Following the release of the WorldatWork/Hay Group/Loyola University Pay Communication Survey earlier this year, workspan magazine sat down with a group of compensation experts from London, Philadelphia, New York, Chicago and more. These experts came together to talk about what works and what doesn’t in pay communication. Though they’re from a variety of industries, backgrounds and levels, they all agree that without proper employee communication — whether it’s in person, through the company
intranet, via letter or all of the above — companies don’t have a chance of attracting, retaining and motivating the necessary talent to ensure business success.

**workspan:** The *Pay Communication Survey* found that pay communication is the greatest strength and the greatest weakness for an organization. How can that be?

**Kessel:** I can’t quote the source, but I remember a survey years ago that said companies that are really clear about remuneration and how it works have better employee satisfaction and better retention than companies that don’t. So even if a company tends to pay more, if employees really don’t understand it, then they don’t trust it, and that doesn’t help much with retention.

**Weatherhead:** And you can’t rely on one media; you have to go with a variety. We’ve got 800,000 employees across the United States, so we’ve got to do the print media, we’ve got to do the electronic media, and we keep looking for better ways. One thing we did when we rolled out our variable pay and our merit program in the mid ’90s is that we used our satellite TV network, where we talked with all of our district and regional offices at the same time. We had a dialogue going with them so everybody could get a good understanding of how variable pay was going to work. So, we’ve had to use all sorts of media, anything that we could to get the word out there.

**McAnally:** I’m not sure we do a good job of communicating, though. I work for the government (city of Philadelphia) and all of our information is public. We post all of our salaries on

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**Meet the Expert Panel**

**Jessica Brookshire** is the head of total rewards and communication for the University of Notre Dame in Indiana. She has had a variety of roles at the university in areas including work-life and human resources.

**Mark Hudson** is the reward and performance director for a division of BP called Integrated Supply & Trading (IST) and is based in London. Prior to joining BP, Hudson was a consultant and also worked in the investment banking industry.

**Kathy Kessel, CCP,** is the vice president of S&P global compensation for Standard & Poor’s in New York. Prior to Standard & Poor’s she was with Siemens and PricewaterhouseCoopers.

**Michael McAnally, CCP,** has been with the city of Philadelphia Office of Human Resources for 30 years. McAnally is compensation manager for the city and is in charge of hiring for 10 city departments. He’s also an adjunct professor at Widener University where he teaches master’s-level students in public administration.

**Dow Scott** teaches compensation and training and development for the Institute of Human Resources at Loyola University in Chicago. Scott is a frequent partner in WorldatWork surveys and frequently writes for the *WorldatWork Journal.* Prior to Loyola, Scott was at Virginia Tech and BF Goodrich Co.

**Rich Sperling** is a consultant with Hay Group in Chicago. He focuses on reward and organization analysis and design using job evaluation. Sperling has been with Hay for 28 years. Prior to Hay Group he worked for Ford Motor Co.

**Paul Weatherhead** helped design the pay-for-performance program at the United States Postal Service (USPS) in Washington, D.C. The USPS pay program has been featured in the *WorldatWork Journal.* Prior to the USPS, Weatherhead worked in human resources for a large oil company.
I think what we do is throw a lot of information at our employees, and the compensation professionals understand that information, but I’m not sure that our employees overall understand it. If you’re looking for a weakness, I think that’s possibly our biggest one.

— Michael McAnally, CCP

workspan: So too much information?

McAnally: Maybe too much information or maybe not the right information or the right format.

Kessel: It also seems there’s a critical step in between that’s often missing, which is: In between the employees and the compensation department, are the managers really clear [about the information]? They talk about it day to day. Can they answer certain questions?

The other thing that your comments made me think about is that we have the same thing: tons of information on our Web site, and when people get annual equity awards, they get a letter from the chairman. But for them to actually sit down and read it … well, some of it is very technical. I’ve found in a lot of cases that it’s not until I go out and hold an information session with people and go through it step-by-step where they can ask questions that then they say, “Oh, OK. I haven’t understood what that meant for five years. Now, I get it.” So it probably is that combination of approaches.

Hudson: BP is very much a cradle-to-grave organization. My background is significantly investment banking, which is very different. And I think you’re speaking to the heart of that industry — which is, in most investment banks, a great deal of your costs are people spend. If you buy into the notion that what you pay people actually influences their performance, then it’s pretty critical that you try to use all of the tools at your disposal.

If you communicate pay badly, you can make a difficult situation a great deal worse. For example, if you take something away, even if it’s for a number of legitimate reasons, if you don’t communicate well …

Weatherhead: Mark [Hudson], you mentioned that you previously worked in an industry with high turnover, but you’re now working for an organization that’s cradle to grave where they may not really know what it’s like in terms of compensation and in other areas of total rewards. So they’re really dependent on their employer to be the source of compensation.
If you buy into the notion that what you pay people actually influences their performance, then it’s pretty critical that you try to use all of the tools at your disposal.

— Mark Hudson

We’re trying to change our strategy and stop paying people because they’ve been here a long time. We’re literally going to a performance culture, which has required a lot of education.

— Jessica Brookshire

Brookshire: That’s very much what we’re dealing with now, too. We’re trying to change our strategy and stop paying people because they’ve been here a long time. We’re literally going to a performance culture, which has required a lot of education. It’s our greatest opportunity right now, so we’ve been using this year to communicate what we’re doing in compensation and to educate people — trying to provide clear and important information to them.

Scott: That brings to mind the thing that really came through on this study, which is just how much information employees are subjected to and how they block out information. In trying to break through, I hear a lot of managers say, “We need a better method, we’ll use electronic, we’ll use printed, etc. What is the most effective method?” But I think that’s the wrong question. The question is: What’s meaningful to the employee? Once you figure out what a meaningful message is, then the method is probably more obvious. You can have great methods, but if they’re not meaningful, who’s going to listen?

Sperling: One of the things I think our data has shown is that in companies like BP, your brands out there in the public are designed to cut through the wall of advertising. If you want to cut through the wall of information that employees get, you brand your compensation program. If you brand your total rewards program the way you brand Tide, well that may be the way to get the most for the least variation. You say, “Whenever you see this symbol, it’s about you, and it’s about rewards, etc.”

Kessel: We’re working toward that — being clear about the employee value proposition, that it’s not just about pay or benefits, it’s about career development, real challenges, maybe an international assignment; all kinds of opportunities go into the mix.

workspan: According to the study, about 70 percent said only “few” or “some” of their employees understood how the mix of base pay, variable pay and benefits was established. So in your opinion, what can organizations do to improve that?

Weatherhead: Can I throw an idea out? This is going to really sound sacrilegious to people who’ve never experienced it, but at the Postal Service, we have three management associations that represent our supervisors and our postmasters. In the early ’90s, we did our market studies, and we were way off. We were giving our white-collar employees step increases, two COLAs [cost-of-living adjustments] a year, an across-the-board general increase and very, very little in the
In trying to break through, I hear a lot of managers say, “We need a better method, we’ll use electronic, we’ll use printed, etc. What is the most effective method?” But I think that’s the wrong question. The question is: What’s meaningful to the employee?

— Dow Scott

So, from my experience, in a public-sector organization, you do have certain advantages by having the transparency. You can do a better job of explaining the rationale for the changes that are out there.

— Paul Weatherhead

way of performance pay or variable pay. We needed to make some wholesale changes. We actually engaged the presidents of those associations and got them involved with the market study. They were present when the consultant was doing the assessment of the jobs, and they saw the full details of the report when we finally came to discussing the changes we were going to make to compensation and deciding what those changes would look like. Afterwards, those presidents became opinion leaders to help explain it to other employees. So, from my experience, in a public-sector organization, you do have certain advantages by having the transparency. You can do a better job of explaining the rationale for the changes that are out there.

Hudson: I went to a conference last May which was a financial services roundtable. About 15 organizations were there — typically global heads or a level below of compensation or total rewards, and we had some of the world’s leading organizations there.

We had a blind question, which was: “How many organizations operate a total rewards model?” The answer was zero. None of us actually thought we operated that way in practice, whatever the theory.

I think that one of the challenges is, having worked as a consultant and also in corporate roles, that I have seen very, very few organizations manage total rewards in a holistic way. At the roundtable, we came to the conclusion that organizational and HR constraints really are the main problem. You need to be very linked in with people in career development and talent management.

If you set the strategy — you might have to get unions and the stakeholders buying into what the core proposition is — communicate it well. I think the key is to live what you actually say you operate; that engenders trust in employees. In a lot of these cases, organizations talk about total rewards, or the way they position rewards, but when they actually deliver it to their employees, there’s a great big gap there.

Kessel: To Paul’s point, the same principle does work in a publicly traded company, as well: If you’re changing things, getting the line managers involved can make a really big difference, especially if they [understand] right from the start. To your point, they find out why we’re doing this, what it involves. You have them participate and actually match the jobs and see the peer groups that are getting pulled in for measurement. They see who we lose people to, who we hire from. Then when the data comes in, they see how that actually turns into new compensation structures. Then they do feel like they own it, rather than HR forcing it on them.
But how many companies explain the rationale for their mix? And what percentage of employees would understand the rationale?

— Rich Sperling

Sperling: But how many companies explain the rationale for their mix? And what percentage of employees would understand the rationale? You’ve taken it back a step, which is to say, you’ve asked a more fundamental question — do employees understand the mix? Do they know what the mix is? Even when I was a summer letter carrier, I knew that it was about paid time off and about retirement and about health care, and it was never going to be about hourly wage.

So, once you’ve got employees understanding what the mix is, and as our data shows, you want to communicate with some kind of total value kind of statement, then the next question is going to be, "Why?" Why is it that you don’t pay me now? Why do you make me wait until I retire to live like a king and make me live like a peasant now? ... I’m being very dramatic, I know, but it’s that kind of question.

Scott: You know, maybe to put a professor hat on things, it’s one thing to communicate information to people. That’s my job, but I find that people don’t really understand or learn information without tests. That has a lot to do with learning. If you don’t hold people responsible — you know it’s one thing to throw information at them and if they’re interested, they actually do absorb some — but if you actually hold them responsible for knowing that information, all of a sudden they pay a lot more attention, and you can also find out where the gaps are.

Weatherhead: You know, it’s funny. When we were putting together an explanation of our pay for performance for our low-level postmasters, we put a nine-question test together just to see if they were understanding how the awards were calculated and what some of the key rules were. And it was a great eye-opening experience for them. The Postal Service did not track the results on the test or even collect them; instead the postmasters simply checked their own answers and asked questions if they still had any misunderstandings.

Scott: And you don’t necessarily have to give them a grade. You can literally say, "If you take the test and get 80 percent right, you’re in a drawing for ‘X’"... You know what I mean, something positive. If people have to answer, well, think about yourselves and what do you do with the information you’re going to be tested on. I know it may not be a popular choice to give a test, but it’s something to think about.

Kessel: You know, it’s very sensitive. We have a comp training program to try to get the HR generalists more comfortable with all the components of comp, and we’re currently discussing how to measure the effectiveness of it. There are some in HR leadership who want them to be tested and get a kind of certification. But it’s raising all kinds of questions such as: "Are the questions going to be validated? Who’s going to score the test? What are you going to do with my results? Who’s going to know my results? What happens if I don’t do well?" So, it’s really sensitive.

Sperling: I know one company who did it all online, and if you got the wrong answer, you had to go back through the material again. You had to keep going through it until you got the right answer. So there was no tester or scorer. It makes sense. If people don’t know the answers, take them back through the material again. It’s one of many ways to handle it that might be worth a shot.

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