BASE PAY PROCESS STEP OVERVIEW

Refer to the steps on the Base Pay Project Process Overview marketing collateral piece and the Base Pay Plan Checklist.

Step 1 – Understand a client's needs, project scope and overall costs: The first step in conducting a Base Pay project is to understand the client's needs, project scope and costs associated with performing the work. *Refer to document titled "How to Determine Cost".*

1. Schedule a telephone call or meet in person with the prospective client to gain an understanding of the company and to determine their overall needs and scope of the project.
    a. How many employees will be in the project?
        i. Does the company have employees located in different cities and states? If yes, how many cities / states and are the employees included in the scope of project?
    b. What are the total number of distinct roles to be externally market benchmarked?
        i. Each level of a job is considered as a different role to be benchmarked. For example, an Accountant I, Accountant I, Accountant II, and Accountant III are considered as three distinct jobs. Each of these roles will have different job matches resulting in different benchmarking results.
        ii. Depending upon the scope of the project, benchmarking Director and Executive level positions only and the number of roles may impact the costs to benchmark the roles.
    c. Does the client have any specific salary surveys they want to be used in the benchmarking process?
        i. Using a client specific salary survey or surveys impact the overall costs of conducting the actual benchmarking and should be factored in when preparing the client proposal *(see Step 2).*
    d. What is the potential client's industry, i.e., financial services, healthcare, nonprofit, etc.?
    e. What are the company's annual revenues, assets, and/or budget?
    f. Does the organization have a current compensation structure / program?
        i. If so, when was it designed and last updated?
    g. What are the growth plans for the organization over the next few years in terms of number of employees and financial metrics?
        i. Will they grow modestly or double in size?
    h. Inquire as to whether the organization has current organizational charts. Organizational charts aid in understanding the relationship of the various roles included in the project.

> i. Lastly, what is desired timeline the client desires to have the work completed? Is the timeline flexible?

Step 2 – Prepare the proposal: Upon gaining understanding of the client's needs, prepare the engagement proposal. The proposal is often called "Scope of Work" or "Scope of Engagement" by some consulting organizations.

1. Determine the project's cost by using the instructions on "How to Determine Cost" template.
2. Once the costs have been determined, use the "Sample Base Pay Proposal Letter template" and send the client the proposal.   The proposal should be sent as a PDF file.
   a. A PDF copy of the Base Pay Process Overview marketing collateral document should accompany the proposal.
   b. Follow-up in a few days to answer any questions on the proposal and try to secure a signed copy returned electronically. If the prospect does not commit right away, follow up approximately once a week until accepted or rejected.
3. Upon receiving the signed proposal, send email #1 "Welcome". *Refer to email templates)*

Step 3 – Develop a project plan: A detailed project plan outlines each phase or step of the project, who is responsible for conducting the work and the start and completed by dates for each activity to be completed. Use the sample "Base Pay Project Plan template" as a guide for developing the project plan.

1. Once the project plan has been completed, schedule a kick-off meeting with the client and send the project plan in a pdf format. While an in-person kick-off meeting is preferred, depending upon travel and other mitigating factors, it can be conducted via teleconference and/or zoom. An in-person meeting allows the client to have a face with a name!

Step 4 – Gather client resources: During the kick-off meeting, discuss the items the client is to provide that are listed in Phase I of the Project Plan. *(While paper copies are acceptable, it is recommended that the client resources be provided electronically).*

1. Organizational charts
2. Job Descriptions (See Step 5)
3. Client specific salary survey
4. Any other information the client deems helpful in understanding the company.

Step 5 – Position / Job Information: A solid Job Description or completed Job Analysis Questionnaire (often referred to as JAQ) is needed to benchmark a job. *See*

"Job Analysis Questionnaire template". When benchmarking several jobs, it is best to have the client send the job descriptions or completed JAQs by department.

1. The job description should contain detailed information about the job, department, reporting relationships, supervisory responsibilities, level of education, years of experience and any certification(s) required for the job.
2. The job's qualifications are important in conducting the market benchmarking for a given role.
3. Only **one** job description and/or JAQ should be provided per job being benchmarked.
4. If the client uses a JAQ, stress the importance of having the client review each JAQ for accuracy. Often clients do not review JAQs prior to being sent which result in inaccurate details and/or omissions about the job, such as supervisory responsibilities, level of education, certifications, and years of experience required to successfully perform the job.
   a. It is highly recommended that the JAQ be completed by managers rather than the employee(s) in the actual role(s).
   b. If the client has multiple incumbents in the role and if said employees each complete the JAQ, inform the client they will need to consolidate all the JAQs for a particular role into one JAQ and/or submit the best written JAQ as the role to be benchmarked.

Step 6 – Market Data Guidelines: Market data guidelines provide the roadmap or market data scopes for benchmarking the various roles of the project. When the project is to begin, schedule a teleconference to discuss the market data scopes and compensation guidelines. Based on previous information obtained, some of information may enable the guidelines to be started prior to the actual teleconference. *Refer to the "Market Data Guidelines template".*

1. The market data guidelines / market data scopes include the following listed below.
   a. The organization's total number of employees.
      i. This is the total number of employees in the US organization, not total employees for a given department.
   b. Industry such as Government, Nonprofit, Financial Services, Healthcare, etc. for use with the CompAnalyst database.
   c. SIC or NAICS code for use with the Economic Research Institute (ERI) database.
   d. SIC code is a 4-digit code; NAICS is a 6-digit code.
      i. The client's Finance department is a good resource for obtaining this information.
   e. The geographic area to be used for benchmarking. Only one geographic area should be used per employee group, e.g., nonexempt, exempt, and

manager level positions may benchmark to local data, director level roles regional data, and executive level roles national data.

    i. The geographic area is generally defined as the city, region, etc. from which the job is typically recruited; a local metropolitan city, regional (Midwest, South, Northeast, etc.) or national [US] data].

    ii. Statewide data is not typically used.

  f. The relevant financial metric.

    i. For-profit companies tend to utilize revenues as the financial metric.

    ii. Nonprofit companies tend to use employee and/or annual budget size.

    iii. Banking, credit unions and other financial institutions tend to use employee size and/or asset size.

    iv. Generally, the financial metric is the total organization's annual financial revenues, budget, etc. It is not the financial measurement for a specific department, region, sales goal, etc., nor is it a projection of future growth.

  g. Compensation Philosophy. Compensation philosophy is the competitive position in the marketplace that the client desires to pay its' employees.

    i. The philosophy can be different for various employee groups, e.g., nonexempt, exempt, managers may have a compensation philosophy at the base pay 50th percentile, whereas directors and above may have a compensation philosophy at the total cash compensation 50th percentile.

2. Upon obtaining the needed information, finalize the market data guidelines and send a PDF copy to the client for approval via email.

3. It is important the client understand the market data guidelines drive the rest of the project and any changes after obtaining approval can result in additional project fees.

  a. The client should share the guidelines internally with any executives and/or stakeholders they deem necessary to gain approval.

4. The guidelines must be approved by the client prior to conducting any benchmarking.

5. Once approval has been obtained, send email #2 "Market Data Guidelines Completed" and proceed to Step 7.

Step 7 –Job Match Review: After obtaining approval on the market data guidelines, and scopes and the job descriptions / JAQs, the next step in the process is to use the survey database(s) and pull the best survey job descriptor matches for a given job. *(If your agreement permits, Compensation $ense will do that for you).* Market matches are then sent to the client for review. Some helpful hints for researching and pulling benchmark matches are included in a separate document titled "Researching and Pulling Benchmark Matches".

1. When sending the market matches to the client for review, provide the client with the verbiage / instructions on "How to Review Market Benchmark Matches" template.
    a. The template is often referred to this as "Job Match Review Guidelines". The template can be copied and pasted into an email, sent as a separate document attached to the email, or embedded into the file which contains the job match review matches.
2. The job matches can be printed from page 2 of the Individual Market Results Template and sent to the client.
    a. Job matches are best sent as a pdf file for review. Include the "Match Review Template" as page one of the pdf file after it has been printed.
    b. For ease of review by the client, it is best to group the matches by department.
3. The client should review the matches for each job and provide feedback as to whether they concur the matches align to the job(s) being benchmarked.
    a. Client feedback may be obtained either in person, teleconference or on the job match review sheet itself.
    b. Additional matches may need to be searched if the client feels the job matches provided did not accurately describe the job at least 70%.
4. Once all matches are finalized and approved, proceed to Step 8.

Step 8 – External Salary Survey Data: It is recommended that actual external salary data from the survey database(s) be recorded on the "Individual Market Result template" as respective job matches are being obtained for review. *(This saves time.)* However, it is acceptable to record the external salary data after the approved benchmark matches are returned.
1. Once job matches have been approved, salary survey job match data is then recorded in the "Individual Market Results template". **This template is for internal use only and is NOT TO BE sent to the client!** The final market data results are provided on the "Consolidated Market Data Summary" document (see Step 11).
2. External market data is typically pulled for the 25th, 50th, and 75th percentiles for both base pay and total cash compensation. Total cash compensation includes any annual bonus, incentives, or commissions.
    a. Overtime compensation, deferred compensation, equity, and benefit information is excluded from the salary survey data.
    b. Occasionally, a client may request the 90th percentile data. If a client requests percentile data other than the 25th, 50th, 75th, an additional fee should be charged.

Step 9 – Consolidated Market Data Summary: Once all the market data has been obtained from the various survey(s), return the aggregated data via the report template referred to as the "Consolidated Market Data Summary template".

1. The template includes(s) the title of the survey job(s), education, and years of experience for the job, the respective survey job titles from the approved job matches and other relevant information such as years of experience, revenues, etc.
   a. Survey scope data can be added to the bottom of the template for ease of client reference.
   b. Depending upon the project scope, it is ideal to create one template a year per client and add the benchmarking results to "Consolidated Market Data template" throughout the year as requests are received to do conduct additional benchmarking.
   c. Client copies should have formulas removed and be password protected.
2. Upon sending the benchmarking results to the client, send email #3 "Marketing Benchmarking Completed" to the client.
   a. Ask the client to review the benchmarking results and if they have any questions and/or concerns regarding the data.

Step 10 – Build Pay Structure: There are three different types of pay structures that can be typically developed for a client. Based on discussions with the client and the results of the market benchmarking data, a decision will be made as to which structure will best serve the client's needs. Pros and cons of the three pay structures are provided below. *(Refer to Sample Pay Structures for an illustration of the design of each of the three pay structures).*

Type	Pros	Cons
Traditional	1. Consistent percent spread midpoint to midpoint. 2. Can see all jobs in one structure.	1. Need to move entire structure the same percentage vs. what is occurring in the external market by pay range. 2. Cannot clearly see career pathing.
Market-Based	1. Anchored to market rates. 2. Can move each pay grade as the market moves without moving entire pay structure. 3. Can see all jobs in one structure.	1. No consistent spread mid-point to mid-point. 2. Cannot clearly see career pathing.
Job Family Market-Based	1. Market driven with levels determined by number of jobs that cluster together. 2. Creates levels by job family such as nonexempt,	1. Jobs can shift in value over time as new jobs are added and level of job can shift up or down in the future.

	exempt, management, etc. If organization is large, can create job families by department. 3. Creates career pathing by job family. 4. Can move each level as market moves without moving entire structure.	

1. Once the actual pay grade structure has been developed and approved, create the pay grade sheet(s).
   a. Ensure all benchmarked roles are on the pay grade sheet(s).
   b. Remove all formulas and password protect the document before sending to the client for review. *(Refer to "Sample Pay Grade Sheet templates").*
   c. The client should review the placement of the roles within each pay grade for internal equity reasons to determine if any jobs should move up or down a pay grade.
   d. Advise the client there should only be a few job changes / pay grade changes, especially in Market-Based pay structures.
2. After the client has reviewed the Pay Grade Sheet(s), have a discussion with the client about any jobs that need to move for internal equity reasons and/or any jobs that need to be "slotted". As a result of the discussion, revise / update the Pay Grade Sheet(s) and resend to the client.
   a. Slotted roles can be discussed with the client after review of the pay grade sheets or a pay grade can be recommended based on the average salary of the current incumbent(s) obtained from the employee census report *(see Step 11)*.
   b. A comparison of the job titles in the employee census against the job titles on the "Consolidated Market Data Summary" will illustrate any roles that need to be "slotted".
3. Upon gaining alignment on the structure and job placement, including any "slotted roles", send email #4 "Salary Structure Completed".

Step 11 – Conduct Incumbent Analysis: An incumbent analysis will be conducted to illustrate the costs to implement the new and/or updated pay structure.
1. Client Employee Census. A current employee census *(refer to "Client Census template")* will be used to obtain specific employee information on all current employees included in the project.
   a. All employees are to be included even if the employee's job was not benchmarked.

b. The census can be completed by the organization at the same time the market benchmarking is being conducted.

2. Specific elements included on the census are listed below.
   a. Employee name (preferably Last Name, First Name)
   b. Job Title – the job title should align with the benchmark job title, if applicable
   c. Department
   d. Supervisor's name
   e. Hire date
   f. Current date
   g. Annual Salary
   h. Hourly rate of pay
   i. Part-time or full-time status
   j. Number of hours per week the employee works.

3. The employee census will be used to complete the cost analysis. It will be necessary to create a new excel workbook of the employee census, date, and rename the workbook "Incumbent Analysis". Additional columns will be added to the new workbook when completing the analysis. *For more detailed information on conducting the actual analysis, refer to "How to Complete Incumbent Analysis".*
   a. The analysis will include assigning the pay grade and pay range to each employee.
   b. Calculations will also be performed.
      i. Individual base salary as a percent of midpoint.
      ii. Overall average of all employees' base salary as a percent of midpoint.
      iii. The individual annual cost to bring an employee to new scale minimum.
      iv. The individual annual cost of an employee above the new scale maximum.
      v. The total number of employees and annual costs of all employees below or above the new salary scales.

4. Once the analysis is completed, a password protected copy should be created for the client with all formulas removed.
   a. Schedule a call with the client to walk through the analysis.
   b. There may be some final changes that need to occur if a client discovers an employee was misclassified, decided after review of the analysis to move a job's pay grade, etc. The client should receive a final copy of the incumbent analysis if there are changes to employees or jobs. *(If jobs are moved, revise the Pay Grade Sheet(s), and return to the client).*

5. Once the client has no further changes to the incumbent analysis, send email #5 "Incumbent Analysis Completed".

Step 12– Write Final Report: Once the incumbent analysis is finalized and there are no outstanding project deliverables, write the final report for the project. *(Refer to "Base Pay Project Overview Report template")*.
1. Information to write the report will come from the proposal, market data guidelines, pay grade structure, incumbent analysis, etc.
2. Once the report has been written, send a PDF copy to the client and send email #6 "Presentation Completed".

Step 13 – Final Meeting and Report Presentation: The last step of the base pay project is to conduct a meeting and present the final report to the client.
1. When scheduling the meeting, ask the client if there are any other executives and/or stakeholders they want to attend the final presentation meeting.
2. Conduct the meeting.
3. Upon completion of the meeting and report presentation, send final email #7 "All Project Work is Now Complete".

Step 14 – Tracking of Overall Project Work by Client: Throughout the project, the time spent on each project step and activity needs to be recorded via a tracking mechanism. This would include the business owner's time as well as any other employee(s) and/or subcontractor(s) time. *(Refer to "Sample Client Time Tracking Worksheet template".)*
1. Having a record of the time spent on each step of the project by client enables the business to understand the time spent on each project activity.
2. The tracking mechanism can be a valuable resource in estimating future time and cost(s) associated with each of the project's work activities.
3. Employees and/or subcontractors should submit their time on a weekly basis to the business owner.
   a. The employee and/or subcontractor should indicate the word "**NEW**" on the timesheet for each client activity that had not previously recorded.
   b. Having the word "**NEW**" will easily identify time not previously recorded on the Client Time Tracking Worksheet.
   c. After the time has been recorded on the Client Time Tracking Worksheet, inform the employee(s) and/or subcontractor(s) the time has been recorded and "**NEW**" can be removed from his / her on-going timesheet.