- Classification and Compensation Talking Points -

- Compensation Philosophy: A statement that is intended to provide a foundation for the design and administration of compensation programs. It defines what you compensate for and why, and should be aligned with the business strategy. It should be written in general terms to provide a lasting basis for future compensation design and administration decisions.

- Compensation Program Objectives: Each organization must prioritize these objectives and decide which are the most important. It is essential to design a program that not only meets the compensation objectives, but also supports the organization’s business strategy.

  - Internally equitable
  -Externally competitive
  -Affordable
  -Understandable
  -Legal / defensible
  -Efficient to administer
  -Capable of being reshaped for the future
  -Appropriate for the organization
  -Attract, retain and motivate employees
  -Create alignment of employee efforts and business objectives
Market-based Pay Structure: The technique of creating a pay structure based on the market competitive salary for benchmark jobs (i.e. jobs readily found in the external market) inside an organization as determined by the relevant labor market.

Market pricing: External salary survey data is analyzed to establish the worth of benchmark jobs.

- Market pricing has become the most common method of valuing jobs, with more than 80% of companies using market pricing as their primary job evaluation method (according to many surveys)*

- Jobs are matched to survey jobs based on descriptions

- The information in external market surveys is broken down into different “scopes”, or cuts of data, such as revenue size, company size, geography, teaching vs. non-teaching hospitals, etc. These scope cuts allow us to get the most specific market data possible, and the scopes used should reflect the target hiring pool as much as possible.

- These surveys have high reliability and confidentiality due to the methods used to collect and analyze the data.

*Source: WorldatWork
Salary Range/Grade Structure: The structure is composed of grade or ranges which group together jobs of similar work. They typically consist of a maximum and minimum value which set the relative top and bottom value the market will bear for assigned jobs. There is also a midpoint of the range which represents the competitive market value for the assigned jobs. These midpoints are established based on the percentile of the market at which the organization chooses to base its pay policy.

Once a market-based pay structure is created, jobs will be placed into a grade based on the market value of a job (i.e. the job will be placed into the pay grade that most closely resembles the market value of the job).

Employees placement in the pay range depends on the following factors:

- Qualifications (relevant education, experience, certifications/licensure)
- Performance (in a pay for performance organization, high performers will accelerate more quickly through the pay range than lower performers)