



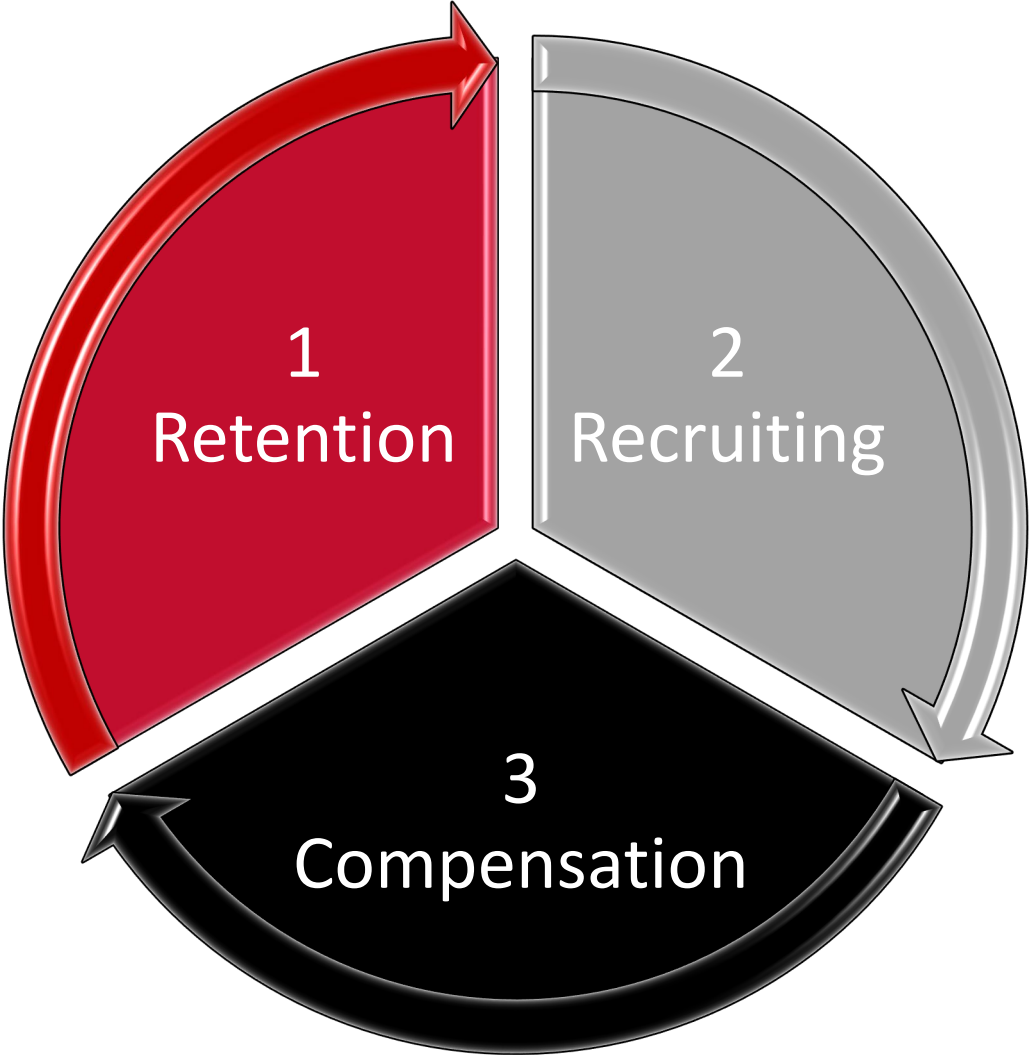
## Executive Briefing: HR Challenges for 2024 & 2025

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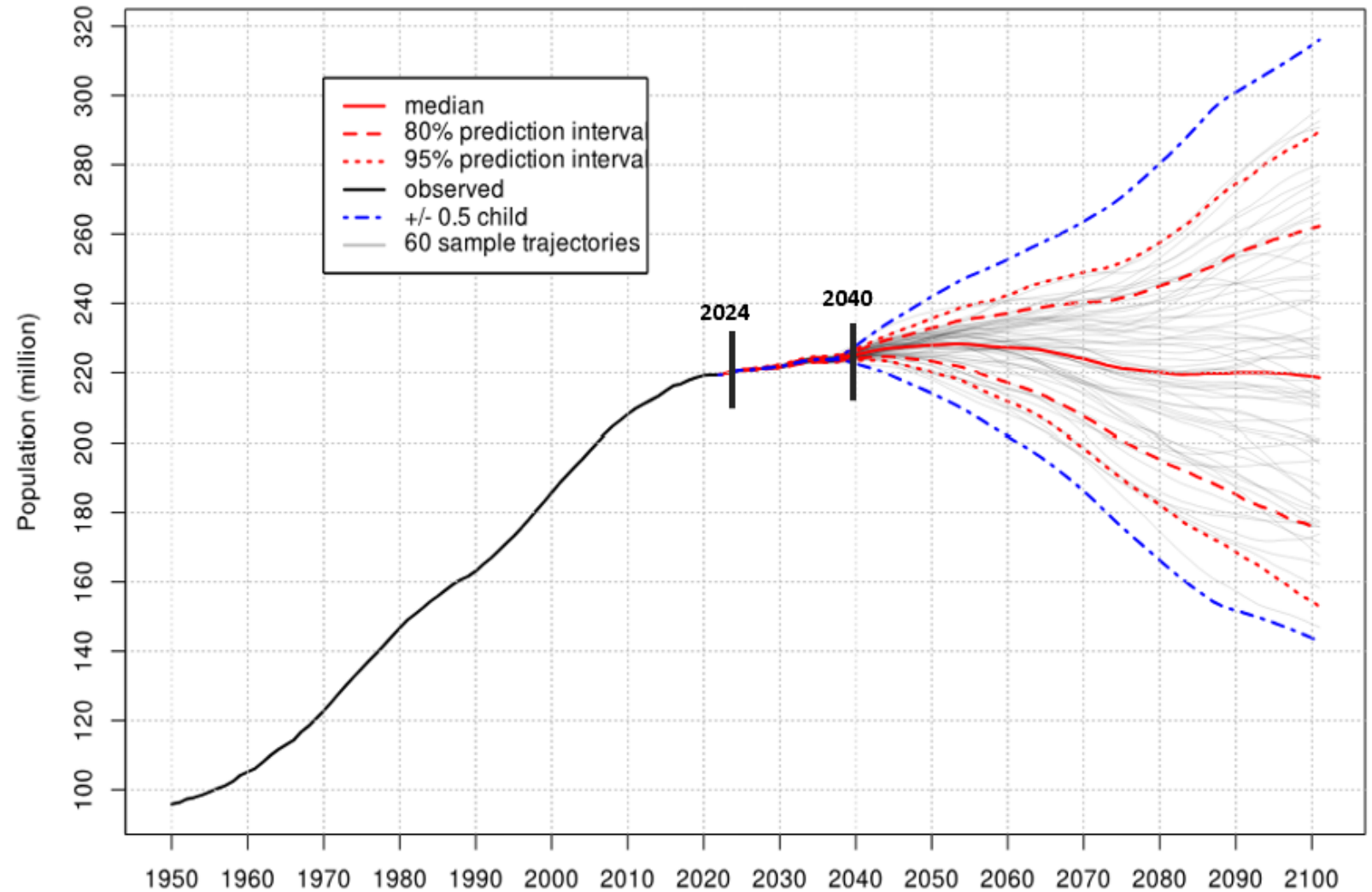
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# The Employment Crisis- Top Three CEO Concerns for 2024



# Population Trend – Lack of Future Workers

## United States Population (Age 15-64)





# Back to Basics – The Compensation Strategy

# Total Rewards “Tools”

External Position Equity	Internal Position Equity	Employee Pay and Recognition Equity	Total “Non-Cash” Compensation – Benefits/ Retirement	Ability to Fund all Aspects of the Program
<ul style="list-style-type: none"> <li>• Competitiveness in terms of Geography.</li> <li>• Competitiveness in terms of industry.</li> <li>• Level of competitiveness by organization and position.</li> <li>• Recruitment and Retention Trends.</li> </ul>	<ul style="list-style-type: none"> <li>• Determine organizational value of positions regardless of market value.</li> <li>• Determine value of positions not matched to the market.</li> <li>• Determine the differences among “families” of jobs.</li> </ul>	<ul style="list-style-type: none"> <li>• Determine internal pay levels of employees based on seniority, performance, or other methods.</li> <li>• Determine appropriate methods to recognize employee performance and contributions.</li> <li>• Understanding the impact of “Generations” in compensation decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing the rising cost of insurance in plan design.</li> <li>• The need to have more employee cost sharing.</li> <li>• Understanding pressures from organized labor.</li> <li>• The need for flexibility in addressing “generational” differences in both benefit and pension design.</li> <li>• Impact of fluctuating stock market on pension design strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding all aspects of the program understanding the impact of current industry trends.</li> <li>• Determining the “ROI” of all programs to demonstrate the impact on effective recruitment and retention of staff required for the organization to succeed.</li> <li>• Proactively developing strategies that reduce cost impacts while remaining effective.</li> </ul>

# Understanding Your Compensation Strategy

## What is a compensation strategy?

- The plan that discusses how much, and when, to pay employees in an organization.
- May change over time as the needs of the business shift.
- Focuses on staff financial compensation associated with their roles, skills and education, and includes benefits and perks.
- Supports an organization's plan and its overall business goals by helping recruit and maintain efficient team members.



# Understanding Your Compensation Strategy

## What is the purpose of a compensation strategy?

- Hire qualified employees: evaluates how much compensation is necessary to reach qualified employees who can meet the goals and objectives of the business.
- Reward employees for good work: outlines the rewards an employee receives for meeting certain objectives.
- It outlines how a company values compensation, which can provide consistency in creating compensation packages.
- Improve company morale: Offering a transparent salary with incentive options can help improve company morale, which can have significant impact on key metrics and KPI's.





# Pay Transparency and Pay Equity



# Pay Transparency Basics

- **Pay transparency is the practice of openly displaying employee salary information. Some companies may disclose this information publicly on job postings, while others may only inform employees within a given department or candidates at a certain stage in the interview process.**
- **Pay transparency refers to companies being open about the compensation provided for current and prospective employees, as a step toward pay equity. Companies may share information like salary ranges, how salaries are calculated and individual employee salaries.**
- **Pay transparency is popular among workers. According to a 2023 report from compensation software company Beqom, 60 percent of 1,000 employed U.S. adults surveyed would switch companies to one with more pay transparency.**
- **Recently, it's gained traction among lawmakers. In 2018, California passed its own Equal Pay Act. Since then, 23 states have enacted or are considering pay transparency laws.**
- **As more states enact pay transparency laws, it's important to understand what pay transparency is, its benefits and how to implement it.**



# Pay Transparency Basics

- **Pay transparency is a strategy for talking about employee salaries within the company. This idea may seem taboo, but it's become more mainstream over the years with the uptick in legislation to make pay transparency a legal requirement. In fact, it's been illegal for employers to punish employees for discussing their wages since 1935, when the National Labor Relations Act was passed.**
- **As more pay transparency laws are enacted and younger generations enter the workforce, open communication in the workplace is expected to be more commonplace. Eighty-nine percent of Gen-Z workers are comfortable discussing salary (compared to 53 percent of Baby Boomers).**



# Pay Transparency Basics

- **Stronger Employee Retention**
  - Transparency cultivates trust and communication, leading to a healthier environment that employees will want to remain a part of. And if employees know what others are getting paid and feel like they're being compensated fairly, they may be convinced their employer recognizes their worth and consider it another reason to stick around.
- **Increased Pay Parity Between Genders**
  - The secrecy surrounding salaries can make it especially difficult for women workers to know if they are underpaid relative to their male colleagues, which perpetuates the gender pay gap.
- **Better Candidate Experience**
  - Applying for a job without knowing what you're earning for the role can be frustrating and, occasionally, a waste of time. In fact, 79 percent of job seekers and employees say they want some kind of pay transparency when it comes to job ads. An additional 32 percent want absolute full transparency in job ads and information on what employees with a company are making.



# Pay Transparency Basics -Challenges

- **Unhealthy Competition Among Employees**
  - **When employee salaries are available to the entire company, it's only natural that employees will be curious about what their coworkers make. Seeing higher salaries for coworkers might foster competition for some employees. At the same time, if a pay transparency policy is done right, it can outline the steps employees need to take to reach their highest earning potential.**
- **Salary Negotiations**
  - **Enacting pay transparency policies may reveal that some employees are getting paid less than their peers. Even if this gap is due to a difference in credentials or experience, employees may still want to open salary negotiations. This can put a strain on businesses that don't have the financial capacity or are going through difficult economic times.**



# Pay Transparency Basics -Challenges

- **Potential Poaching**
- **As with many new workplace initiatives, some companies will be quick to adopt pay transparency and others will lag behind. As candidates and employees seek positions that have clear outlines of earning potential, the companies that fall behind may see top talent leave for better transparency and pay.**
- **Reduced Candidate Pool**
- **Even companies that are fully transparent with their salaries might lose workers simply because other companies are able to offer more money for similar work. Organizations that practice pay transparency may want to consider attaching other employee perks to a position or being willing to negotiate pay to attract the right candidate.**



# Conducting Pay Equity Audits

## What is Pay Equity?

- **Does not mean** that all employees are paid the same –
- Focuses on ensuring that employees performing comparable work are receiving **comparable compensation** and that any differences in pay can be explained by legitimate job-related factors.
- These include skills; efforts; responsibilities; experience; education; quality or quantity of production; and location.
- Pay equity is often associated with issues of diversity, equity, inclusion, and access.
- It is also associated with rectifying past injustices with respect to unequal compensation.



# Conducting Pay Equity Audits

## What is a Pay Equity Audit?

- An audit focused on fairness in compensation practices.
- The pay equity audit process identifies pay difference between employees that cannot be explained due to job related factors.
- The results of the audit not only identify issues but should also provide actionable solutions. The audit process allows employers to minimize potential risks by identifying and remediating discrepancies.

Pay audits should be conducted under external attorney oversight to maximize protection from mandatory disclosure, such as discovery in a lawsuit. The purpose of the privilege is not to hide any wrongdoing but is intended to allow the attorney overseeing the matter to facilitate candid discussions with clients about the findings.



# Conducting Pay Equity Audits

The Pay Equity Audit will follow these basic steps:

- 1. Data Integrity:** Data accuracy is the most important step in any pay equity audit. Pay equity audits yield compensation recommendations and flawed data could result in additional inequities being created.
- 2. Construct Pay Analysis Groups:** Groups of employees performing similar work need to be established.
- 3. Identifying Legitimate Pay Differences:** Focus on regression analysis on each pay group to determine if gaps exist among the protected class groups.
- 4. Identifying unexplained Pay Differences:** Focus moves to analysis of pay differences that cannot be explained by legitimate business reasons.
- 5. Validation of Findings:** Focus is on making cohort comparisons that compare smaller groups of employees.





# Conducting Pay Equity Audits

6. **Investigation of Causes:** Questions to be addressed- are there commonalities among those affected; are the obvious disparities by level in the organization?
7. **Remediation Strategies:** Are compensation adjustments required? Does our compensation policy and practices need revision?
8. **Monitor Progress:** over the next three (3) years there should be focused audits in the areas identified to determine if remediation has had an impact.
9. **Preserve Privilege:** Oversight by attorneys should remain in place during the remediation time period.
10. **Continue to Monitor:** Recommended that areas of most concern be formally audited every three years going forward.





# Key Compensation Trends Shaping 2024 and 2025 (Conference Board)

# Key Trends

**In 2024, the trend is to align pay with performance through incentives and merit-based raises.**

**Variable pay tied to key performance indicators (KPIs) and metrics ensures that top performers receive proper rewards. Other companies are also testing skill-based pay. They pay employees based on the skills they possess and apply to the job.**

- Pay management software and tools allow companies to make data-driven decisions. Companies can design the right pay package using metrics around employee performance, job complexity, and market rates. Analytics can help project how pay costs may increase over time and enable better budget planning.**
- Employees want more flexibility and control over their pay. Certain companies are providing plans where employees can choose benefits such as gym memberships or tuition fee refunds. Paid time off options are changing as well to include gap years or career breaks. Employees can tailor their pay in line with their priorities and life stages.**



# Key Trends

- **Managing pay for remote and global workforces poses unique challenges. Companies have to determine pay that is fair across locations and adjust for factors like cost of living. They have to follow local guidelines governing employee pay in different countries. Remote and global companies are re-evaluating pay structures and job frameworks to build pay programs suited for the modern workplace.**
- **There is a growing call for companies to be honest about how they determine pay and reward employees. To build trust and fairness, it is a must for companies to disclose pay scales and how they set pay for specific roles. Others may even share details on the company's pay equity and make diversity a priority.**
- **Fixed pay increases are losing relevance. Companies are expected to tie pay to individual and company performance. Bonuses, commissions, profit-sharing, and spot bonuses will become more common. Rewards will be based on meeting KPIs such as productivity, client satisfaction, and teamwork.**





# Key Human Resource Trends Shaping 2024 and 2025 (Harvard Business Review)

# Key Trends

- Organizations will offer creative benefits to address the costs of work.
- AI will create, not diminish, workforce opportunity.
- Four-day workweeks will move from radical to routine.
- Employee conflict resolution will be a must-have skill for managers.
- GenAI experiments will yield hard lessons and painful costs. (Generative AI, also referred to as GenAI, allows users to input a variety of prompts to generate new content, such as text, images, videos, sounds, code, 3D designs, and other media. It “learns” and is trained on documents and artifacts that already exist online.)
- Skills requirements will overtake degree requirements as the “paper ceiling” crumbles.
- Climate change protection becomes a new employee benefit.
- DEI won’t disappear; it will become more embedded in the way we work.
- Traditional stereotypes of career paths will collapse in face of workforce change.



# Thank You

**AAIM**  is here to help.

If you have any questions or concerns, please contact us at the information below.



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