

**ΟΙΚΟΝΟΜΙΚΟ
ΠΑΝΕΠΙΣΤΗΜΙΟ
ΑΘΗΝΩΝ**



**ATHENS UNIVERSITY
OF ECONOMICS
AND BUSINESS**



ΔΙΑΤΜΗΜΑΤΙΚΟ
ΜΕΤΑΠΤΥΧΙΑΚΟ

**Διοίκηση
Ανθρώπινου
Δυναμικού**

REWARDS MANAGEMENT

Market Data Analysis & Market Structure

Elements of Rewards

1. Analyzing and describing roles
2. Evaluating roles
3. Analyzing Market data
4. Designing salary structures



Why do we need market data?

- All companies need data to:
 - Attract, motivate, retain and reward employees
 - Control employment costs
- Pay not the only **motivator** but certainly a **demotivator** if it is wrong
 - Establish external competitiveness
 - Reward performance – individual contribution

Why we use market data

- decide on starting rates
- design and modify salary structures
- determine acceptable rates of salary progression in pay structures
- review pay, incentives, bonuses and other forms of performance related pay
- decide on the types and levels of benefits to be provided
- assess the level of increases required to salary levels generally
- identify special cases

What is market

- Industry (Manufacturing, Finance)
- Job function (Accountants, Pharmacist)
- Geography (Key cities, Regions)
- Ownership (Public, Private)
- Org Size (big, medium, small)



Validity and reliability of market data

Timing

Sample frame

Job matching



What Market Position to adopt

- Considering what to pay
 - ▣ Business Plans/HR Strategy
 - ▣ Turnover/Ease of recruitment
 - ▣ Feedback from employees/Industry comparisons
 - ▣ Geographic location

What Market Position to adopt

- Considering the **capacity** to pay
 - Company profitability
 - Social / Political sensitivity
 - Future forecasts
 - Company life cycle

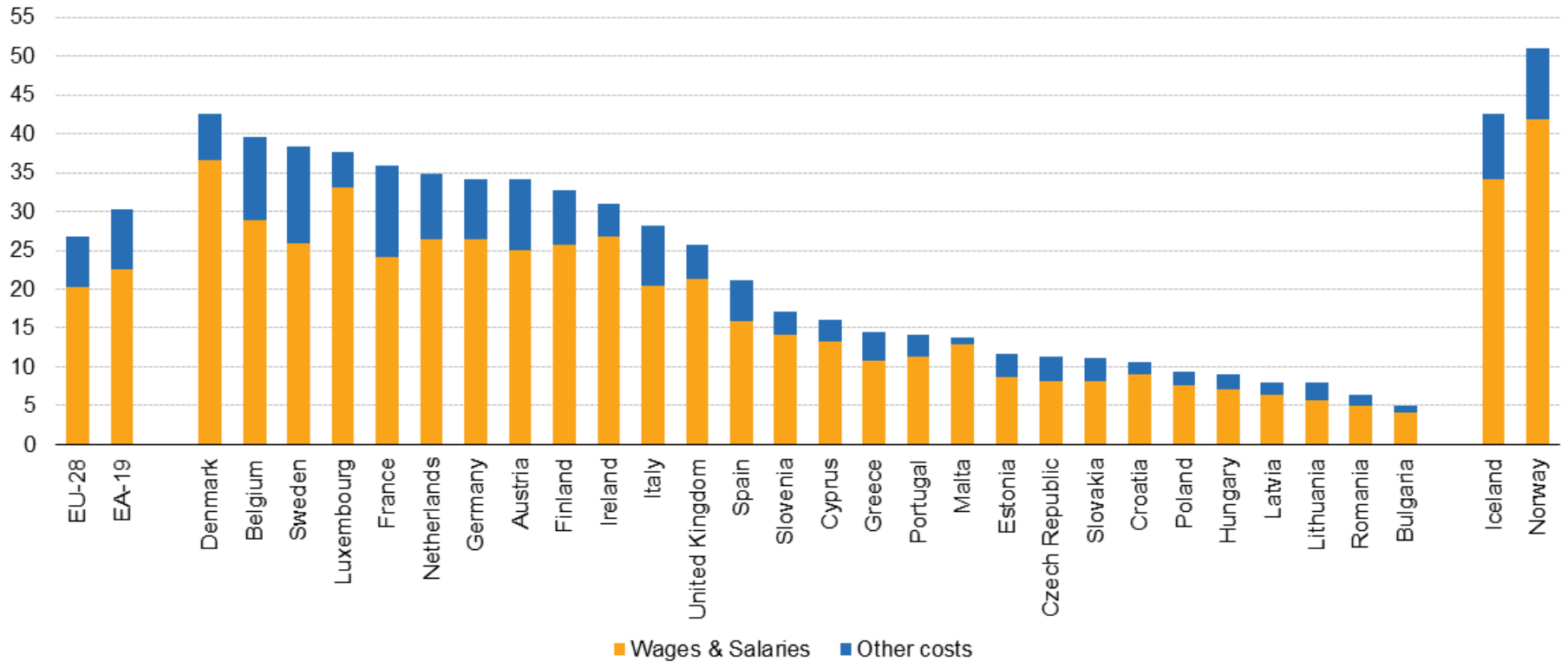
Where to find data

- **Government data**
- **Professional bodies – trade unions**
- **Compensation surveys**
 - Consultant run surveys
 - Company run surveys



Government data

Estimated hourly labour costs, 2017
(EUR)



Note: whole economy (excluding agriculture and public administration); in enterprises with 10 or more employees. Provisional data.

Source: Eurostat (online data code: lc_lci_lev)

Professional bodies



ΚΑΤΩΤΑΤΟΣ ΜΙΣΘΟΣ

Ποιους αφορά τελικά;

Ο ΚΑΤΩΤΑΤΟΣ ΜΙΣΘΟΣ
ΣΤΟΥΣ ΚΛΑΔΟΥΣ



ΕΜΠΟΡΙΟ

43% ή 205 χιλ. θέσεις

των θέσεων εργασίας είναι μερικής απασχόλησης (149 χιλ.), ή πλήρους απασχόλησης που αμείβονται με κατώτατο μισθό (56 χιλ.)



ΕΣΤΙΑΣΗ

88% ή 186 χιλ. θέσεις

των θέσεων εργασίας είναι μερικής απασχόλησης (170 χιλ.), ή πλήρους απασχόλησης που αμείβονται με κατώτατο μισθό (16 χιλ.)

Professional bodies

Ο ΜΕΣΟΣ ΜΙΣΘΟΣ ΣΤΟΥΣ ΚΛΑΔΟΥΣ



ΜΕΤΑΠΟΙΗΣΗ

+13% ή **+€129**

υπερβαίνει ο μέσος μισθός στη μεταποίηση (€1.111) τον μέσο μισθό της οικονομίας (€982)



ΕΜΠΟΡΙΟ & ΚΑΤΑΛΥΜΑΤΑ

-8% ή **-€81 και -€71 αντίστοιχα**

υστερεί ο μέσος μισθός στο εμπόριο (€901) και τα καταλύματα (€911) από τον μέσο μισθό της οικονομίας



ΕΣΤΙΑΣΗ

-62% ή **-€615**

υστερεί ο μέσος μισθός στην εστίαση (€367) από τον μέσο μισθό της οικονομίας



ΔΗΜΟΣΙΟ

+53% ή **+€520**

υπερβαίνει ο μέσος μισθός στις θέσεις Δημοσίου που καταγράφει το ΕΡΓΑΝΗ, τον μέσο μισθό της οικονομίας

Professional bodies

ΜΕΣΟΣ & ΚΑΤΩΤΑΤΟΣ ΜΙΣΘΟΣ ΣΤΑ ΜΕΓΕΘΗ ΕΠΙΧΕΙΡΗΣΕΩΝ



ΠΟΛΥ ΜΙΚΡΕΣ

63,5% ή 367 χιλ. θέσεις

των θέσεων εργασίας στις πολύ μικρές επιχειρήσεις (έως 10 ασφαλισμένοι) είναι μερικής απασχόλησης (292 χιλ.), ή πλήρους απασχόλησης που αμείβονται με κατώτατο μισθό (75 χιλ.)



ΜΙΚΡΕΣ

48,1% ή 236 χιλ. θέσεις

των θέσεων εργασίας στις μικρές επιχειρήσεις (11 έως 50 ασφαλισμένοι) είναι μερικής (185 χιλ.), ή πλήρους απασχόλησης που αμείβονται με κατώτατο μισθό (51 χιλ.)



ΜΕΓΑΛΕΣ

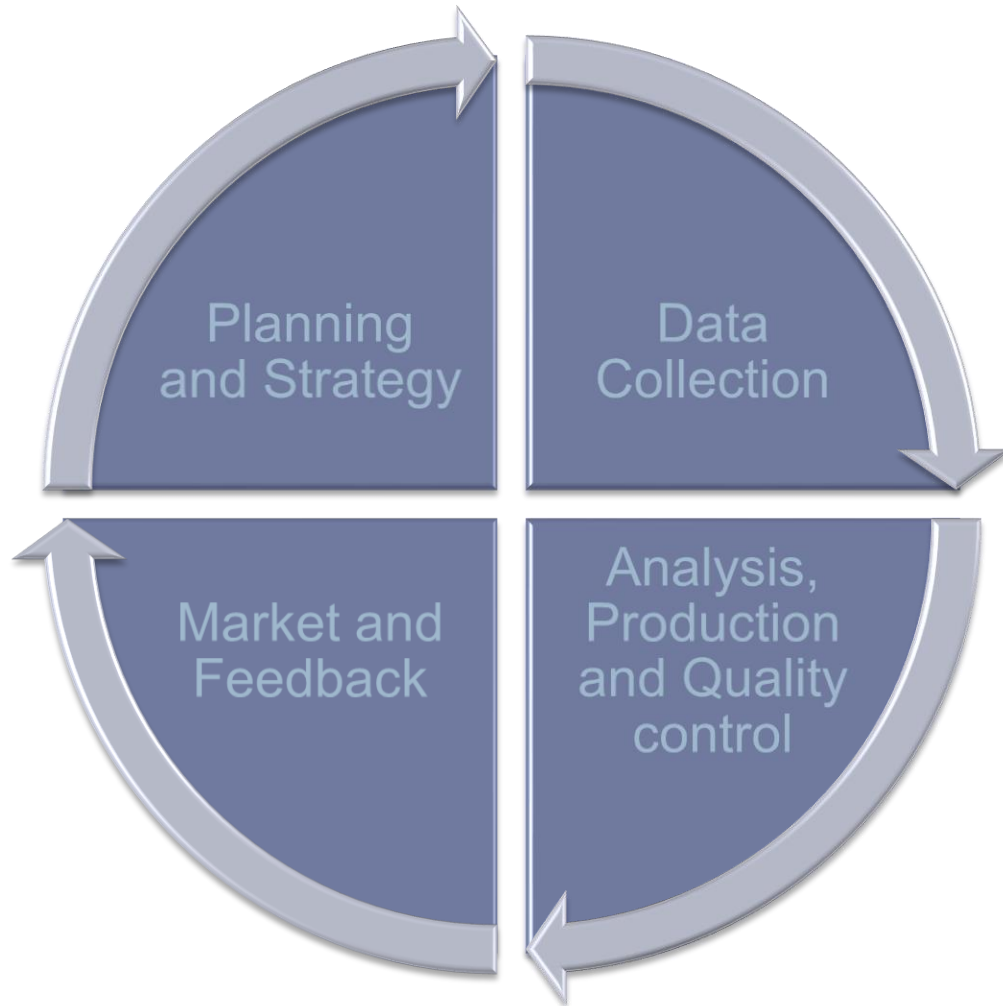
+100% ή +€635

Ο μέσος μισθός (€1.346) στις μεγάλες επιχειρήσεις (259+ ασφαλισμένοι) είναι σχεδόν διπλάσιος από ό,τι στις πολύ μικρές επιχειρήσεις (€711)

Compensation surveys

- **General Industry Compensation Survey**
 - Covers full range of industries, generally with high level of FMCG, Sales and Marketing, Manufacturing
- **Club Survey**
 - “Club Survey” concept (data is only accessible to participants), up-to-date, “live” and easy accessible information
- **Bespoke Survey**
 - Tailored to the specific needs of YOUR organisation, allowing you to set the parameters and specify which roles and data elements are surveyed

Salary Survey Cycle



Procedure

- ❑ Goal Setting
- ❑ Preparation
- ❑ Job Matching, Points
- ❑ Questionnaires (data collection)
- ❑ Outputs, Policies and Practices (which jobs to include, analysis and presentation)
- ❑ Confidentiality
- ❑ Sales
- ❑ Client Satisfaction Survey

Some terminology



- **Base pay**: is the initial rate of compensation an employee receives in exchange for services.
- **Contingent pay**: relates financial rewards to the individual performance and contribution (variable pay, merit increase, overtime)
- **Target V.B.**: the target if someone reaches the 100% of the set target
- **Actual V.B. (non discretionary)**: the paid part of the target (target may be higher, equal or lower to the actual → over, at and under the target)
- **Fixed bonus (discretionary)**: an amount given once a year, flat fee and not depending on your performance (usually with the Base pay)
- **Short term incentives** (1 year, immediate return, P.M., all employees, cash) → sales incentive plans, profit sharing, Bonus plan based on P.M.,

Some terminology



- **Long term incentives** (long term motivation, limited to executives, retain, sense of ownership): Shares schemes, deferred cash (and lump sum), pension schemes.
 - ✓ **Stock options:** the right to buy stock at a future time, at a price determined at the time the option is granted
 - ✓ **Stock granting:** give some stocks based on performance where can get the dividends but cannot sell it until some restrictions are met (usually time).
 - ✓ **Stock purchasing:** usually at a discount
 - ✓ **Free stocks**
 - ✓ **Deferred cash:** Part of cash compensation is withheld for payment after one, two or three years.
 - ✓ **Pension schemes**

Some terminology



Some terminology

- **Benefits:** usually not cash but can be translated to cash indirectly.
 - Company cars
 - Gas allowance (gas, petrol, for company usage or not, fuel card etc)
 - Credit card
 - Meal allowance
 - Ticket restaurant and compliments
 - Mobile phone (device and voice packages)
 - Data schemes
 - Life and medical insurance
 - Financial assistance: loans, house purchase schemes, discount on company services



Some terminology

- Personal needs: holidays, child care, recreation facilities, career breaks, tuition reimbursement, extra sick leaves, gym membership (in house or paid fee)
- Free meals, juices, coffee, family events, holiday presents, foreign languages, subscription fees
- Flex schedules, work from home
- Failure rewards



Contents

- Compensation policy
- Incentive schemes (short and long term)
- Employee benefits
- Market data per position
 - Annual base salary
 - Annual target variable bonus
 - Annual actual variable bonus
 - Total compensation
 - Benefits provisioning

Sample positions

| FINANCE MANAGER | Position | FIN 2 |
|--|----------|--|
| Duties: · Formulates, recommends and ensures the implementation of company's financial policy. · Provides overall direction for budgeting, reporting, accounting, tax and credit functions. · Liaises with banks and other sources of capital financing. | | Specifications: · University degree often at postgraduate level and extensive professional training. · Usually 10-14 years of experience, 6 of which at supervisory level. · Very good knowledge of English. |
| Typically reports to: General Manager/Managing Director or Finance & Administration Director and usually supervises 3-5 Supervisors and their staff (8-16). | | Alternative Title(s): |
| Companies included : I24, I25, I28, I30, I39, I40, I45, I7 | | |
| Total Companies: 8 | | |
| Total Incumbents: 8 | | |

| 2014 KPMG Compensation Survey Data | Incumbents | | Base Salary (including Fixed Bonus) (in €) | | | | | | | Target Variable Bonus (in €) | | | Actual Variable Bonus (Cash & Grant & Stock Opt.) (in €) | | | Total Compensation (including Base Salary, Fixed & Variable Bonus) (in €) | | | | | | Benefits (rate of provision) | | | | Company Cars | | | | | |
|------------------------------------|------------|-------------|---|--------|--------|--------|--------|------|--------|---------------------------------|-------------|--------|--|---------|------|---|--------|--------|--------|------|---------------|---------------------------------|-------------|-------------|--------------|--------------|---------|---------------------------|---------|-------|--|
| | No. | % of sample | D9 | Q3 | Avg | Med | Q1 | D1 | Avg | Med | Reported by | Avg | Med | Paid by | D9 | Q3 | Avg | Med | Q1 | D1 | Stock Options | Pension Plan | Credit Card | Company Car | Car Capacity | | | Monthly Lease (incl. VAT) | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | <=1400 | 1400-1800 | >1800 | Minimum | Average | Maximum | | |
| All Companies | 8 | 100% | n.a. | 91 406 | 83 496 | 83 227 | 76 650 | n.a. | 13 415 | n.a. | 50% | 10 070 | 10 111 | 75% | n.a. | 104 562 | 91 049 | 86 487 | 81 070 | n.a. | 0% | 50% | 50% | 75% | 33% | 67% | 0% | 420 | 628 | 1 000 | |
| Job Match | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less | 2 | 25% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Equal | 5 | 63% | n.a. | n.a. | 84 920 | 86 374 | n.a. | n.a. | n.a. | n.a. | n.a. | 10 005 | n.a. | 80% | n.a. | n.a. | 92 924 | 86 599 | n.a. | n.a. | 0% | 60% | 40% | 80% | 50% | 50% | 0% | 420 | 505 | 550 | |
| Greater | 1 | 13% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Turnover | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Up to 13 mil € | 0 | 0% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| 13,1 to 30 mil € | 2 | 25% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Over 30 mil € | 6 | 75% | n.a. | n.a. | 85 780 | 83 227 | n.a. | n.a. | 14 005 | n.a. | 50% | 8 505 | n.a. | 67% | n.a. | n.a. | 91 450 | 86 487 | n.a. | n.a. | 0% | 67% | 50% | 67% | 50% | 50% | 0% | 545 | 698 | 1 000 | |
| Employees | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Up to 50 | 1 | 13% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| 51 to 100 | 1 | 13% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Over 100 | 6 | 75% | n.a. | n.a. | 85 780 | 83 227 | n.a. | n.a. | 14 005 | n.a. | 50% | 8 505 | n.a. | 67% | n.a. | n.a. | 91 450 | 86 487 | n.a. | n.a. | 0% | 67% | 50% | 67% | 50% | 50% | 0% | 545 | 698 | 1 000 | |
| Industry | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Life | 2 | 25% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Non Life | 2 | 25% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Life & Non Life | 4 | 50% | n.a. | n.a. | 84 744 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 7 800 | n.a. | 75% | n.a. | n.a. | 90 593 | n.a. | n.a. | n.a. | 0% | 75% | 50% | 75% | 67% | 33% | 0% | 545 | 772 | 1 000 | |
| Ownership | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Greek | 3 | 38% | n.a. | n.a. | 85 485 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 90 151 | n.a. | n.a. | n.a. | 0% | 33% | 0% | 67% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Foreign/Joint | 4 | 50% | n.a. | n.a. | 78 972 | n.a. | n.a. | n.a. | 12 548 | n.a. | 75% | 8 950 | n.a. | 100% | n.a. | n.a. | 87 922 | n.a. | n.a. | n.a. | 0% | 50% | 75% | 75% | 33% | 67% | 0% | 627 | 814 | 1 000 | |

How to Use Market Data

- Criteria for determining an individual employee's compensation
 - ▣ Employee performance and contribution
 - ▣ External market data from competitive salary surveys
 - ▣ Internal data for comparable positions
 - ▣ Available budget for compensation based upon organization success and marketplace practices
- Typically, 80%-120% of the market median is considered a competitive range of pay for individuals to be paid

How to Use Market Data

Below Market Median

<80%

Learning or new to the job; expectation that employees would be paid within this range for the first few years of occupying the position

Market Median

90% to 110%

Fully competent level; expectation that all professionals would reach this level after a certain number of years with proper training and experience

Above Market Median

>120%

Sustained high performance over time; expectation that employees paid within this range would set the example by teaching and mentoring their skills to others

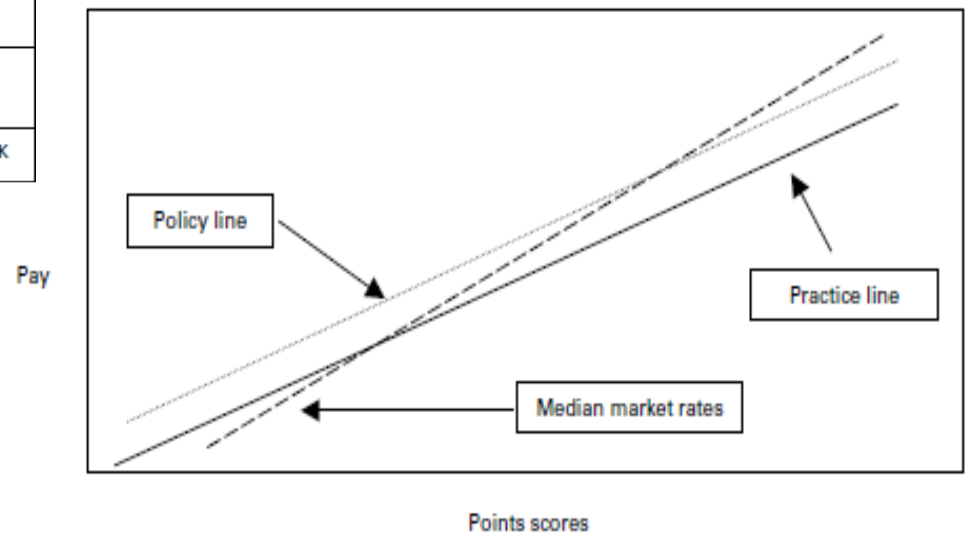
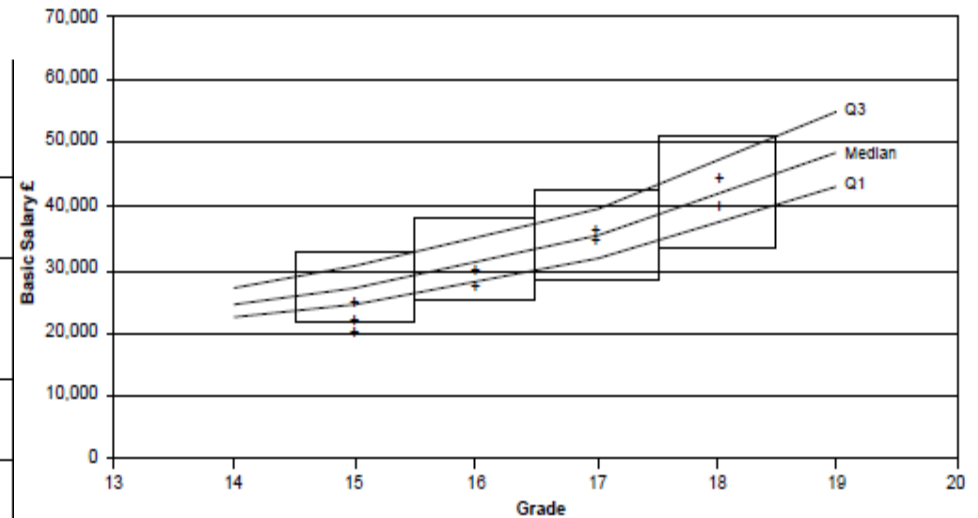
Individuals' pay should be targeted on this continuum according to their performance and contribution

How to Use Market Data

| Issue | Questions | Action |
|---|--|--|
| <ul style="list-style-type: none"> • Employees paid significantly above market | <ul style="list-style-type: none"> • Are they an expert? • Are they consistently a high performer? • Are they doing the survey job they were matched to? • Is the scope of their job consistent with other incumbents? | <ul style="list-style-type: none"> • Revisit performance and market data in 1-2 years • Allow the market to “catch up” to employee’s pay |
| <ul style="list-style-type: none"> • Employees paid significantly below market | <ul style="list-style-type: none"> • Are they new to the job? • Are they still learning? • Are they doing the survey job they were matched to? • Is the scope of their job consistent with other incumbents? • Does their performance and contribution warrant a salary increase? | <ul style="list-style-type: none"> • Increases should be done gradually • Revisit performance and market data in six months |

How to Use Market Data

| | | | | | | | |
|---------------------|-------------|----------------------------------|-----|-----|-----|-----|-----|
| Marketing Director | Survey data | [Bar chart showing distribution] | | | | | |
| | Actual pay | X | | | | | |
| UK Sales Director | Survey data | [Bar chart showing distribution] | | | | | |
| | Actual pay | X | | | | | |
| Marketing Executive | Survey data | [Bar chart showing distribution] | | | | | |
| | Actual pay | XXX | | | | | |
| Annual pay | | 35K | 40K | 50K | 55K | 60K | 65K |



Survey statistics

| | |
|--------------------------|---|
| Arithmetic mean | The sum of the observations (eg salary data) divided by the number of observations |
| Weighted average | Observations weighted by the number of job holders in each company |
| Median | The middle value of a set of observations which have been ranked in order of size |
| Mode | The number in a set of observations which occurs most frequently |
| Lower quartile | The value below which 25% of the observations fall as arranged in rank order |
| Upper quartile | The value below which 75% of the observations fall as arranged in rank order |
| Lower decile | The value below which 10% of the observations fall as arranged in rank order |
| Upper decile | The value below which 90% of the observations fall as arranged in rank order |
| Correlation | Measures the strength of the relationship between two (or more) variables |
| Simple regression | Having established a relationship between two variables (X and Y), simple regression is a tool which can be used to predict the unknown value of a variable (Y) given the value of a known variable (X) |
| Comparatio | Identifies where Company is positioned in the chosen market Comparatio of 1.00 (at market) > 1.00 (above Market) < 1.00 (Below Market) |

Survey statistics

Company

JHs

| | | |
|----------|---------------|-----------|
| A | 9,000 | 1 |
| B | 10,000 | 1 |
| C | 10,000 | 1 |
| D | 10,200 | 1 |
| E | 10,500 | 1 |
| F | 10,700 | 1 |
| G | 12,000 | 10 |

Average = $\frac{10\ 342}{}$

Median = $\frac{10\ 200}{}$

Mode = $\frac{10\ 000}{}$

Weighted average = $\frac{11\ 275}{}$

Lower quartile (Q1) = $\frac{10\ 000}{}$

Upper quartile (Q3) = $\frac{10\ 600}{}$

**Compa-ratio (Median)
for company F** = $\frac{105}{} \%$

Benchmarking

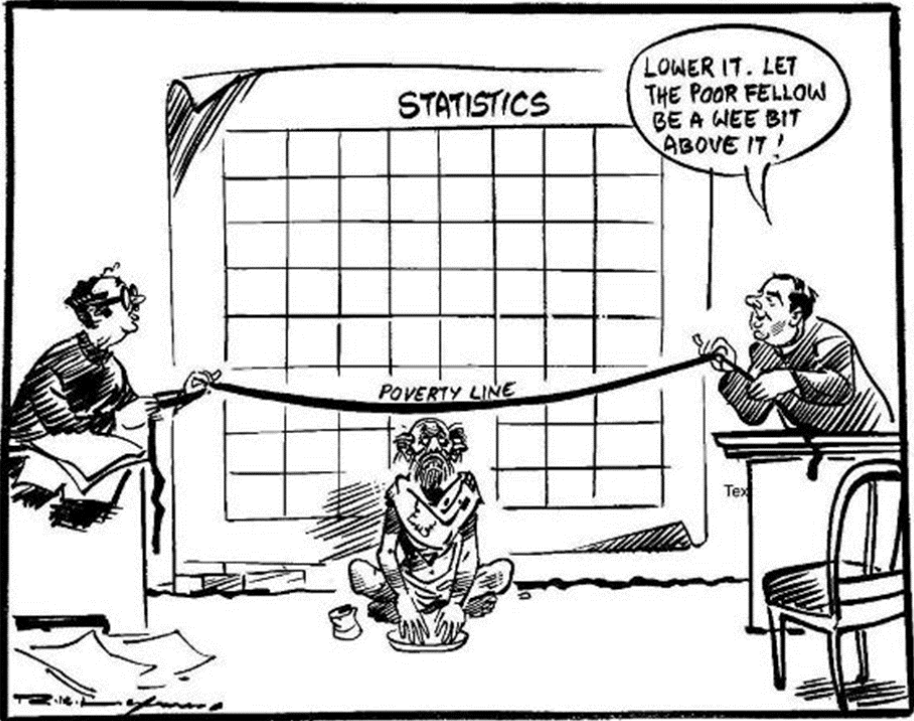
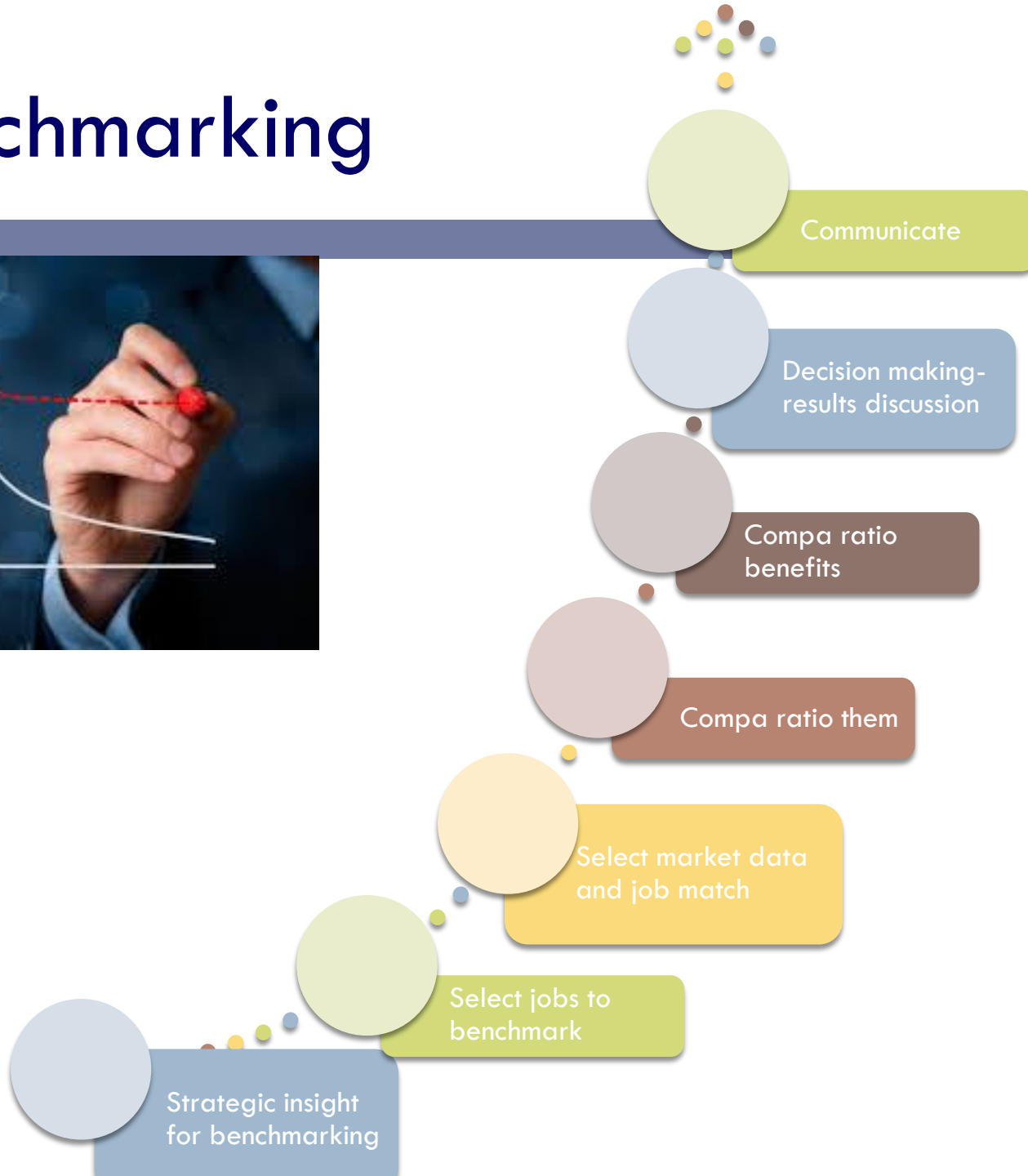
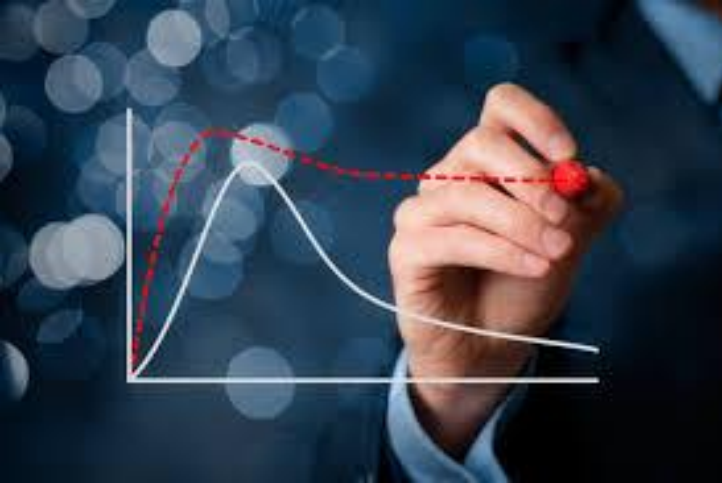


Image Courtesy: The Times of India

Benchmarking



Benchmarking

Strategic insight for benchmarking

- Market development
- Recruitment
- Restructuring
- New business
- Downsizing
- Reward management
- Re evaluation
- Performance appraisal



Benchmarking

Select jobs to benchmark

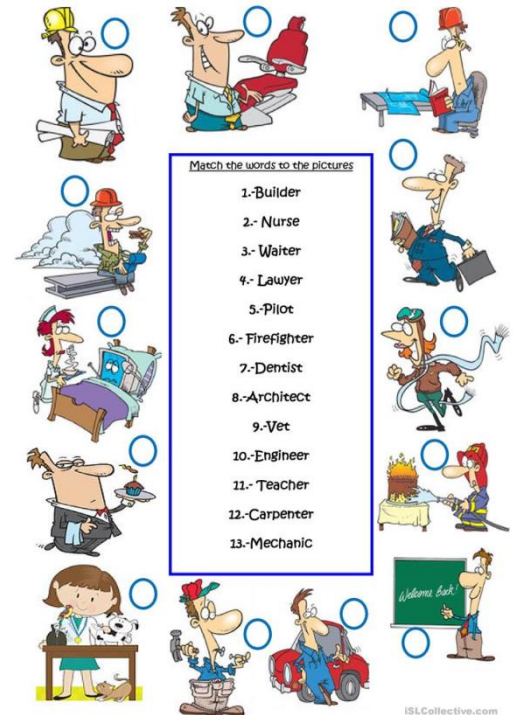
- Which jobs to benchmark?
- Organizational chart
- Job descriptions
- Job evaluations
- Existing grades



Benchmarking

Select market data and job match

- ❑ Select a Salary survey depending on the first step
- ❑ Select elements to compare
- ❑ Select demographics to compare
- ❑ Do a proper job matching
- ❑ Have an alternative job matching



Benchmarking

Compa ratio them

Compa ratio benefits



Compa-ratio comparison

| Employee | Title | Base Pay | Range | |
|----------|----------------|----------|-----------|-------------|
| | | | Mid-point | Compa-ratio |
| Micky | Dishwasher | \$25,000 | \$30,000 | 83.33% |
| Betty | Kitchen Helper | \$29,560 | \$32,000 | 92.38% |
| Huey | Server | \$32,650 | \$33,000 | 98.94% |
| Donald | Server | \$32,125 | \$33,000 | 97.35% |
| Dewey | Server | \$31,950 | \$33,000 | 96.82% |
| Wilma | Hostess | \$35,100 | \$34,000 | 103.24% |
| Louie | Bartender | \$33,200 | \$34,000 | 97.65% |
| Barney | Grill Cook | \$34,725 | \$35,000 | 99.21% |
| Minnie | Baker | \$34,100 | \$36,000 | 94.72% |
| Fred | Sous Chef | \$34,800 | \$36,000 | 96.67% |
| Daisy | Chef | \$39,750 | \$38,000 | 104.61% |

Compa-Ratio:

A quick number to identify employee's pay relative to the midpoint of the range. Calculated by:

$$= \text{Employee Pay} / \text{Midpoint}$$

Compa-Ratio < 1.0

EE Pay is below proficiency point

Compa-Ratio = 1.0

EE Pay is at the proficiency point

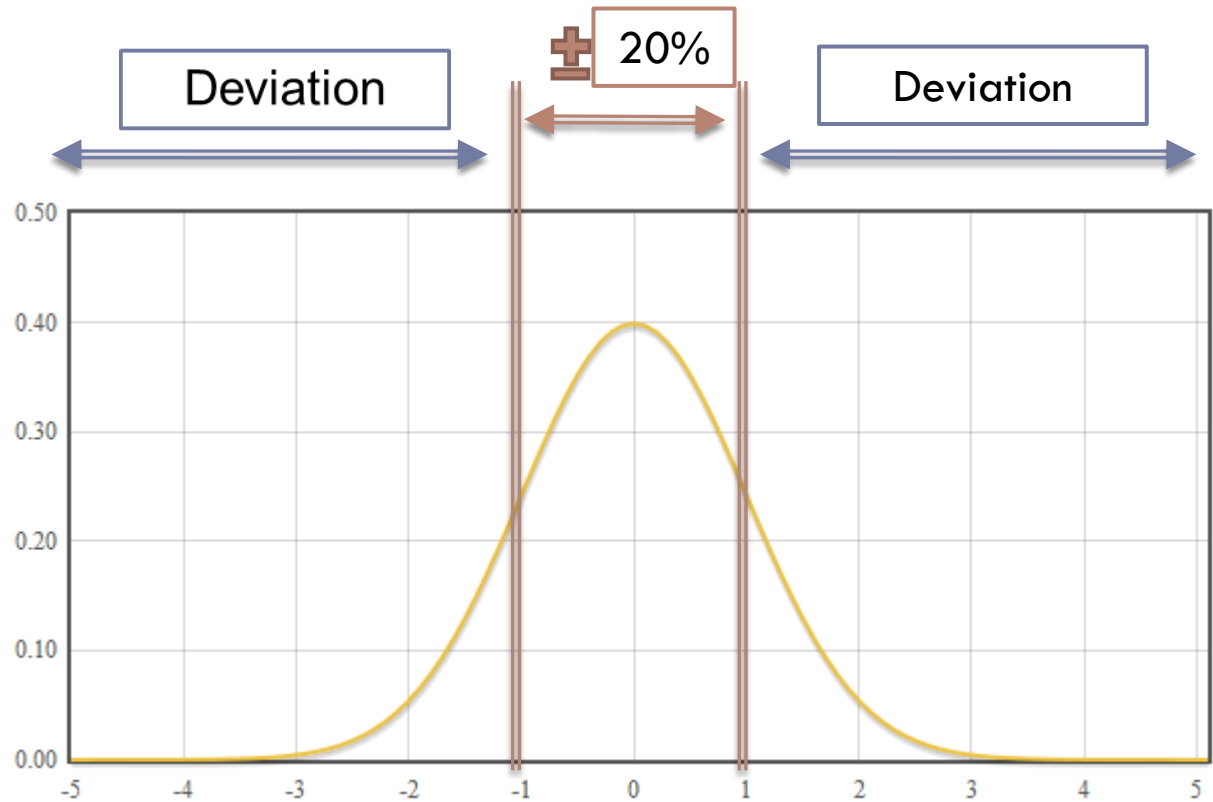
Compa-Ratio > 1.0

EE Pay is above the proficiency point

Benchmarking

Decision making-
results discussion

- Exceed the market → overpaid
- Below market → underpaid
- Eligible or not for benefits
- Decision making: upgrade, downgrade, freeze or keep stable
- Not easy to cut salaries
- Re evaluate
- Re grade



Benchmarking

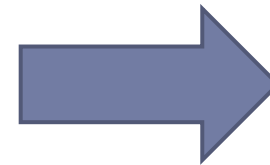
Compa ratio them

Compa ratio
benefits

Example Compensation (underpaid Accountant):

Market value (median) for Equal
evaluation-Total compensation= 32 090 €

Actual total compensation= 27 450 €



85,54%*

* Below the -10% of the median → underpaid/ Need to reevaluate the role
or should be matched to a Less grade.

Benchmarking

Compa ratio them

Compa ratio
benefits

Example Car Benefits (Operations Sales Manager):

Market eligibility for car = yes value

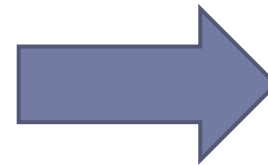
Market average cc = 1600 cc

Market average gas remuneration =
385 €/ per month

Actual eligibility = yes value

Actual cc = 1200 cc

Actual gas remuneration = 150 € /
per month



GAP

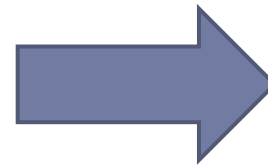
Benchmarking

Compa ratio them

Compa ratio
benefits

Example Car Benefits (Operations Sales Manager):

- ✓ Check the matching (maybe a smaller company with small sales volumes)
- ✓ Check your strategy (below the market)
- ✓ Check if this is an exception
- ✓ Check the role breadth
- ✓ Check the actual needs



**DECIDE WHAT
TO DO**

Benchmarking

Communicate

- Report it
- Suggest further actions
- Identify ways to channel proper actions depending on many factors (e.g. significance for the company, i.e. “hot role”)
- Avoid reducing salaries
- Find alternatives
- Consider SWOT and strategy behind benchmarking



Questions??????



- References:

1. Armstrong, M. & Cummins, A. (2011) The Reward Management Toolkit: A Step-by-Step Guide to Designing and Delivering Pay and Benefits. Kogan Page, London.
 2. Armstrong, M. & Murlis, H. (2007). Reward Management: A Handbook of Remuneration Strategy and Practice. Kogan Page, London
 3. Brown, D (2001) Reward Strategies; From intent to impact, CIPD, London.
 4. Heneman, R. L. (2007). Implementing Total Rewards Strategies, SHRM
- Insurance Ltd (our case study)