

Employee Compensation: A Self-Assessment of Your Plan's Success

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What words come to mind when you think about the compensation plan at your credit union? “Working beautifully”, “o.k. but could be better”, “gives me a headache thinking about it”, or maybe “I don’t really know”.

Compensation plans can tend to “work”, that is, function, but there are often “red flags” such as lots of “exceptions” to policy, makeshift decisions, discomfort with pay decisions, and employee morale issues. Today, under increasing Board scrutiny, you should be concerned about managing your payroll budget in a strategic, equitable and affordable manner.

Take this self-quiz, review your results, and you will have guidance as to what extent your compensation plan is contributing toward your credit union’s success!

Does your credit union.....

Question	Yes/No
1. Have established pay ranges for each job (as opposed to a single rate of pay for each job)?	
2. Pay all employees within (not over or under) the established pay range?	
3. Maintain up-to-date written job descriptions which outline essential job responsibilities?	
4. Use a formal job evaluation plan to make sure jobs are paid fairly within the credit union (paid based on differences in difficulty, knowledge, skills and responsibilities)?	
5. Have an established job hierarchy of pay grades by job family or department?	
6. Periodically review wages/salaries to ensure they are adequate and reasonable?	
7. Have your compensation plan reviewed for legal compliance?	
8. Have a stated compensation philosophy regarding how your credit union’s pay is positioned in the market (e.g. Do you pay at market, 5% below, 10% above)?	
9. Feel satisfied with the information you have about your pay <i>and</i> benefits related to your competitors?	
10. Carefully tie in your compensation plan to your business strategy?	
11. Define which labor markets you actually recruit people from and how your wages/salaries compare to these markets?	
12. Use formal wage and salary administration policies regarding new hires, pay increases, etc.?	
13. Have pay decisions which are made by individual managers reviewed by HR or senior management before offers are made?	
14. Feel comfortable that supervisors and managers do a good job in setting employee performance standards, as well measuring and rewarding performance?	

15. Track retention statistics and analyze the pay ranges for high turnover positions?
16. Provide adequate orientation to new employees about the pay plan including their pay range, how raises are determined, etc.?
17. Ensure that employees understand how pay increases are determined?
18. Use a well-designed performance appraisal system where employees are appraised at least once a year?
19. Plan and set aside a budget for merit pay increases?
20. Tend to stay within its merit budget (or do you regularly go over or under the budgeted amount?)

Scoring: Count number of “yes” answers:

0-5: Your pay plan is in serious need of review. If you even have one, there are major issues. Potential liabilities are high and compensation decisions may undermine goals and objectives.

6-10: You have some good basic procedures in the place, but there are some critical elements missing. A compensation plan review will locate and repair the inadequacies and make sure the system supports the goals and objectives of the credit union.

11-25: Good procedures exist in general but there are still areas where improvements are needed. Your focus is to increase the alignment your compensation plan with your credit union's mission and strategic goals.

16-20: Your pay plan is in excellent shape. Keep these practices going in the future. Your compensation plan can be seen as an integral partner with other major components of the credit union's strategic plan. Pay is supporting initiatives, developments and progress.

While these are only a small number of areas looked at by compensation experts hired to develop, update or improve compensation systems, your “score” on this quiz gives you much greater awareness of the state of the program at your credit union.

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