

# CMC Compensation Group

## What should you tell your employees about pay?

Have you heard the time-worn phrase that “talk is cheap”? Well, let me suggest that the \*wrong\* kind of talk can be a very expensive proposition for your company. If you’re not careful, what you tell your employees about how they will receive pay and pay increases can have a lasting and financially damaging effect on your business. A wrong step here and you risk losing their hearts and minds; and a disengaged workforce can be a very expensive liability. This is a risk best avoided.

So, what should you tell your people about their pay?

***A disgruntled employee has just knocked on your door. “Frank Martin” has always been considered a rock solid, dependable worker, someone his supervisor has repeatedly rated “satisfactory” on your company’s performance rating scale. But Frank is not happy with his pay increase. He’s here to complain – to you - now.***

Does this scenario sound familiar? Have you ever been in the HR Manager’s position? What you’re seeing is probably the result of ineffective communications regarding the company’s Compensation program. It’s likely the employee doesn’t understand how individual increases are determined, and the supervisor is either similarly in the dark, or wishes to pass the problem along to you with a shrug of the shoulders. He doesn’t want Frank to be mad at him!

Sad to say, companies often find themselves in this quandary because whatever effort they have made to explain things to employees wasn’t given the same thoughtful care that reaching out to customers is given. Oftentimes the task is assigned to the speechwriters in Corporate Communications, and they tend to sound like politicians who have been advised by lawyers: speak broadly but say little of substance, suggest complications that confuse the issue, point fingers of blame and then tell their audience not to worry.

When addressing employee pay issues, the typical method used is a single shot “dear employee” memo, a sanitized communication crafted to fit the “everyman” common denominator employee. This technique is usually further abused by telling employees only the “what”, as in what will happen, but placing little emphasis on the “why”. Isn’t it the “why” though, that employees most often question? What employees want to understand are the reasons behind the “what”, especially if the news is bad. A “this is it, deal with it” approach is always badly received.

So, who should have the answers for employees? Their first line of upward contact is the direct supervisor, followed by the section or department manager. These are the folks who employees deal with on a daily basis, and hopefully already have a level of trust established. But as is often the case when communications have been poorly considered these contact points tend to show a blank face, pass the buck out of ignorance or avoidance and send their employees to HR.

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***Word around the office, says Frank, is that increases this year are 3.5%. Since his supervisor told him he's doing "a fine job", he had expected more than what everyone else received, but his increase was only 3%. That's not fair. When he complained his supervisor told him there was nothing to be done; there was a formula that everyone had to use. Anyway, HR set the rules and he couldn't do anything about it. The supervisor even suggested that he had wanted to do more, but his hands were tied.***

Supervision should know where the 3.5% figure came from, and how Frank's increase relates to it. It should be their responsibility to know, and the company's responsibility to tell them. If Frank was the victim of a formula that dictated his increase, his supervisor should be aware of the rule and understand the rationale behind it - just like they should know all about exception processing.

Having these answers will provide the "why" that employees want to understand.

***So Frank is coming to see you, his HR Manager. He's worked up a steam of righteous indignation and hasn't been quiet about how unfairly he's been treated. Chances are several other employees already know what Frank wants to talk about. They're watching outside, waiting to see what you say.***

So, are you prepared to answer Frank's questions? Are you ready to explain how the company's pay-for-performance system works – and how the process relates to what happened to Frank? Or will you "pass the buck" yourself, helplessly quoting an impersonal policy document or sending the employee on their way to the Compensation folks?

How comfortable are you right now?

The above scenario occurs time and again every day, regardless of industry, size of company or geography. Every day an opportunity is lost for a company to build a better relationship with its employees. Because the impact of misguided communications is usually a disengaged employee, one who is skeptical about the company's intent and likely to spread a negative message to fellow employees. Left to fester, negative employee attitudes can easily become a wider employee relations issue as general morale worsens. Once the company is viewed by employees as an untrustworthy partner in the working relationship, it will take a major effort to make things right again.

Shouldn't the company care about how employees think and feel? Doesn't senior management share a concern about morale? Don't they need an engaged workforce to achieve business objectives and become / remain a successful company?

The unfortunate truth is that some companies treat employees as a commodity, similar to an electrical appliance they can plug and unplug at will. This management will likely not even be aware they are shooting themselves in the foot through their callous treatment. They may not even care.

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However many companies do see the direct connection between an engaged workforce and increased productivity, less waste and down time, better customer service and customer relations – and an improved bottom line.

Employees for their part don't want platitudes, generalities or excuses. What they want are straight answers, honest communications and equitable treatment. That they can and will accept. Remember that an employee's ability to "tough it out" in hard times is directly proportionate to their understanding that treatment is equitable and that management is sharing the load. Woe unto the Company who is reducing its workforce while handing out generous management bonuses.

How can you build and maintain a trustworthy relationship with your employees? You can start by looking at the pay issue from the employee's perspective. They need and deserve straight answers to the questions that concern them, honest truths that treat them as valuable and appreciated members of the employee community. You should not attempt to confuse, complicate or generalize your message. No bland "corporate-speak" allowed! Such attempts will be mistrusted and ignored. Employees will separate the facts from the fiction. They can be trusted to handle the truth, as long as they believe you are being honest with them.

Whether it's a flat revenue outlook, lower earnings expectations, competitive weaknesses, current challenges over affordability, the need to reward better performers over average, or a hundred other business realities, you would be better served to be honest with your employees. And you should spread that message as widely as possible. Consider the traditional memo as only one strategy in your repertoire. After all, effective communications is repeated communications. If the person on the other end of your message doesn't get it, doesn't trust it or even doesn't listen, then you haven't communicated at all.

If you don't have the answers for your employees, get them. Talk to your Manager, to Compensation, to anyone who can help you understand how the pay plans really work. Don't become part of the problem by thinking that employees will be satisfied with a simple quote of company policy. Become part of the solution by making sure you can answer the questions your employees are going to ask – or have the wherewithal to get answers for them.

And once you are aware of the pay programs affecting your employees, the "why" as well as the "what", make it your responsibility to see that your client front line supervisors and managers get the same message. No more passing the buck. Employees deserve better.

Perhaps then you will have fewer awkward meetings with the "Franks Martins" in your workforce.

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