

Innovating Total Rewards that Drive People and Business Excellence.

▶ The Case Profile

Client

Telecommunications distribution company

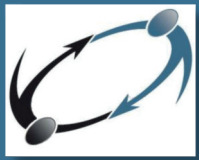
Size of Company

800+ employees in distribution and warehousing

Background

Company has locations in different states





Situation/Challenges


The Project: Pay Program and Pay Structure Design

This project covered nine positions in production and seven positions in the warehouse in two different markets. The company had a step pay program which had been in place for four years at the time of the project. They had not adjusted their rates since the program was put in place, and had only added more step pay levels to the end of the system.

The company had two job levels in one location and three job levels in another. Employees were started at different rates depending on their position level.


There were a total of 13 very aggressive step pay increases that were causing employees to “max out” at six years on the job. Employees were hitting the average market rate at two years on the job. Costs were escalating quickly and at twice the rate of normal merit increases. Performance appraisals were conducted but not tied to pay.

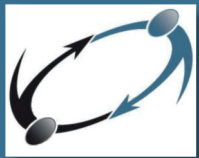
Production management was not on board with the review of the program. Rather, the program review was being driven by the company’s Human Resources department.



Company growth and a geographical separation of employee operations can lead to inefficiency and a market disparity in pay structure and overall compensation.

Even if one segment of the company prefers to stay in their “comfort zone” and maintain the status quo, the company can be at a competitive disadvantage in the marketplace.





▶ The TRS Solution

The Plan

The **Total Reward Solutions** plan included:

- providing updated market pricing for the 16 positions in two different markets
- providing pay practice information from phone interviews with 12 different companies who had distribution facilities
- providing an alternative to the current structure for the company to consider

The Execution

Total Reward Solutions conducted phone interviews with 12 identified companies to solicit pay practice information for their warehouse/distribution centers, and then created a report to share with both the client and those who participated in the survey.

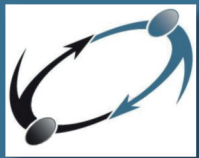
We then benchmarked the 16 positions utilizing three different surveys for two separate markets.

Finally, we provided the company with four options for changing their current step pay system.

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To understand and respond to industry-specific market conditions, current information must be gathered and analyzed. From those findings, recommendations can be presented to company management.

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With company buy-in, the plan can be executed and the company can regain market competitiveness in compensation and total rewards.





► The Results

Jobs for one location were found to be \$1.50 to \$3.60 below the current market rate. Jobs for the second location were found to be \$.30 to \$3.12 below market. However, as production management did not want to change the current system, the company decided to simply update it.

Acting on these factors, **Total Reward Solutions** grouped the 16 positions into four levels for both sites vs. the previous two and three levels for each of the two site locations.

Starting pay rates were adjusted upward as they had fallen below market. Additionally, it was recommended the company implement pay programs in which it would take three years for employees to reach market vs. the current two years; and to slow down the step pay rates slightly.



A substantial overhaul of their compensation system was not suitable for this company. Instead, Total Reward Solutions was able to bring their programs into alignment with market while keeping the program administrators in their "comfort zone".

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*Want to learn more about how we can help your organization develop and implement competitive and effective compensation and total reward programs? Contact us today at **317.589.8529**.*

