

“Compensation & Classification: The Shift towards Automation”
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Have you ever met someone that truly enjoys change? Do you know someone that gets excited when they find out that they have to start completing a task they have been performing for years a new way? Not many people do. Moving is hard, it is different; you have to start all over, meet new people, find your way around a new place. Beginning a new job is hard; you have to learn a new organization, adapt to new policies and procedures and work your way up the ladder. Due to the challenges that are involved in any type of change, I believe that most assume that change is going to be bad and often times, because of this, many are resistant to the “bad” and what is going to be difficult. However, change can be a great experience. You can find new ways to do things faster. You can use new tools that make your life easier. For example, shifting from paper-based, tedious processes to automated systems can be a great change, and in today’s times, it is absolutely necessary in order to keep up with your competition.

Automated compensation management systems, in the past, have been considered an unnecessary expense. If times were good and a company was way ahead of the curve, they might have implemented some type of program. That represents a small percentage considering all of the organizations today that still use market salary data alone, decide pay levels based on guesswork and manage their entire compensation system with excel spreadsheets. Why is that a problem you may ask? I offer you the following six reasons to consider automating compensation and classification and having a formalized structure and program.

Top mistakes made by organizations in compensation management:

1. Inconsistent pay levels – Allowing upper management to determine pay based on biased factors, whether those decisions are consciously being made or not, potential law suits.
2. Lack of structure – Accepting a compensation structure that is already in place when you start even though it has been changed and modified without consistency.
3. Reactive vs. Proactive compensation – Willing to let employees and managers drive compensation decisions and changes, creating greater potential for salary creep.
4. Using market data alone – This information can be incomplete if you do not collect enough data. Also, without an internal rating system, how do you know what to pay someone when market salary data is unavailable for that position?
5. Making excuses to not address pay inequities or unfair pay practices – Organizations feel that they have less accountability if they do not know there is a problem. Try explaining that to the OFCCP or the EEOC when they come in to conduct an audit.
6. Allowing pay structures to become old and outdated – Not investing in your employees is negatively impacting your greatest, most expensive asset. If you want to retain your employees and make them want to work hard for you, let them know that you are investing in them and ensuring an objective and fair work environment.

Organizations, especially Federal Contractors, are being scrutinized more than ever for their hiring and pay practices. Ironically, there are so many tools available that provide assistance with application of best practices for managing compensation. Law suits and monetary remedies are sky rocketing and breaking records every year due to the mistakes mentioned above. Companies pay out millions due to class action suits. Is it worth it? Moving is not easy; beginning a new job is not easy. In almost every case though, after the difficulty of the change is over, it was worth every struggle that was faced to have the benefits that it provides.