

## 7. I'd Tell You, But Then I'd Have To Kill You

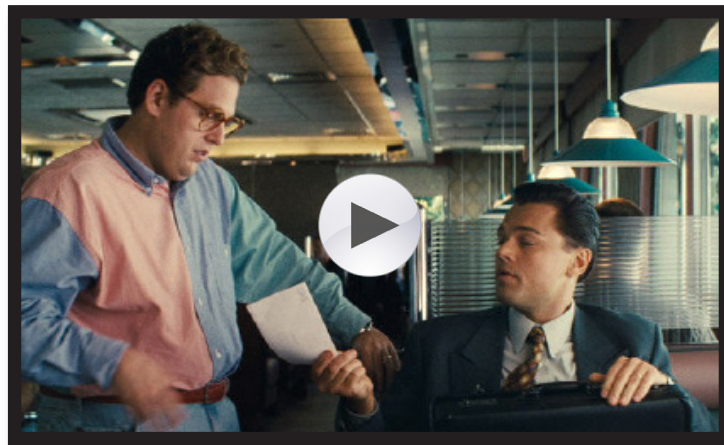
### *Dealing With Internal Issues On Compensation*

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JEALOUSY IS A TERRIBLE DISEASE.  
GET WELL SOON.

- ANONYMOUS

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If there's one consistent theme in any company, **it's that everyone wants to know what everyone else around them makes.** It's a disease that, due to the human condition, everyone has. Unfortunately, there's no known cure.

The rumors and gossip caused by this condition are some of the most destructive things you can deal with in your company. Here's two other things to know and plan for:

1. **Many of the rumors will be false.** It doesn't matter; they'll still be believed.
2. **The best way to deal with the rumor mill is to have a communication plan around your compensation plan/strategy** that gives your employee base a sense that there's a "method to the madness."

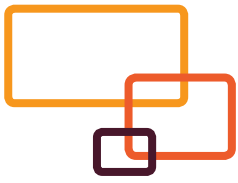
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I KILL PRIDE, I HURT FEELINGS,  
CLICK CLACK, BANG BANG, WE IN  
THE MURDER BUSINESS.

-IGGY AZALEA

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When it comes to proactive communication about compensation, both you and your company have some choices to make. As a manager of people at your company, you have to fall in line behind the communications strategy your company has around compensation.



# MO' MONEY, MO' PROBLEMS

| COMPENSATION 101 FOR MANAGERS |

In the sections that come, we'll give you some line of sight on decisions most companies have to make related to the level of pay transparency they want to give to their employee bases. You'll see there's varying levels of that.

Just as importantly, once your company makes the decision about the level of pay transparency it wants to provide, you've got to be ready to do your part, addressing issues employees have with internal compensation in an engaging, believable way.



*Mary, Mary (Why You Buggin)  
Run-D.M.C.*

We think there's a way for you to address compensation issues your employees have without losing your mind. Hit the sections that follow and we'll show you how.

## GREAT QUESTIONS IN COMPENSATION HISTORY

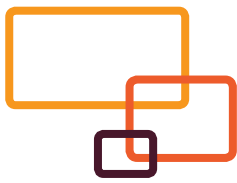
*"Mary just told me what she makes and she makes a bunch more than I do.  
How is that fair? I need to be raised to her pay rate ASAP!"*

How would you answer that as a manager? Give us 3 talking points you'd use to answer—or avoid answering—the questions.

- 1.
- 2.
- 3.



Embalmers make on average \$43,000 per year.



### Levels Of Pay Transparency In Your Organization: Where Are You?

Let's start out this section with a definition of **Pay Transparency**:

**Pay Transparency:** *The ability for employees to easily receive information on how they and others are paid in an organization. Transparency can range from the extreme (the ability of an employee to find out exactly what others make in an organization) to a more measured form (the publication of salary ranges and other forms of compensation data that stop short of what others make).*



**Paid In Full**  
Eric B & Rakim

Simple enough definition, right? As always, the devil is in the details.

Recently, the idea of salary transparency has been bubbling to the forefront—from President Obama signing an executive order a few years back prohibiting federal contractors from retaliating against workers who discuss their pay to companies like Buffer posting their employees' salaries publicly for all to see. The same arguments come up every time this topic makes headlines: Advocates of complete pay transparency have several key points—that salary secrecy contributes to pay discrimination and that employers are the only ones benefitting from secrecy; on the other side there are those who fear that complete openness around compensation could lead to jealousy and fighting among employees.

One of the biggest problems with this “transparency doctrine” is that **comparing salaries and drawing conclusions about their fairness requires a measure of independence and objectivity**. If we know one thing, it's that employees simply cannot be completely objective about the value of their jobs and the work they perform.

What's more, employees themselves hold a bit of a double standard in this regard. According to research by Ceridian, while **46% of employees are interested in learning the salaries of colleagues, 89% are reluctant to have their own salary information shared with those colleagues**. That tells us that there is a privacy issue at stake as well.

If you stop short of sharing everything, you're still left with multiple decisions about what to share when it comes to pay transparency. **We're fans of sharing the “how” and the “why”:**

**The How** is about the mechanics of pay in your organization—how jobs are valued, increases are determined, etc.

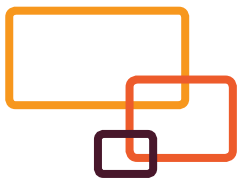
**The Why** is about your organization's pay strategy—the objectives management is seeking to achieve and the rationale underlying the pay program. This includes questions like how the organization defines its competitive market for talent and the way in which performance influences an employee's pay.

If you and your company can agree to share those things, you'll disconnect some of the paranoia that goes on inside every company related to pay.



Cruise Ship Entertainers make \$3-4.5K a month, plus room and board.





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## The Practical Play - Sharing Pay Ranges With Employees

If you agree with our assessment that full pay transparency isn't a good idea, there's still the broader question of what you and your organization can share to make employees feel like there's a plan for how they get paid.



Material Girl  
Madonna

In the previous section, we discussed the wisdom of sharing the “how” and the “why.” That's a great start, but if you really want to disconnect paranoia around pay, you have to be willing to share some information related to the pay ranges for your jobs—if you have them.

Companies generally view sharing the range in one of three ways:

1. **We share nothing.** Maybe we have nothing (by way of comp ranges, etc.).
2. **We have stuff, but don't share it broadly.** We'll share it with the individual employee if they are interested, during the merit review, and certainly if pay issues come up with an employee who feels underpaid, etc.
3. **We share it all.** Our range structure is published to all employees, and employees might even have access to know the grades for all the jobs in the company.



IF YOU OPT FOR #1,  
EXPECT RUMORS

Markets drive pay. Companies value jobs based on those markets, and also make determinations about how much skills in a specific profession are worth, based on the ranges that are developed. **So for us, #1 (we have nothing, we share nothing, and we value jobs on the fly) isn't a practical solution**—at least for companies with any size and scale.

**We don't think #3 (we share it all) is a realistic alternative either** (remember, we're talking about sharing the ranges of everyone's job—not their actual salary, aka, full pay transparency). The problem with sharing all ranges in a company is the loss of productivity and angst regarding OPR (other people's ranges). We've worked for big companies that took this approach, and a significant amount of time is spent with the angst of knowing someone else's range—even if the person with the angst doesn't know the salary or if the comp ratio is .8 or 1.2. Their range is higher than mine!

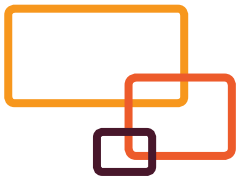
**So for us, we're left with #2**—share range information with the individual employee at natural times, like the merit review. Tell them how the company creates and updates ranges, and tell them why they are where they are within the range. Tell them the plan and the room to grow, if they stay in the same position.

Or go with **Option #4**—just post a list of all the employees' salaries on the bathroom door.



Depending on the city and the casino, gaming managers can earn an average salary of almost \$60,000 annually, which can increase up to \$85,000 per year.





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## The Smart Way To Talk To Employees About Salary Ranges

**S**o let's say you know an employee's salary range. Do you just give it to them and let them figure out what it means?



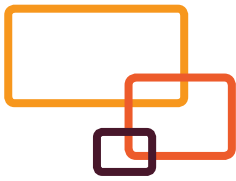
*Started From The Bottom*  
Drake

Of course not. **Some general rules when it comes to sharing salary ranges** with your employees:

1. **Tell them how the company determines the salary range for their job** (using outside data, refreshed every year or two to make sure the company is in line with the city, industry and job to the best of their ability, etc.).
2. **If the employee is between the minimum and the midpoint, only provide those two data points.** If you give this type of employee the maximum, they're just going to fixate on the maximum and feel like they should be higher.
3. **If the employee is between the midpoint and the maximum, provide those two data points.** Be sure to talk about how annual increases may slow down if your company is a disciplined user of a merit matrix.
4. **Whenever you talk about the maximum salary for the job in question, contrast it with the minimum salary and mention that the idea of that range is to provide room for growth for individuals who want to stay in the same job the rest of their careers.** The entire range—min to max—is designed to provide 15-20 years of growth for those who lock into a single job.



Sharing salary range information with individual employees (for the jobs they are in) is one of the best things you can do to show transparency and build credibility that your company has a plan when it comes to their compensation. Use these guidelines on what to share and you'll maximize the impact of these important conversations.



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## REFLECTIONS ON THE GREAT QUESTIONS

*“Mary just told me what she makes and she makes a bunch more than I do. How is that fair? I need to be raised to her pay rate ASAP!”*

How would you answer that after this breakdown? Give us the 3 talking points you'd use now, and tell us what's changed and why.

- 1.
- 2.
- 3.



Aubrey “Drake” Graham, made an estimated \$20.5 million in 2012.