

Competitive Pay Considerations



What makes a competitive salary is different for everyone, according to how they perceive their individual worth in relation to the external market and internal influences. Personal opinion plays a large part in an employee's perception of what's fair. Find out more about how employees determine competitive pay and what it means to them.

The role of job satisfaction in competitive pay

Most studies conclude that the main driver of opinion on pay and rewards is job satisfaction. Straightforward pay counts for a lot, but things like the relationship of the individual to the organisation, formally or informally, influence an employee's perception of competitiveness.

When employees feel that an organisation provides excellent career progression opportunities, good holidays or a comprehensive benefits package, they may consider a lower salary worthwhile for the extras they receive. Similarly, when a company is committed to a good cause, such as in the not-for-profit sector, an employee's perception of competitive pay

may be quite different than if they worked for an organisation that doesn't align with their values.

These types of decisions and perceptions vary according to the stage of life and career that the employee is at. Money may be the main driver at one stage, while the potential for progression, stability or making a difference may be more important at other times.

Workers with high job satisfaction may value that more than a competitive salary. When it comes to competitive pay, working for the right company in terms of culture and philosophy could be more important than salary.

How employees determine competitive pay

Employees may not be using the same sophisticated tools that a company does, but they're still weighing up external, internal and personal influences to arrive at a level of compensation that they feel is fair.

CURRENT POSITION - Most people will look to some extent at their current position and the salary attached. In most cases, they'll be looking to step up a pay grade or move up the career ladder. For them, competitive pay might be an increase in compensation, or the right job title.

COMPANY STATUS - In a well-known or highly regarded organisation, what an employee considers competitive remuneration might be less than if they were applying for work with an unknown company. The opportunity to cite a particular organisation on their CV could outweigh financial reward.

JOB SATISFACTION - Especially common in not-for-profit organisations, employees may feel that the satisfaction they have at the end of a day's work, or the tangible contribution they make to society as a whole, outweighs any compensation package offered elsewhere.

PAY STRUCTURE - The possibility of earning incentives, rewards or bonuses as part of a formal pay philosophy influences employees according to their personal motivations and ambitions. When business is good, they stand to earn considerably more than their base salary. However, whether they're content to accept their straight pay when times are hard depends on their personal situation.

CAREER PROSPECTS - What a company offers in terms of prospects and how easy it is to achieve a promotion and move up the ladder influences job worth more than salary for some employees.

INTERNAL EQUITY - An individual's opinion of their pay may be largely determined by what colleagues at a similar level receive. Even where the external market rate is not met, if employees are on the same pay as their colleagues, they may see it as fair within the organisation.

Approaching competitive pay as an organisation

For human resources teams to arrive at a competitive salary structure, they'll have to analyse and understand what works within their company. It often starts with the external market rate, but could also include:

- Indicators from current employees.
- Industry surveys and reports.
- Opinions of recruiters they work with.
- Information they receive directly from candidates.

For some companies, being competitive is about paying at or above the market rate, while for others it's about each individual role. A type of role or job location might determine remuneration as much as the external market rate, or a company may prefer that it's their culture and reputation that really attracts good workers, not their compensation package.

Part of the decision is also about how the company wants to control its fixed salary costs, and whether they want to commit to across the board increases, bonuses or performance-related pay. For many people, performance-related pay is a fair way of rewarding employees when an organisation is going well. However, it also means that a company isn't committed to a fixed increase when business isn't going so well, and so can manage their fixed costs more flexibly.

At Strategic Pay, our bread and butter is helping companies develop their pay structures, incentive and reward strategies as well as providing detailed industry market surveys.

Contact our **experts** today to find out how your organisation can be more competitive.

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