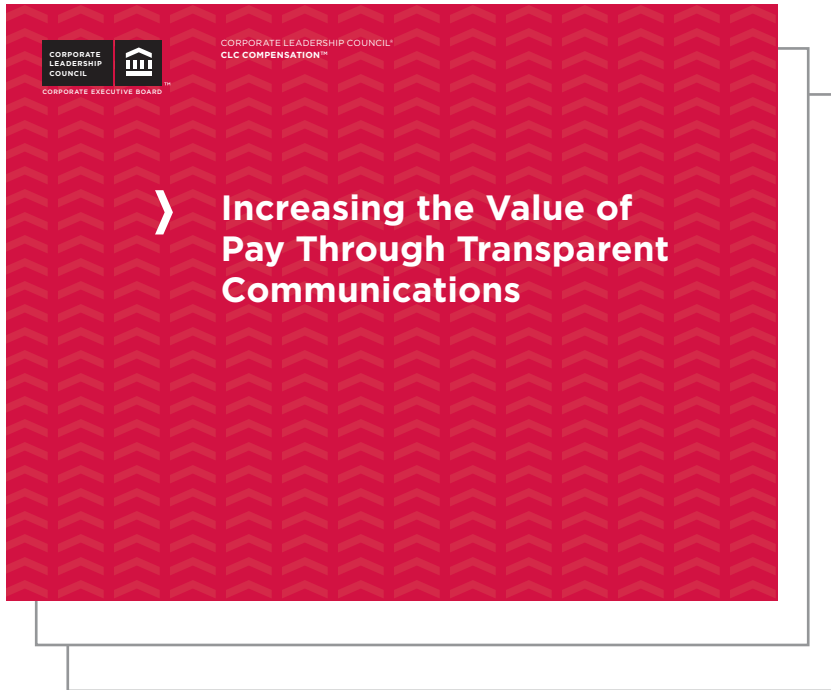




# A Recent Example of CLC Compensation Insight on Pay Communications



## The Question Our Members Were Asking

What should we communicate about pay, and how do we most effectively do so to maximize the positive impact of pay on intent to stay and employee effort?

## Methodology

We leverage quantitative and qualitative analysis to determine what tactics are working at the best companies.

- Conducted a comprehensive survey of more than 8,500 employees globally to measure their experiences with pay communications and the impact communications have had on them
- Surveyed more than 60 organizations about their pay communication practices and interviewed executives and experts on innovative approaches
- Analyzed the data to empirically test hypotheses and quantify the impact of communication strategies on pay perceptions and key outcomes
- Determined the most effective strategies to maximize the impact of pay communications and highlighted best practices from leading organizations

## Selected Best Practices Uncovered

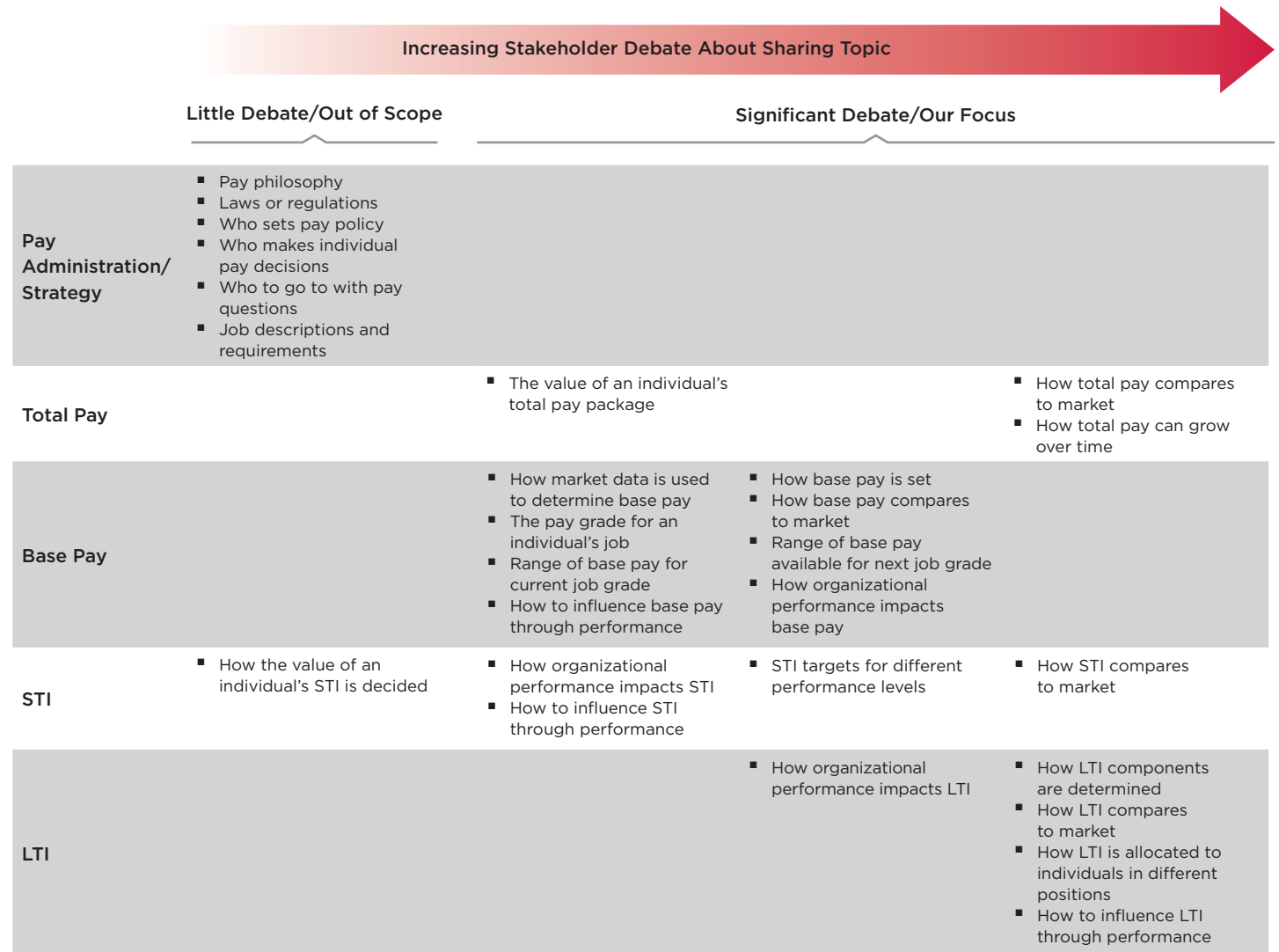




# Defining Transparency

CLC Compensation Insight

At a high level, pay communication transparency refers to how an organization truthfully and proactively communicates pay information to employees.



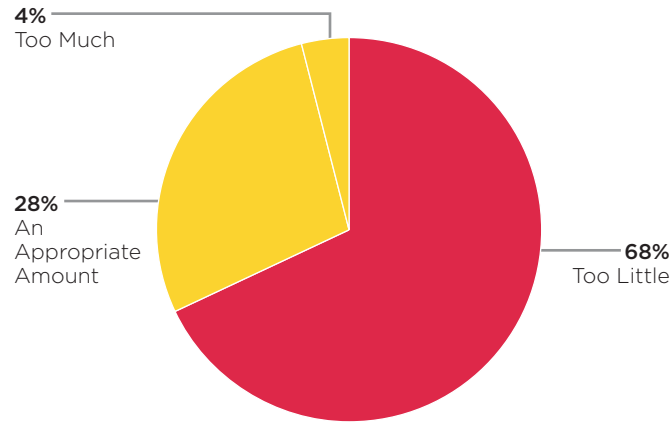


# The Challenging Situation

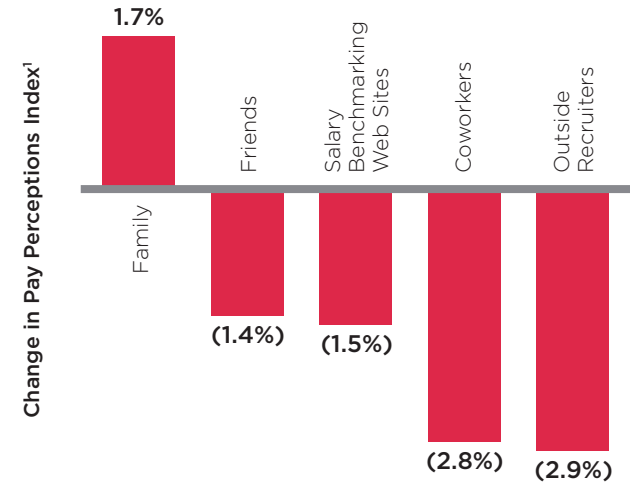
CLC Compensation Insight

Most employees believe their employers share too little information about pay and therefore seek out information from other sources, resulting in a negative impact on their pay perceptions.

### Amount of Pay Information Received from Employer



### Impact of Information from Informal Sources on Employee Pay Perceptions



<sup>1</sup> The Pay Perceptions Index is a measure of employee pay perceptions that directly influences intent to stay and employee effort. Change in Pay Perceptions Index refers to the percent change in the Pay Perceptions Index caused by a particular action.

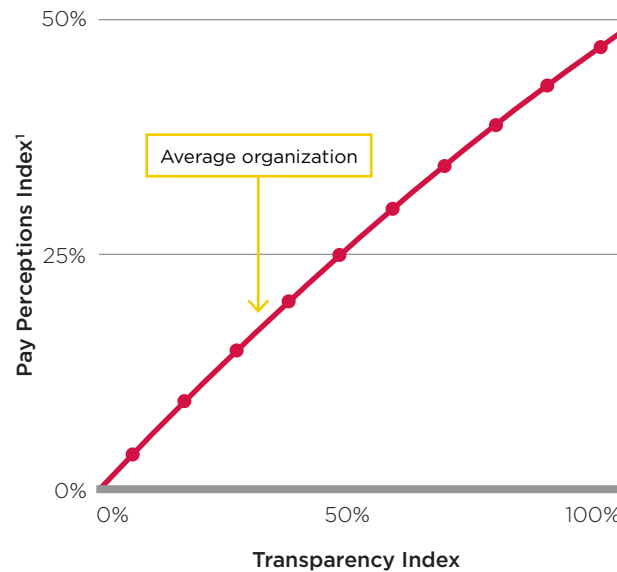


# What the Best Companies Are Doing

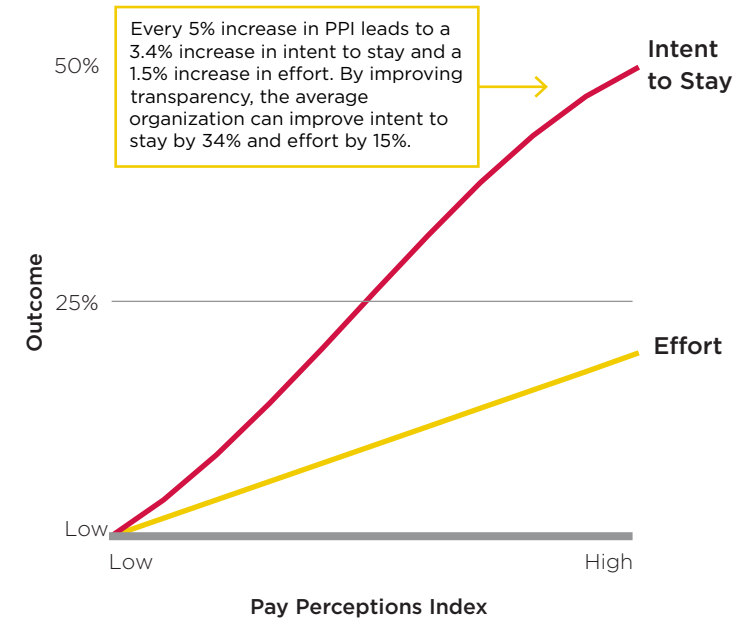
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Leading organizations are transparent about the right pay topics, helping to increase intent to stay by 34% and employee effort by 15%.

### Impact of Transparency on Pay Perceptions



### Impact of Pay Perceptions on Intent to Stay and Effort



#### What Can We Expect?

- Percentage of population actively looking for a job outside the organization ↓ (14%)
- Percentage of population often helping colleagues with heavy workloads ↑ 11%
- Percentage of population often volunteering for additional duties ↑ 15%

<sup>1</sup> The percent change in the Pay Perceptions Index caused by a particular action. The Pay Perceptions Index is a measure of employee pay perceptions that directly influences intent to stay and employee effort.



# How the Best Companies Succeed

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When organizations try to increase pay communication effectiveness through transparency, they typically encounter four challenges.

## Determining Which Pay Topics to Be Transparent About

“We don’t want to create expectations in employees that are unjustified. If the company is transparent about market medians and an employee is not paid at market median, then that creates dissatisfaction.”

Director of Global Compensation  
Consumer Goods Company

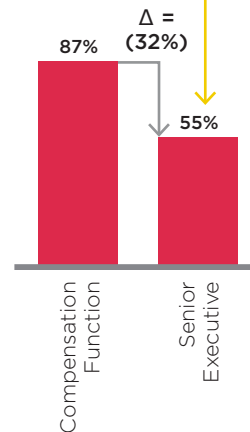
“We don’t want to make forward-looking statements. This makes it hard to communicate to employees about company performance and their potential bonuses quarterly.”

Vice President of Compensation  
Media Company

## Overcoming Organizational Resistance to Increasing Transparency

### Percent Favoring Transparent Pay Communication

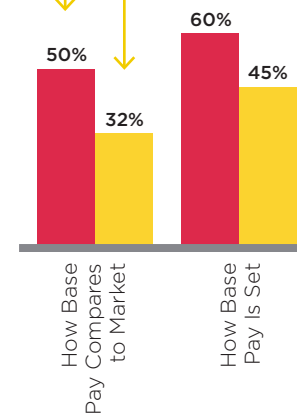
Senior executives are less likely to support pay transparency than compensation functions are.



## Getting Through to Employees with Compensation Function Communication

### Communication Gaps

There is a significant gap between what organizations communicate and what employees hear.



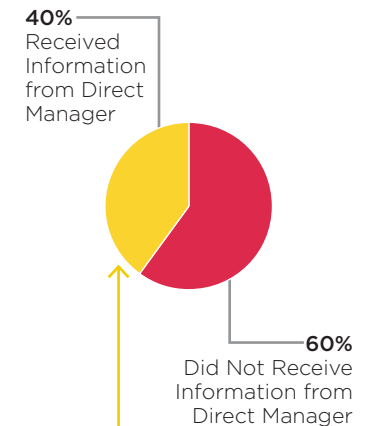
■ Percentage of Organizations Communicating Topic to Employees, Past 12 Months

■ Percentage of Employees Receiving Information on Topic, Past 12 Months

## Leveraging Other Sources Effectively

### Communicating About How to Influence Base Pay Through Performance

Example












Only 40% of employees receive information on how to affect base pay through performance from the highest-impact source for the topic—managers.



# How the Best Companies Succeed (Continued)

CLC Compensation Insight

**Organizations must execute on four key imperatives to capture the impact of transparent pay communication.**

Developing Consensus Around What Pay Information to Share		Effectively Communicating Pay to Create Transparency	
<b>I.</b> <b>Balance Impact and Readiness in Determining What Pay Information to Share</b>	<b>II.</b> <b>Achieve Buy-In at All Levels of the Organization</b>	<b>III.</b> <b>Focus Compensation Communications Where They Have the Greatest Impact</b>	<b>IV.</b> <b>Maximize the Impact of Non-Compensation Function Sources on Transparency</b>
<p>Taking into account the impact of transparency around key topics based on the organization's employees, culture, and pay system</p> <p><b>Topic-Constituency Analysis</b></p>  <p><b>Topic Diagnostic</b></p> 	<p>Making a compelling case to both senior executives and managers based on each group's needs</p> <p><b>Transparency Business Case</b></p>  <p><b>Business Cases in a Box</b></p> 	<p>Ensuring the compensation function is communicating only about topics where it is perceived as credible and at the optimal times</p> <p><b>Phased Transparent Strategy Communication</b></p>  <p><b>Sample Communications Library</b></p> 	<p>Enabling managers in particular to communicate personalized messages to employees</p> <p><b>Transparency Prep for Managers</b></p>  <p><b>Internal Quarterly Report</b></p>  <p><b>Manager Training Resources</b></p> 



# Best Practice

## CLC Compensation Insight

Several topics drive pay perceptions universally, but fewer than half of organizations communicate them. Some organizations communicate pay topics that drive little or negative impact.

### Universal Pay Topics with Consistent Impact Across Employee Segments

#### Total Pay

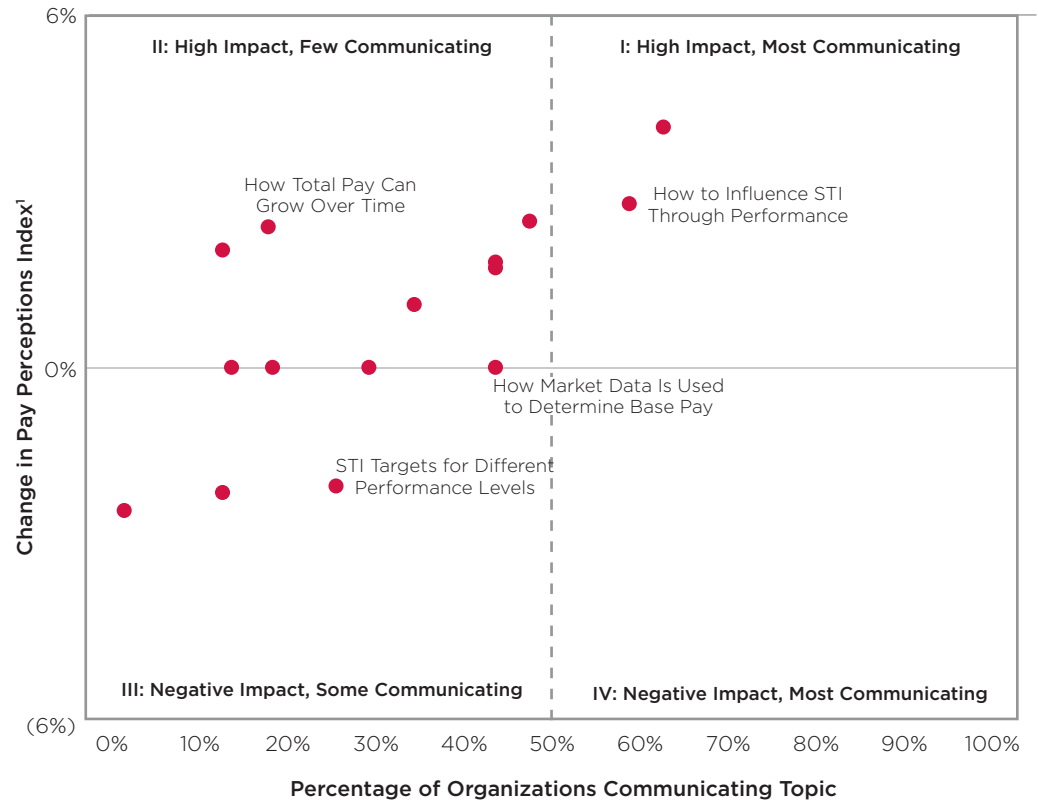
1. The value of an individual's total pay package
2. How total pay compares to market

#### Base Pay

3. How base pay is set
4. How base pay compares to market
5. Range of base pay for current job grade
6. Range of base pay available for next job grade
7. How to influence base pay through performance

#### LTI

8. How LTI compares to market
9. How LTI is allocated to individuals in different positions
10. How LTI components are determined
11. How organizational performance impacts LTI
12. How to influence LTI through performance



<sup>1</sup> The percent change in the Pay Perceptions Index caused by a particular action. The Pay Perceptions Index is a measure of employee pay perceptions that directly influences intent to stay and employee effort.

# From Insight to Action

Effectively Communicate About Pay

## Step I: Design Pay Communications

Optimize content, source, and timing given a specific pay communication objective.

## Step II: Implement Pay Communications

Roll out high-impact pay communications efficiently.

## Step III: Measure the Impact of Pay Communications

Ensure pay communication impact, and modify appropriately.

### Products and Services



Janus Capital Group's Pay Transparency Business Case



Business Case Template for Business Leaders



Pay Communication Diagnostic

### Products and Services



Increasing the Perceived Value of Pay Through Transparent Communications



Sample Peer Communications Library



PayCoach: Line Manager e-Learning

### Products and Services



Compensation Effectiveness Diagnostic



Research and Insights



Advisory Support



Proven Best Practices



Peer Benchmarking



Live and Online Learning Events



Decision and Diagnostic Tools