

Do Market Based Pay Adjustments make Sense During an Economic Downturn?

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Do market based pay adjustments make sense during an economic downturn? This is the question for several of us. Providing us with a better perspective on this as well as some tools were members from PROXUS as well as Main Line Health. PROXUS is a HR Management and Consulting Firm that specializes with compensation and performance management, compliance and management services, and HR staffing. This group also provides HR, Payroll and benefits services. Main Line Health System employs over 10,500 employees in health care positions. Trends that are seen would be that organizations are reacting instead of taking a breath and finding a solution. The audience was shown an illustration of the pay related decision cycle. The cycle had shown us that first we should obtain and assess data, then make the decision, communicate, survive the initial panic, and revisit the compensation strategy. It is very important to retain great talent, be the employees advocate in this economy. Strategically, for any organization the importance resides with having a compensation strategy. Some questions that organizations could ask themselves would be “Do we have the tools in place to recognize and reward our top performers? Do we regularly survey the market to assess the competitive level of our compensation programs? Do we communicate to our employees the value, and their total rewards package?” The presenters also highlighted the unemployment rate in the United States as of September 2009 which was 9.8% and growing. Many organizations are offering part time positions or seasonal positions where they are not obligated to offer benefits to these employees. Unfortunately, many organizations are taking advantage of the unemployed talent that exists by only offering low paying jobs that ordinarily would be compensated very well. The broader U6 unemployment rate is 17% and “this figure includes people who are working part time for economic reasons”. The U6 unemployment rate is used as a tool to configure how severance packages should be

created based on the market. We are also seeing that many organizations are vying for the variable pay programs. The variable pay programs are also referred to as “pay-for –performance”, based on employee achievement. Some non-monetary benefits options would be: time off, wellness programs, employee assistance programs, employee development opportunities, employee retreats. The big take away from this presentation was the fact that each organization should have a compensation strategy and secondly that communication between management and the frontline has to be clear, and that the management line should take time to listen to the employee. If we understand what is important in employees lives than we can better determine how to approach eliminating certain extras in our organization that no one utilizes. Do market based pay adjustments make sense during an economic downturn? The answer may not be the same for everyone, and that is why it is important to evaluate the situation, understand the pulse of the organization, and to have a compensation strategy in order to transition smoothly and efficiently.