

Pay Transparency - Shedding Light or Sparking Chaos?

Input Session at SAMBA
Timon Forrer

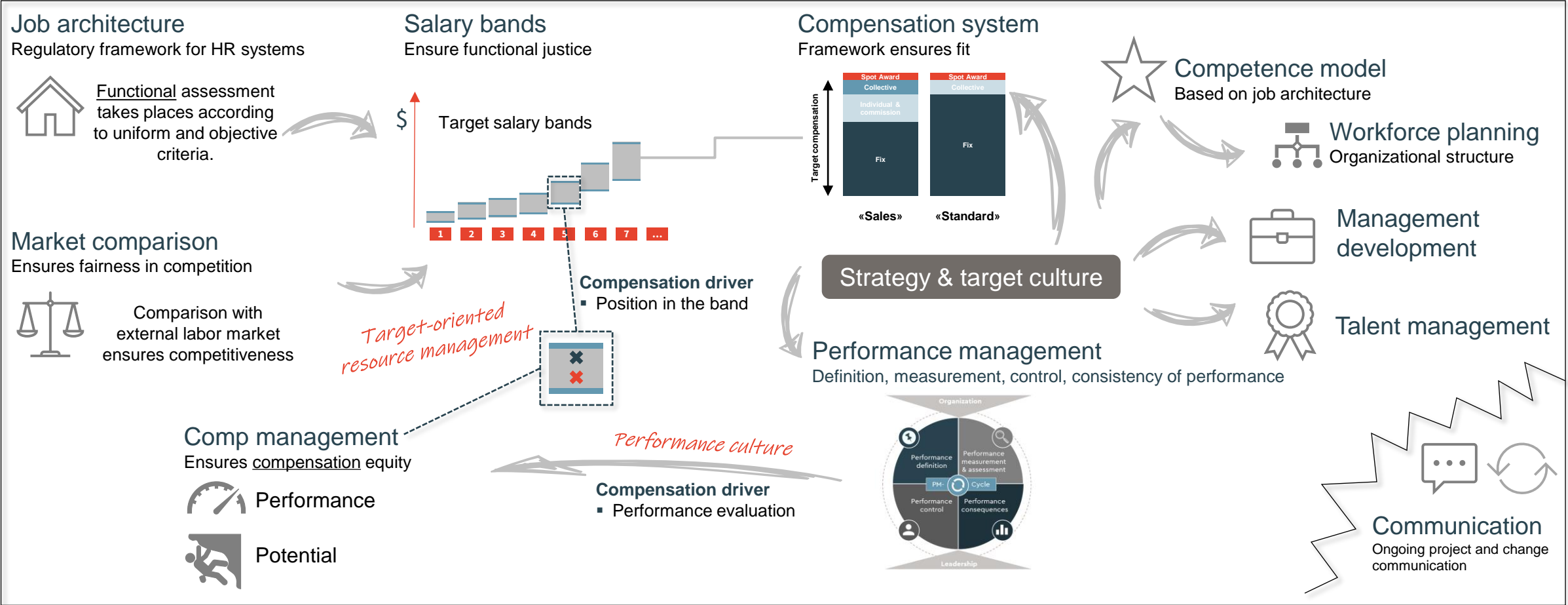
05.12.2024

Kienbaum



An overview of the main components of remuneration systems and their interconnections

Overview



Agenda

Chapter & topics

Chapter 1

Market observations on remuneration trends

Chapter 2

A definition of transparency

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Wrap-up: Your first steps towards transparency

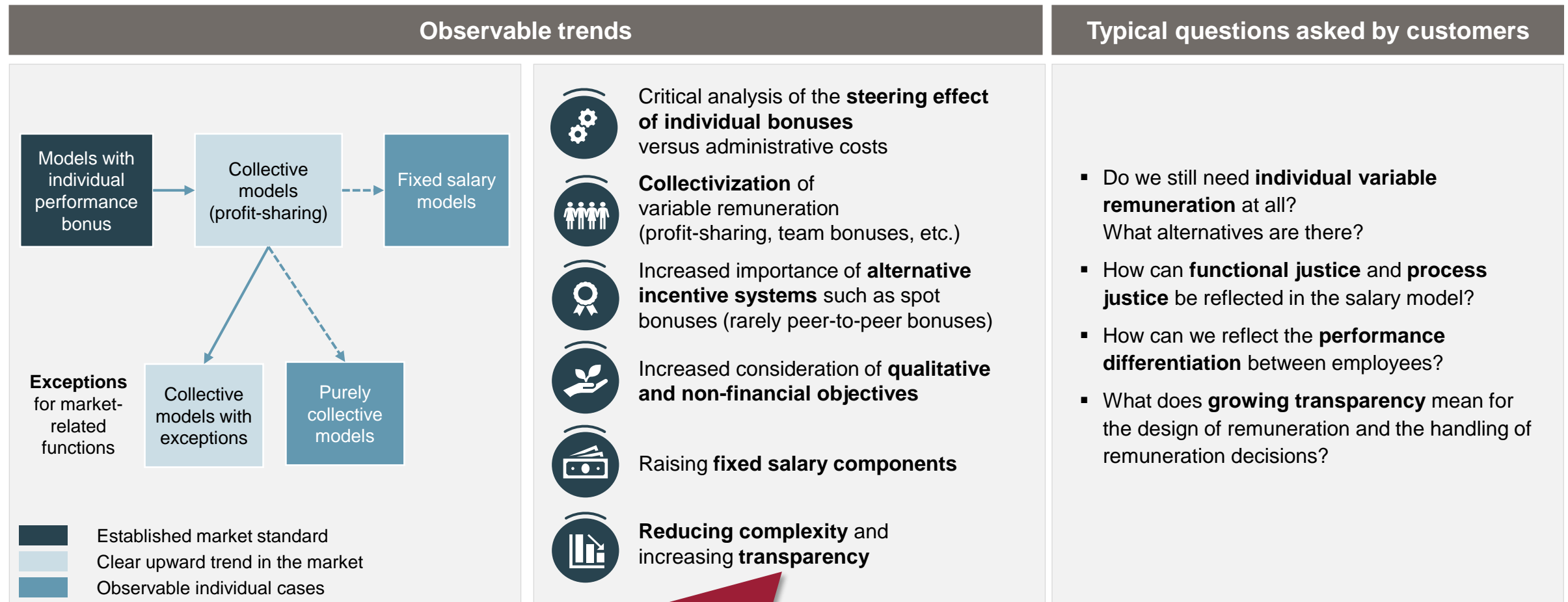


01

Market observations on remuneration trends

Various trends in the design of salary models can be observed in the market

Trends in remuneration practice | Variable remuneration



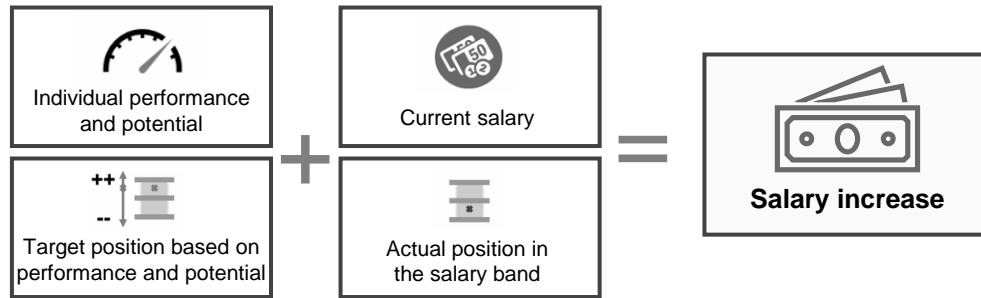
02

A definition of transparency

There is a trend towards procedural transparency

Trends in remuneration practice | Procedural and effective transparency

Procedural transparency

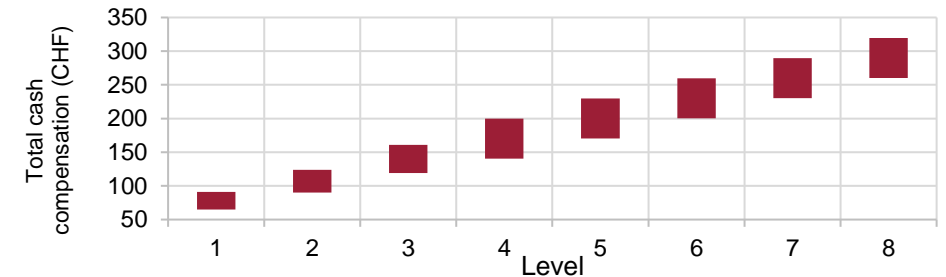


Example: Compensation Management Systems

Disclosure & comprehensibility of internal processes & procedures

- Promotes **understanding** of internal processes and helps to strengthen trust and efficiency
- **No orientation** of the employees to an **upper limit**
- **Less scope for attack** as no explicit figures are given
- Provides **perspective** for employees
- Remuneration decisions are **easier to understand**

Effective transparency



Example: Salary bands

Comprehensive disclosure of information

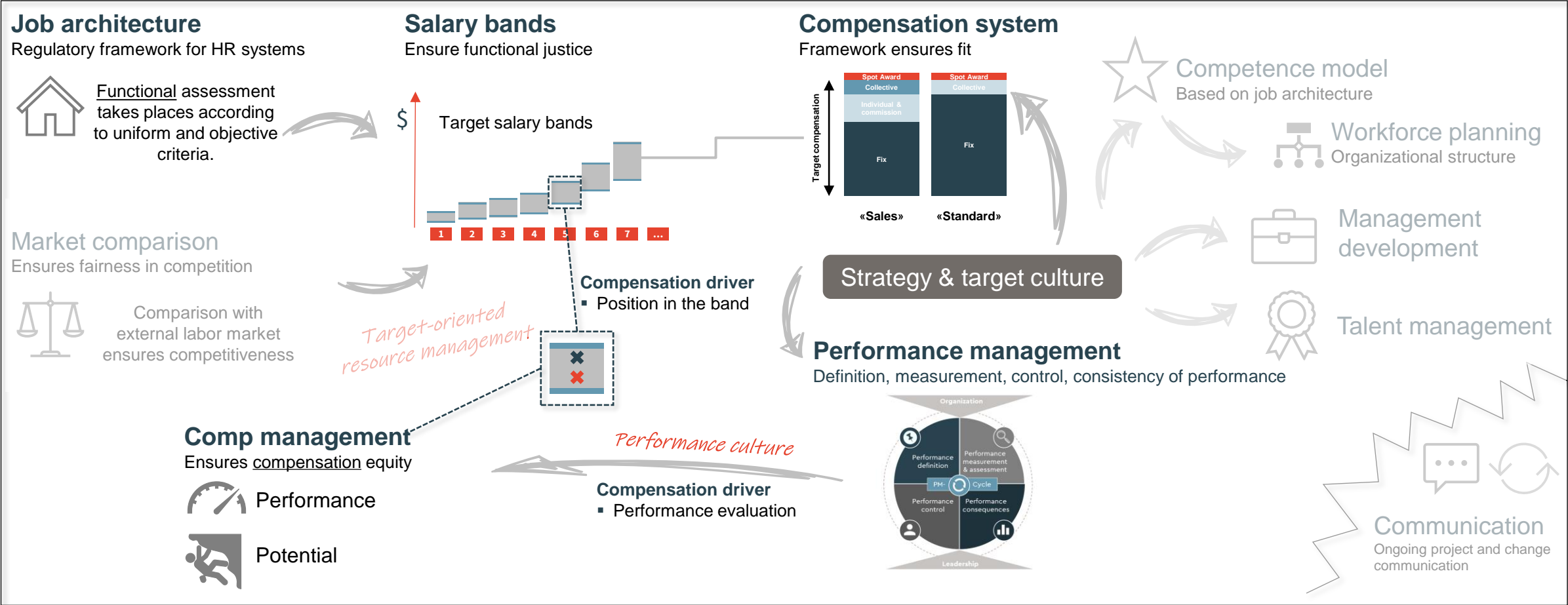
- Transparency in the company creates **trust**
- Increased **sense of fairness**, but only with good salary hygiene
- Offers **perspective** for employees
- Positioning must be **justifiable**

Study insight: True transparency tends to be demotivating. But disclosure of managers' salaries increases motivation.

Cullen & Perez-Truglia, 2021: How Much Does Your Boss Make? The Effects of Salary Comparisons

The job architecture forms the basis for several related topics such as salary bands but also further potential fields of action such as career paths or title structures

Overview



Deep Dive: Functional architecture

Example of a functional architecture for job families HR and Finances

Grade / Level	HR			Finances	
	Learning & Development	Compensation & Benefits	HR Operations	Accounting	Controlling
Level 9	...	...	...	...	...
Level 8	Head of L&D			Head of Accounting	Controlling Director
Level 7	Senior Manager L&D	Senior Manager Compensation & Benefits			
Level 6			Manager HR Operations		Senior Business Controller
Level 5	L&D Expert 2	Senior Specialist Compensation & Benefits			Controller 3
Level 4	L&D Expert 1		Associate HR 2	Accountant 2	Controller 2
Level 3			Associate HR 1	Accountant 1	
Level 2	...	...	...	...	...
Level 1	...	...	...	...	...

Different Levels

Job family

Subjob family

Functions

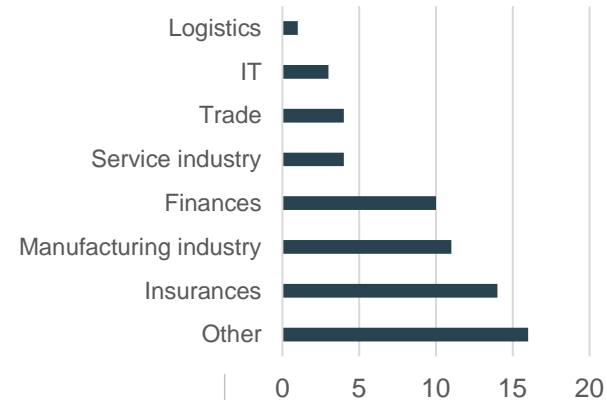
03

Preview: Our latest Snapshot Survey

63 representatives participated in our Snapshot Survey

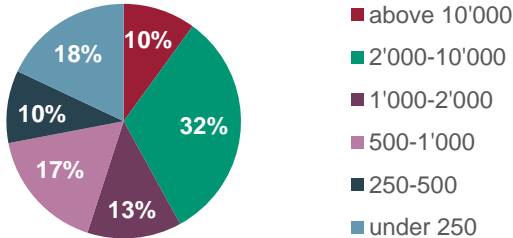
The Snapshot Study on transparency in the remuneration system took place in November 2024

Industries



- Other:
- Public sector
 - Media
 - Consulting
 - Energy supply
 - Education
 - Gastronomy
 - Healthcare
 - Consumer goods industry

Company size



Job titles of respondents

- Head of HR
- Compensation & Benefits Specialists
- Members of the Management Board

Study design & scope

Sample: 63 participants from CH
Study type: Online survey
Method: Quantitative
Period: 15.11.2024 to 25.11.2024

Main topics

The central topics of the survey revolve around transparency in the following three remuneration components:

Main key take-aways for all three components

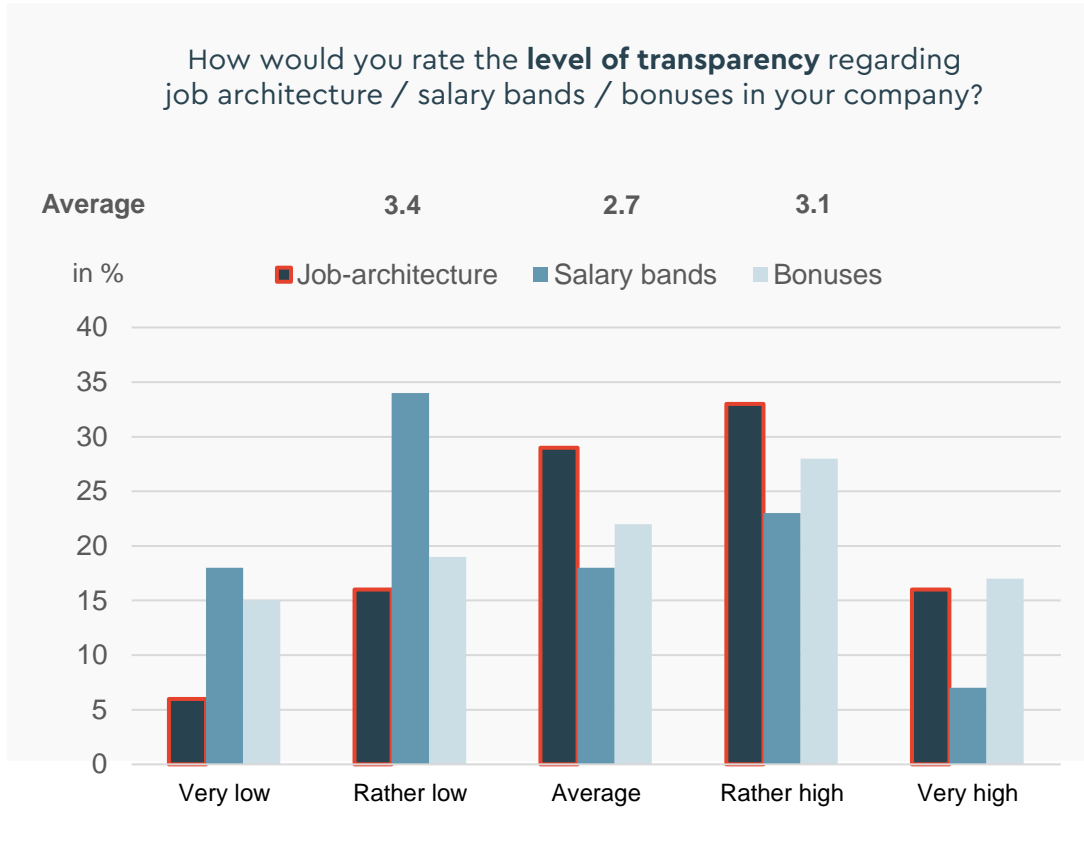
➤ **Over 95% of the companies** surveyed stated, that they would maintain or even increase transparency in the coming years.

➤ **Over 70% of respondents** indicate that transparency regarding job architecture, compensation bands & bonuses is (somewhat) important to important for employee satisfaction.

➤ **Half of the companies surveyed** have concerns about the transparency of remuneration elements, as they fear possible negative effects on the organization or anticipate challenges for which the organization is not sufficiently prepared.

It seems easier to implement transparency in job architecture than in salary bands or bonuses

Kienbaum Snapshot Survey: Preview of our results



The level of transparency **was stated to be higher for job architecture** than for salary bands and bonuses.

Hypothesis: Disclosure of job architecture is less critical overall and, from an employee development perspective, widely known.



Overall, transparency regarding job architecture **has improved over the last 3 years.**

This is confirmed by **60% of respondents** who stated, that their company has a rather / significantly higher level of transparency in this area.



17% of respondents have concerns about the disclosure of their job architecture due to the following reason:

No explainable classification of functions / jobs to the level structure (e.g. due to a lack of systematic job grading)

» Transparency in job architecture is **less critical** as there is **less resistance** to be expected. Therefore, a **trend towards higher level of transparency** can be observed

Transparency of salary bands is a concern for many companies, therefore, a good salary hygiene builds the foundation

Kienbaum Snapshot Survey: Preview of our results



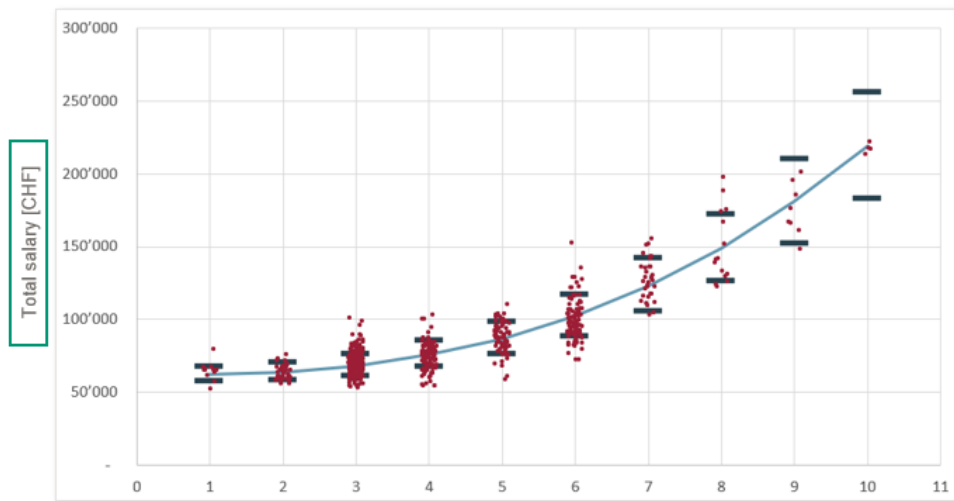
Job architecture



Salary bands



Bonuses



A large part of the workforce **has no knowledge about salary bands**, but about job architecture.

20% of the workforce without knowledge of job architecture, while up to **60% of the workforce** without knowledge of salary bands.



Regarding salary bands and bonuses, respondents **are more concerned about disclosing these due to a lack of salary hygiene**.

40% of respondents have concerns about the transparency of salary bands and bonuses, while they seem to have fewer concerns about job architecture.



Transparency is expected and enhances employee engagement. But this is **only the case if you work on a solid foundation** (keyword *salary bands*).



Transparency of salary bands is a concern for many companies, therefore, a good salary hygiene builds the foundation

Excursion: Example – salary bands and actual data points



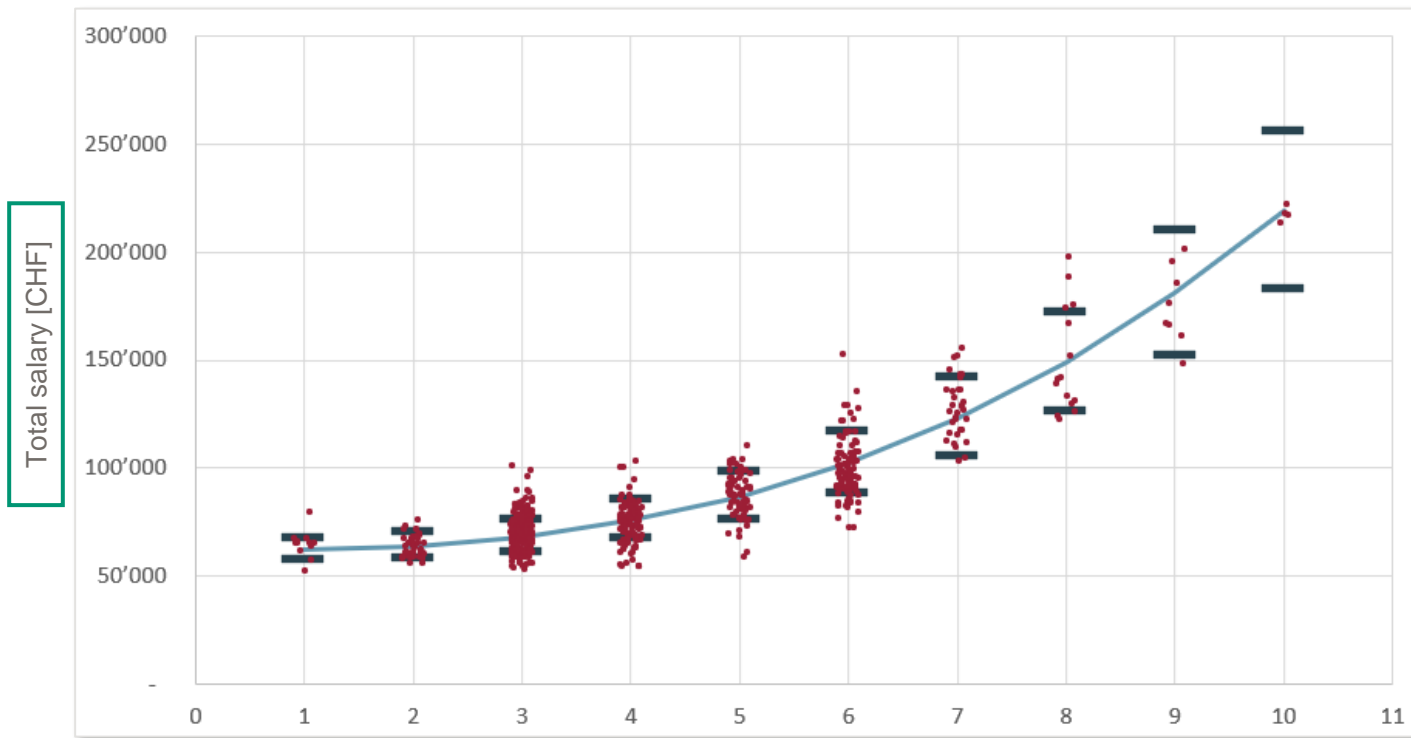
Job architecture



Salary bands



Bonuses



Level	Bandwidth	Bottom limit	Upper limit
10	+/- 15.0%	182'900	247'500
9	+/- 15.0%	151'600	205'000
8	+/- 15.0%	125'500	169'700
7	+/- 15.0%	104'700	141'700
6	+/- 14.0%	88'200	116'900
5	+/- 13.0%	75'500	98'100
4	+/- 12.0%	66'500	84'700
3	+/- 11.0%	60'700	75'700
2	+/- 9.0%	58'100	69'700
1	+/- 7.5%	57'400	66'700

This example shows how many employees are positioned *below* the salary band, *in* the salary band or *above* the salary band:

- Below: **approx. 90 employees** (13%)
- In : **approx. 450 employees** (71%)
- Above: **approx. 90 employees** (14%)

Transparency is a given for collective, but not individual bonuses. This is even more the case for hierarchy levels C-1

Kienbaum Snapshot Survey: Preview of our results



Job architecture

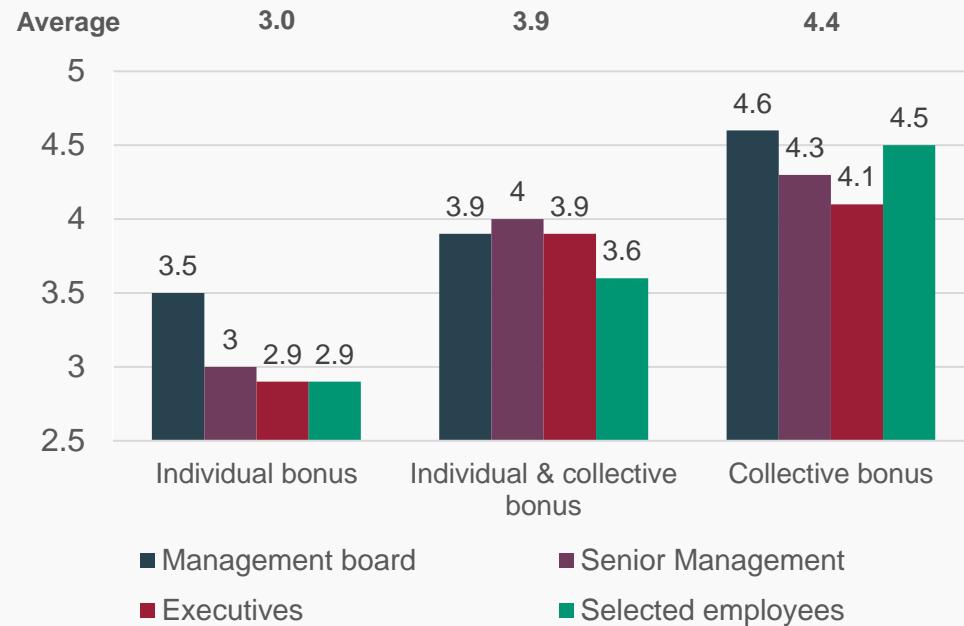


Salary bands



Bonuses

How would you rate the **level of transparency** regarding bonuses in your company?



The level of transparency depends on **hierarchy level** and even more on the **type of bonus**: We observe more transparency for **collective** than for **individual** systems. This is true especially for all hierarchies below C-Level.

Hypothesis: A collective bonus system is easy to explain & understand. Individual bonus systems, however, assess an individual's performance and compare it to a given peer group, which is much harder for the manager to explain. As a result, the individual bonus system loses its steering effects.

» Transparency in individual bonus systems is required to unfold the desired steering effectiveness of this salary component.

04

Wrap-up:

Your first steps towards transparency

Wrap-up: Your first steps towards more transparency

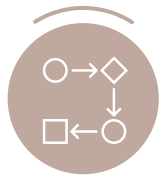
Summary of the key take-aways



Transparency in **job architecture** is less critical as there is **less resistance** to be expected.



Transparency in **individual bonus systems** is required to unfold the **desired steering effectiveness** of this salary component.



Transparency is expected and enhances **employee engagement**. But this is only the case if you work on a solid foundation (keyword salary bands). In most cases, **job architecture** and **procedural transparency** is a **good starting point**.

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