

Innovating Total Rewards that Drive People and Business Excellence.

▶ The Case Profile

Client

Automotive supplier

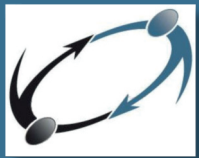
Size of Company

300+ employees and a population of temporary employees

Background

Company has been in business since 2001 and is located in a rural area





Situation/Challenges


The Project: Pay Program and Pay Structure Design

This project covered approximately 70 positions, with about 45 in the non-production area of the company and 25 in the production area.

The client wanted to implement a base pay compensation system that utilized market benchmarks for all positions. Before Total Reward Solutions got involved, there had not been a system in place for any of the positions except for those in the production area, which only accounted for about one-third of the positions.


The large production area utilized a number of temporary employees and had an outdated step pay program. All employees in production were brought in at the same rate regardless of the position; and after a three-year period, the employees were moved from the step pay program to an across-the-board increase.

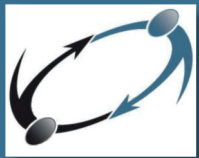
Production employees received aggressive step pay increases and reached the prevailing market pay rate fairly quickly. There was no cap on pay for the production employees.



Sometimes what worked early in a company's existence no longer works for employee compensation and rewards in a competitive and maturing marketplace.

If the fundamental pay structure and systems are outdated and no longer equitable based on market conditions – high or low – the company can be at financial risk.





▶ The TRS Solution

The Plan

We decided to create a base pay system designed to:

- meet the growing needs of the client
- update production step pay
- implement traditional pay ranges for the remainder of the organization
- ensure external market competitiveness
- balance external market competitiveness and internal value of jobs
- create qualitative definitions of pay levels that were administratively easy to use, understand, and communicate

The Execution

The process included many critical components, including:

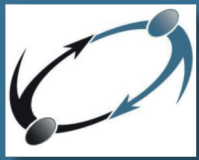
- creating job families and levels within the families
- slotting all jobs into the structure
- creating market data guidelines and benchmarking as many positions as possible to market
- reconciling internal job value and external market competitiveness
- developing pay targets for each level and consolidating similar pay targets
- creating two pay structures: one for production, one for non-production
- conducting incumbent and discrimination analyses

We also created an incentive plan for all employees and a presentation to communicate the process to management.

▼
To create a market-correct compensation system, preliminary analysis of the current system and market conditions must be done, followed by the creation of a responsive plan.

With company buy-in, the plan can be executed for optimum results that will create an effective and manageable system to serve the company for several years.
▲





► The Results

Total Reward Solutions created job families, each with several levels. Level descriptors were created to make it easy to slot new and revised positions going forward. Two pay structures were developed: one each for non-production and production.

The step pay system changed from all employees being paid the same no matter the job to three levels of jobs with different pay ranges and different step pay rate increases for each level. The period for step pay increases to reach market were stretched and the starting rate was increased as market data indicated start pay was behind market. When production employees hit the market mid-point, step pay increases stop and employees earn future increases based on their performance appraisals. Pay ranges were established for all production levels to include a minimum and maximum pay for each level. It will now give employees the opportunity to earn increases for several years before they hit the top of their pay range. Lump sum increases will be used when employees hit the top of their pay range.

A separate step pay system was implemented for temporary employees who were previously on the same system as regular employees with not much incentive to get hired. Temporary employees are now hired at a start rate less than that of regular employees; and receive step pay increases up to their first year at a lesser rate than regular employees. When converted to a regular employee, the time worked as a temporary employee counts so they are placed on the step pay scale and receive an increase to move them to the regular employee pay scale.

Employees in the non-production system who were either under minimum or over maximum were identified and a plan was enacted to correct both situations.

Finally, an incentive plan was created to reward employees quarterly based on metrics for the production area.



With new pay systems in place for full-time and temporary employees, the company now has a more market-appropriate compensation program for each position as well as true incentives for better performance and moving from temporary to regular status.

—

*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**.*

