

Modernizing Compensation: How to Meet the Needs of Today's Workforce

Did you know millennials are now the largest generation in the Canadian workforce? These workers—born between 1977 and 1995—have different expectations than the generations that came before them.

Conventional salary strategies don't meet millennials' needs. To get the most value from your compensation dollars, you need to modernize your total compensation management strategies. Here are some tips for modernizing your company's compensation.

Treat Employees as Individuals

Many companies are still offering one-size-fits-all pay to their employees. Every employee with the same job title receives the same pay. Employees receive across-the-board raises. One-size-fits-all pay is easy for companies to manage, but it's an outdated strategy that won't help you retain millennial employees.

Your employees are individuals, and their pay should be individualized. If you offer one-size-fits-all pay, your mediocre employees will get paid the same as your top employees. That doesn't offer much incentive for your mediocre employees to try to improve, or for your top employees to continue excelling.

Employees are also motivated by different things. Some of your employees may be more motivated by more money, while others would rather have more sick days. Other would rather have a better health plan, while others would rather work from home. If your compensation doesn't take individual preferences into account, you won't be getting the most value out of your salary and benefits dollars.

Individualized pay may seem like an administrative hassle. It is, if you're still using spreadsheets. Companies could need to rely on hundreds of spreadsheets to track everyone's pay, which is a drain on productivity. To individualize pay, leave your spreadsheets in the past. Small businesses can simplify HR processes with all-in-one HR technology.

Be Transparent about Salaries

While older workers may want to keep their pay a closely guarded secret, millennials value transparency. They share a lot of details about their lives already, so showing coworkers their pay stubs or talking about their bonuses isn't a breach of privacy. Salaries are also being shared outside of the company, and there are many sites online where your employees can post their earnings.

Since your employees will talk about how much they're making, you should be transparent about your compensation strategy. If your compensation plan is data driven, you can explain to employees why they receive a certain salary, or why their coworker got a larger bonus.

When pay is transparent, employees know what they need to do to earn a higher pay from the company. Instead of being upset that a coworker got a large raise, they'll know what steps to take to get a pay increase of their own.

Download our free guide to find out how small businesses are saving time and money on HR admin.

Empower Managers

Your front-line managers are the ones who spend the most time with your employees. They know how well the employees on their teams are performing and which types of rewards each employee wants. They're in the best position to talk to employees about pay, but they aren't always allowed to do it. Department managers or human resources managers make pay decisions, and front-line managers just pass on the messages.

Your high-level managers may be very talented, but they don't know your employees well. They may have never spoken to your employees before. Without knowing the employees, it's impossible to set the individualized pay that today's employees want. This part of the compensation process needs to be modernized.

Train your front-line managers to discuss salaries and benefits with your employees. They should be empowered to make compensation decisions on their own, within guidelines you've set. For example, you might decide to give front-line managers full control of bonus allotment for their teams. You may allow them to give their teams additional sick days or vacation days. Set the ground rules first, and trust your managers to handle the rest.