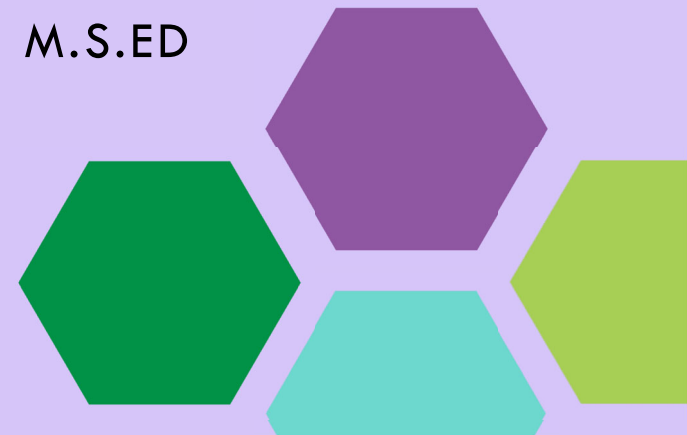




Understanding and Addressing Salary Compression & Compensation

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Jennifer Salzman has specialized in the field of compensation and held total reward focused roles for the past 20 years. With over 25 years in the human resources field, she has worked with nonprofit, private, local and federal government and higher education organizations. Her primary focus has been to develop and implement strategic compensation solutions through policy and procedure development as well as improvements to compensation processes in the areas of base pay maintenance, market evaluations, regulatory changes, rewards and recognition programs, and bonus/incentive plan design. Most recently, Jennifer has served as the Vice President of Total Rewards for Sentara Health, and is the Managing Director for Strategic Compensation Solutions, LLC.



Strategic Compensation Solutions

Strategic Compensation Solutions is your total rewards resource. Founded in 2017, we provide customized Human Resources solutions for any industry or sized organization. SCS focuses primarily on the consultative design, strategy and implementation of compensation and benefit programs. We listen first, then apply knowledge, experience, and creativity to give you a unique solution with a holistic strategy for success! SCS is woman-owned, SWAM certified, and maintains a procurement agreement through UVA for higher education institutions to quickly access services.

Evolving Landscape



Competition for Top Talent



Legislative & Legal Pressures



Fiscal Responsibilities

Objectives

- Define salary compensation compression and provide real-world examples of its occurrence.
- Identify the primary causes of salary compression.
- Assess the impact of salary compression on employee morale, retention, and organizational performance.
- Utilize diagnostic tools and techniques to identify salary compression.
- Implement effective strategies to address and prevent salary compression.
- Understand the role of leadership and HR in managing salary compensation compression.

Salary Compression

What:

Salary compression occurs when the pay difference between employee pay rates is minimal or equal, despite differences in their skills, experience, or tenure.

Why:

This often occurs when new hires receive salaries that are close to or higher than those of current employees, resulting in a reduced pay gap between employees with varying levels of experience or seniority. Minimum wage requirements, promotional policy and market adjustments may also lead to compression.

Results:

Compression often results in negative employee morale, organizational performance, and increased turnover.

Industry Examples

Higher Education: In universities, salary compression is common when newly hired assistant professors are offered salaries close to those of long-tenured associate or full professors. This often happens due to market pressures where starting salaries for new hires have increased, but the existing faculty members' salaries haven't kept pace.

Technology Industry: Tech companies frequently experience salary compression, especially during periods of rapid growth. For instance, a software engineer with five years of experience might be earning \$100,000, while a newly hired engineer with similar qualifications is offered \$95,000 due to high demand in the job market. This reduces the pay gap between less and more experienced employees.

Healthcare: In hospitals, salary compression can occur when new nurses are hired at salaries nearly equal to those of experienced nurses. The increased demand for healthcare workers can push starting salaries up, while existing employees may not see corresponding raises, leading to pay discrepancies between newer and more seasoned staff.

Common Causes



New Hire Pay – Legal & Economic Conditions



Market Rate Adjustments



Internal Pay Structures and Policies

Identifying Salary Compression

1

Employee
Data Analysis

2

Salary
Surveys &
Benchmarking

3

Pay Structure
Analysis

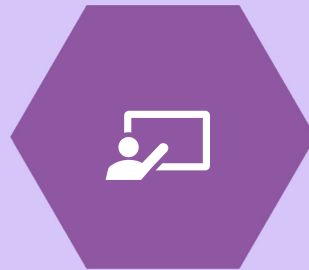
Pay Alignment Strategies



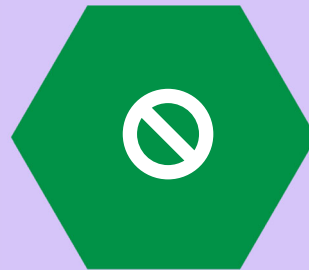
Identify Pay Gaps



Addressing Compression



Use of the Range



Legal Considerations – Virginia’s planned schedule of minimum wage increases \$13.50 2025, \$15.00 2026; FLSA increase \$43,888 2024; \$58,656 2025

Challenges and Solutions



New Hire Analysis



Prioritization Considerations



Compounding Impact

HR Leadership: How to Prepare



Do your research and analysis

Know who your stakeholders are and what matters to them

What is the big picture? The Star Model – Strategy, Structure, Processes, Rewards and People

Be prepared to consider all impacted items

Come with the quick easy wins identified

Memorialize decisions and document!

Pitfalls to Avoid



Getting
emotional



Relying on
reactivity rather
than strategy

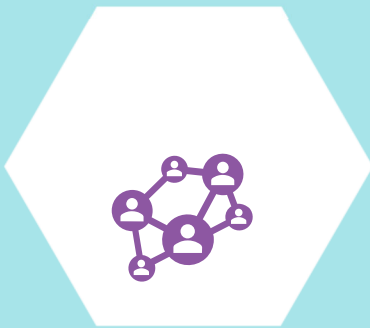


Being unprepared
for changing
conditions



Consistently
creating one-off
or
grandfathered
solutions

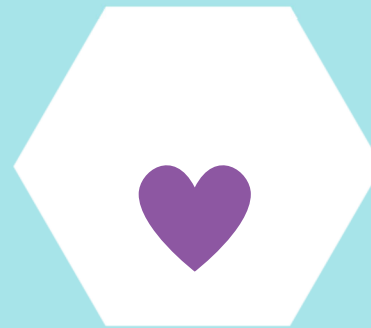
Key Tips to Remember



You have the power
(and knowledge) to
influence



Rely on Analysis



Framework, Market
and People



Communicate



Resources



- BLS
- O*NET Online (Onetonline.org)
- Professional Associations



Trends



Job
Descriptions



Survey
Data



Questions?



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Strategic Compensation Solutions, LLC



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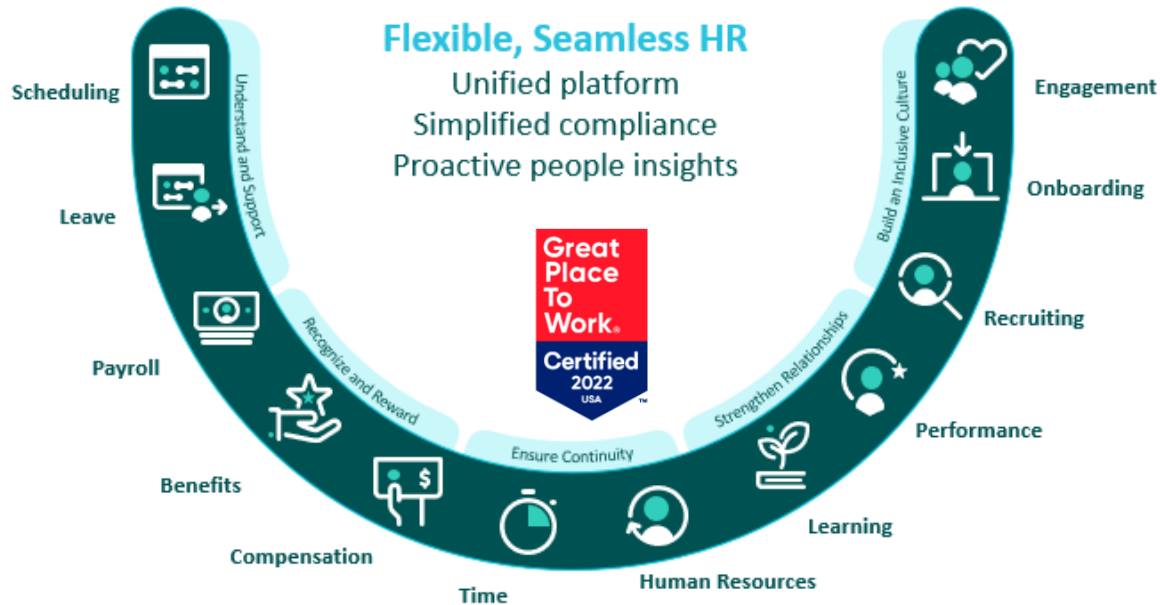
<https://www.ukg.com/>

A graphic with the words 'THANK YOU!' in large, colorful, 3D-style letters. The letters are in shades of blue, purple, pink, orange, and yellow. The text is surrounded by small, colorful dots in various colors (blue, yellow, pink, purple, orange). The graphic is set against a white background with purple bars on either side.

THANK YOU!

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- 6-8 support reps
- Average 7 years tenure
- Experts in areas of HR, PR, Time
- Dedicated POD Manager

Rapid Response Line

- 24x7x365 support
- Staffed by CPP
- 100 Domestic Support



UKG Ready Chat

- <10 sec average chat response time
- ~90% of questions resolved on 1st call
- Real person not a robot

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- Free & unlimited learning
- Speak to other HR professionals regarding best practices

Only HCM provider named a Leader by all major analysts and peer review sites.

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Top-Rated

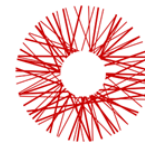
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Questions?