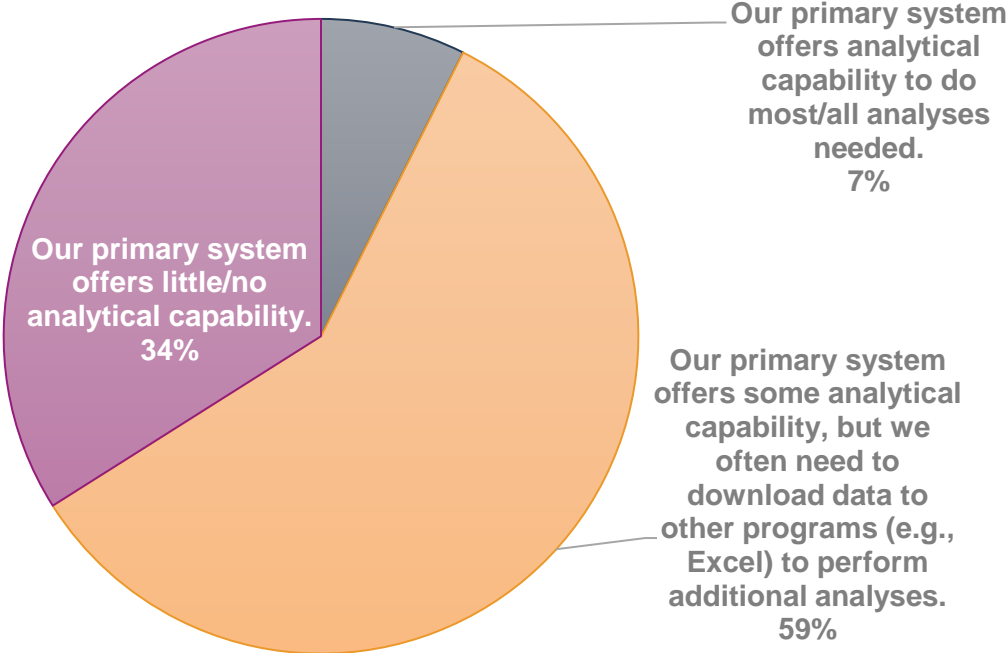
■ 2018 (n=316) ■ 2016 (n=555)



2% of these systems were developed internally by the organization's IT department. (n=230)

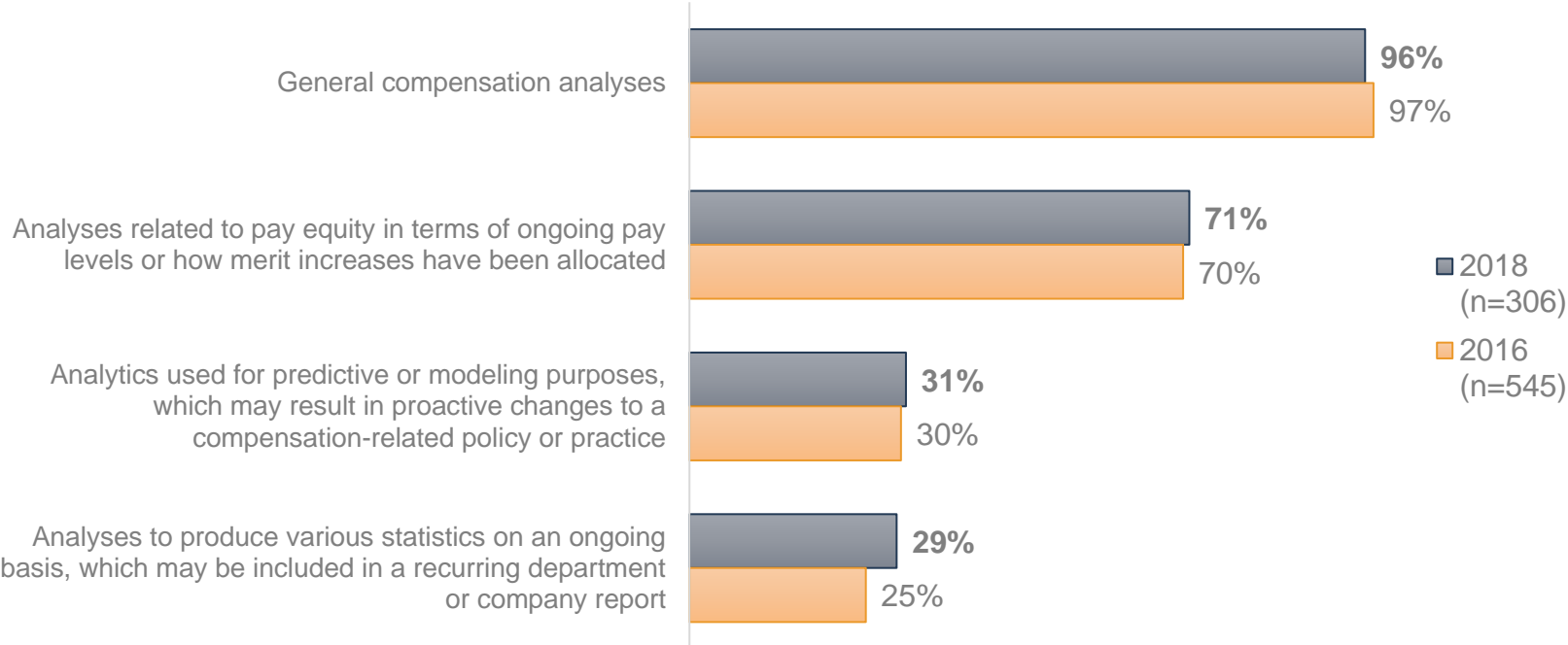
Primary systems' analytic capabilities don't generally eliminate need for analysis in other programs.

Primary Method(s) Used to Analyze Compensation-Related Data (n=312)



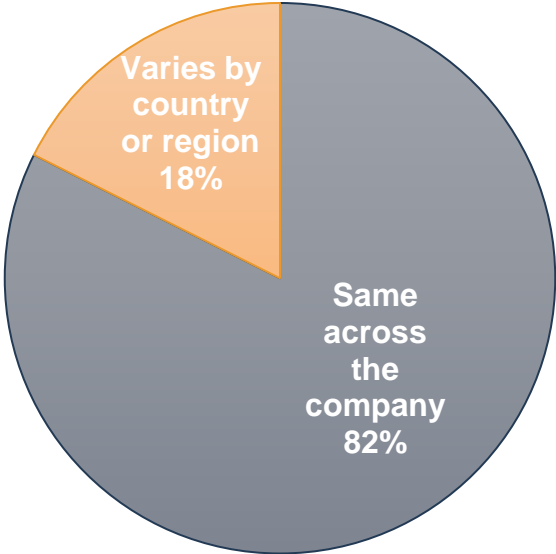
General compensation analyses and analyses associated with pay equity are common and steady.

Analyses Performed (n=306)

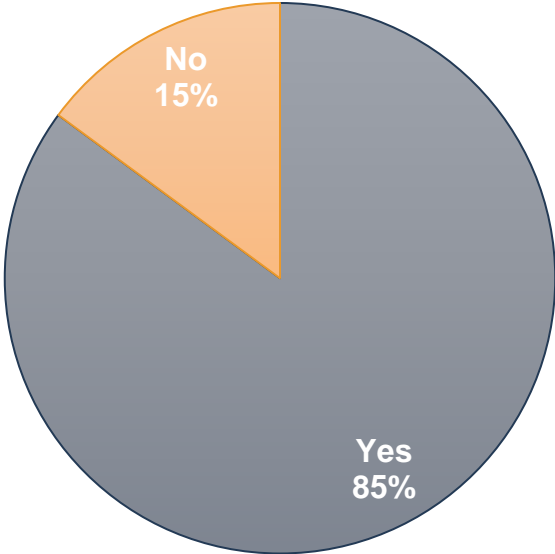


Compensation philosophy and performance management tend to be applied consistently in multinational companies.

Compensation Philosophy Across the Company
(n=108)

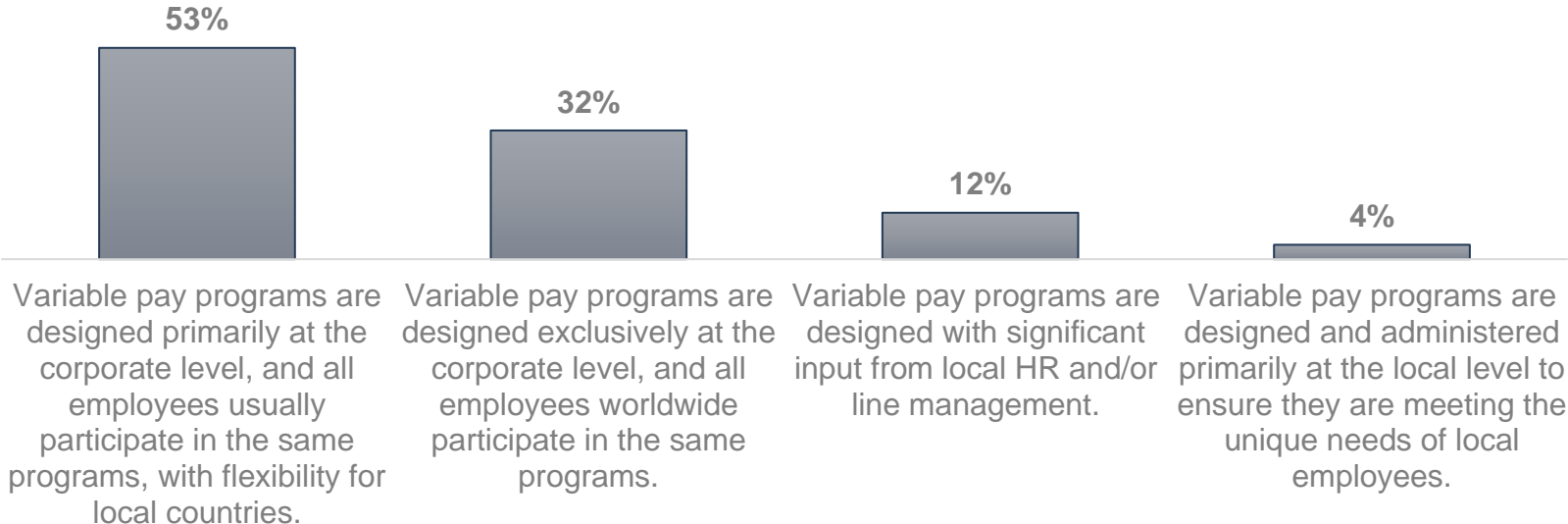


Performance Management Applied Consistently to All Countries
(n=114)



Corporate tends to drive design and administration of variable pay programs, with some local flexibility.

Variable Pay Design and Administration Across Multiple Countries (n=112)



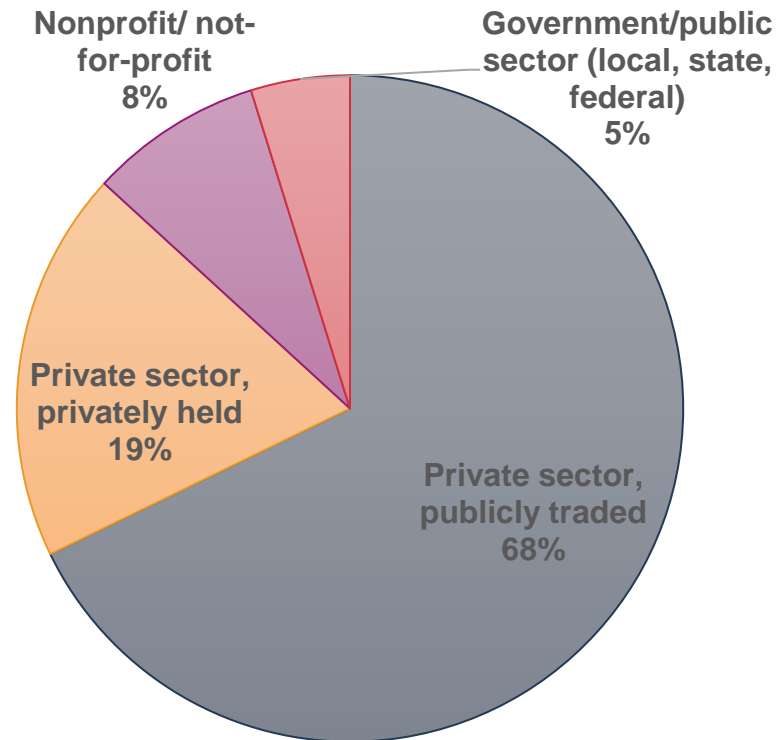
Types of variable pay don't vary much from country to country.

Types of Variable Pay Used for Some or All Employees by Region

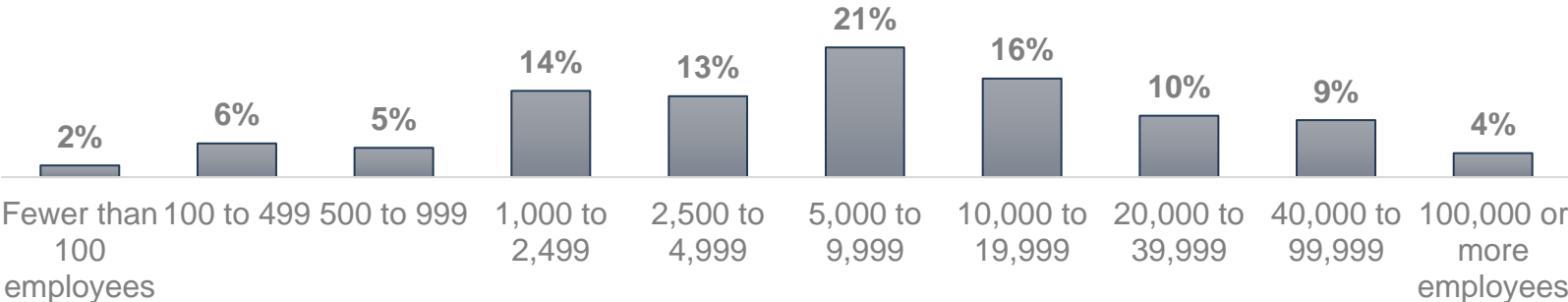
	Profit sharing	Performance sharing	Individual incentives	Bonuses	Recognition
U.S./Canada (n=111)	17%	64%	47%	86%	76%
Africa (n=38)	13%	71%	53%	79%	71%
Asia-Pacific (n=97)	12%	60%	47%	83%	73%
Eastern Europe (n=64)	11%	70%	55%	88%	77%
Western Europe (n=101)	14%	61%	47%	84%	71%
Middle East (n=54)	9%	70%	50%	91%	72%
Latin America (n=80)	20%	66%	51%	81%	71%

Demographics

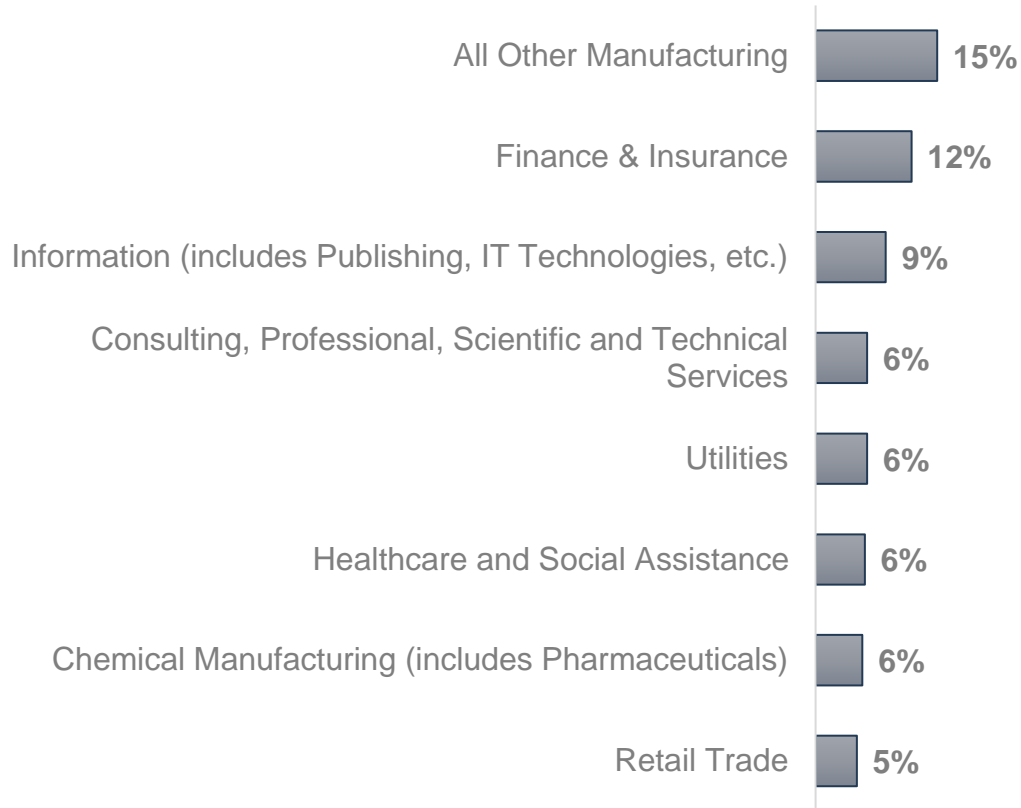
Sector (n=311)



Organization Size (n=311)



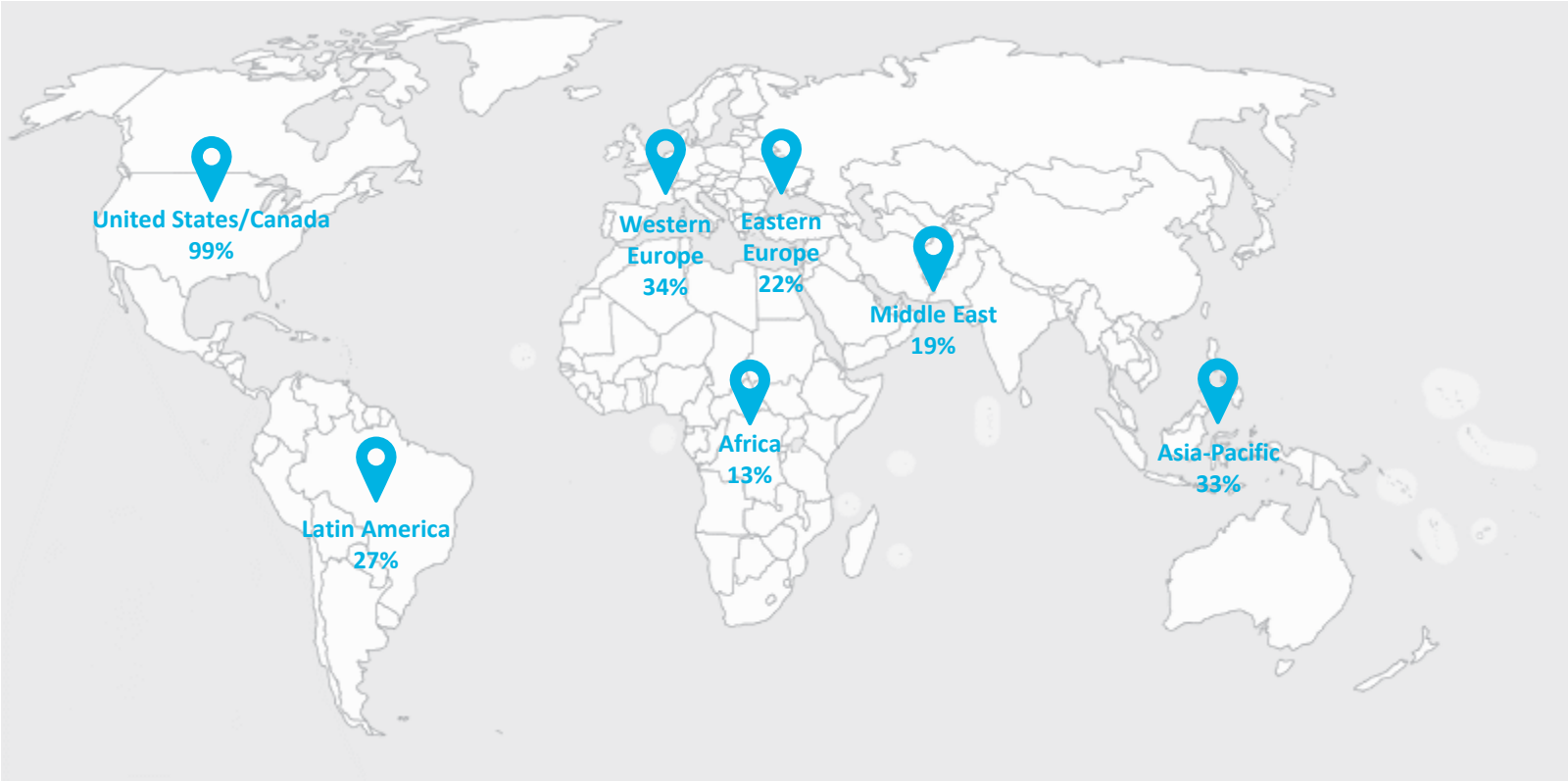
Industry (n=311)



Only industries with at least 5% of responding organizations are listed here.

Regions Where Respondents Have Responsibility

(n=348)



Methodology

This report summarizes the results of an October 2018 survey of WorldatWork members that gathered information about trends in compensation programs and practices.

On Oct. 17, 2018, survey invitations were sent electronically to 4,806 WorldatWork members. The survey closed on Nov. 16, 2018, with 375 responses. The dataset was cleaned, resulting in a final dataset of 348 responses. In order to provide the most accurate data possible, data was cleaned and analyzed using statistical software. Any duplicate records were removed.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a dataset. Due to rounding, frequencies of data responses provided in this survey may not total exactly 100%.

The full text of the questionnaire can be found [here](#). A list of participating organizations can be found [here](#).

Definitions

- **Compensation philosophy:** A statement of what the organization believes about how people should be paid as well as how that pay should support the business strategy and fit within the organizational culture. A key component is how the organization intends to pay its people relative to its competitors (i.e., the desired market position).
- **Compensation policy:** Ensures that a compensation program carries out the compensation strategy while supporting the compensation philosophy.
- **Variable pay:** Short-term cash awards that are contingent upon performance, discretion or results achieved (for periods of one year or less), except for sales commission plans. This may include incentive plans, bonuses or cash recognition.
- **Salary structure:** The hierarchy of job grades and pay ranges established within an organization. The salary structure may be expressed in terms of job grades, bands, job evaluation points or policy lines.

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