Welcome!

➔ We'd love to answer your questions! Please submit your questions on the Q&A tab.

➔ If you would like to see a demo of Lattice press the "Get Demo" button on the top right of your screen.

➔ There are some great resources in the "Docs" tab.

➔ This session is being recorded and you'll receive the recording via email after the event.

➔ You will receive your SHRM and HRCI credits via email after the event.

Introductions

Dave Carhart

VP, People Success Group
Lattice

Amanda Myton

Talent Management Practice Lead,
People Success Group
Lattice

Courtney Cherry–Ellis

SVP of People
AuditBoard

Building a Purpose-Driven Compensation Philosophy

Watch Now

Establishing Transparent and Equitable Pay Practices

Watch Now

US: Mar 16 | EUR: Mar 21

Aligning Your Performance and Compensation Strategies

Register

APRIL

Designing Your Compensation Strategy through Benchmarking and Surveys

Register

Tell us in the chat…

Are you connecting Performance and Compensation?

HR teams are focused on linking performance and compensation, but aren't there yet

90%

We're investing in linking compensation and performance.

Most companies have been investing in linking the two and 48% report that they invested considerable effort

83%

Compensation and performance should be linked.

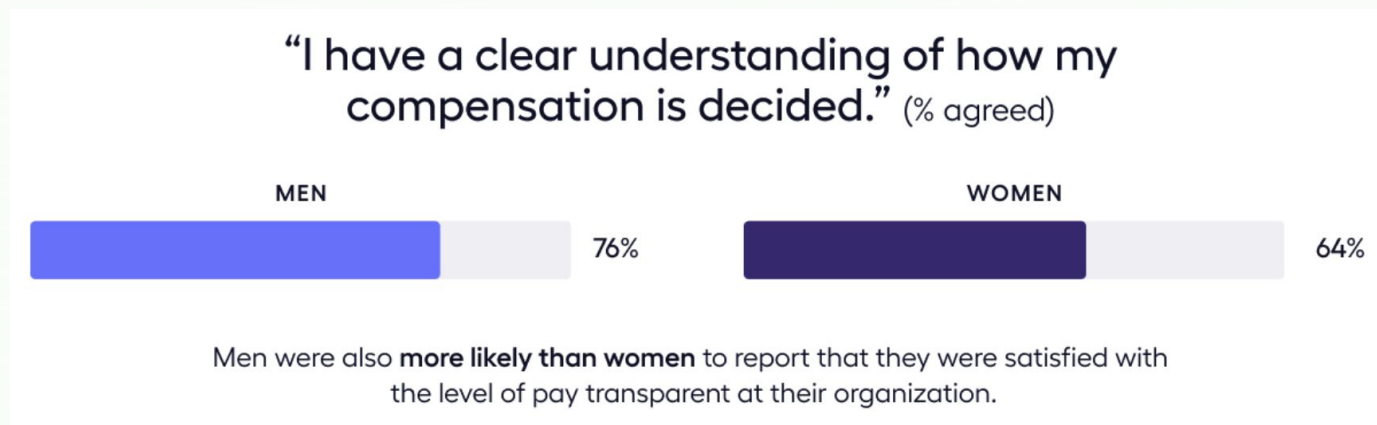Most HR professionals believe that compensation should be linked to performance

72%

Our approach needs improvement.

Despite their efforts, most companies acknowledge they could improve their ability to link the two, and 27% admit they need to do a lot more

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Employee understanding of compensation is mixed

"I have a clear understanding of how my compensation is decided." (% agreed)

MEN 76%

WOMEN 64%

Men were also **more likely than women** to report that they were satisfied with the level of pay transparent at their organization.
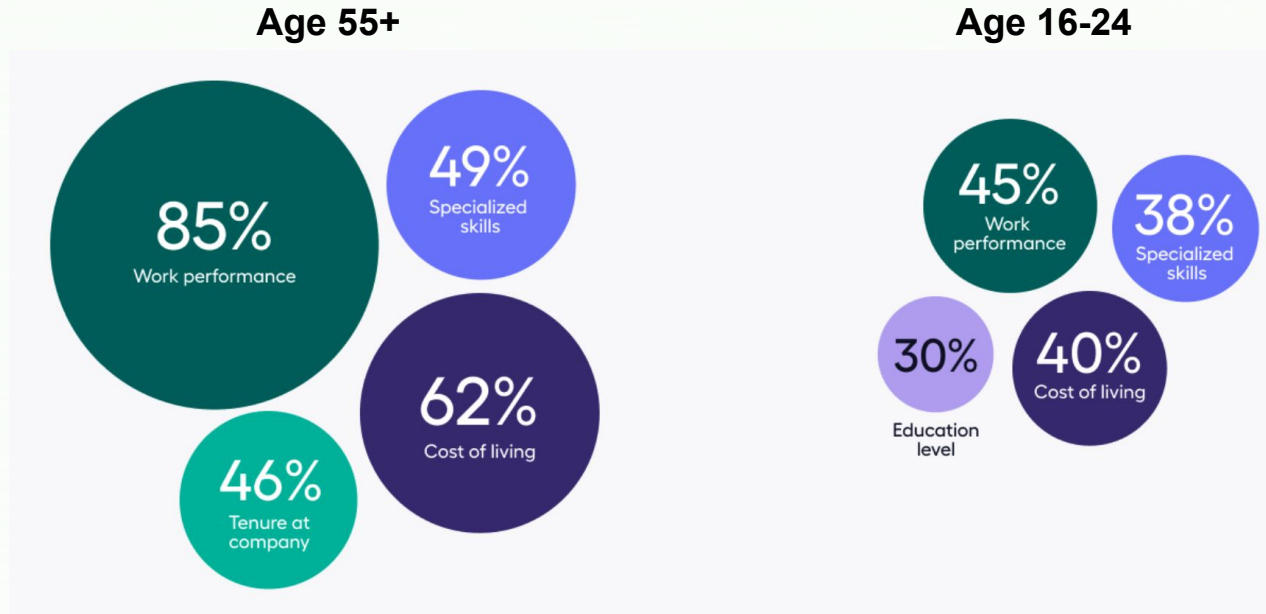
Shift to retention vs talent acquisition as priority driving higher focus on compensation

KEY POINTS OF DIFFERENCE	RETENTION FOCUSED	TALENT ACQUISITION FOCUSED
Linking compensation and performance	60%	32%
Investing more in compensation transparency	30%	19%
Investing more in compensation equity	34%	23%
Prioritizing recognition programs	20%	7%
Investing more in employee engagement	33%	23%
Administering engagement surveys	77%	64%
Implementing training for reducing bias	52%	20%
Implementing software to reduce bias	32%	12%
Developing clear employee growth paths	40%	24%

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What should employers consider when setting compensation? Employee views differ.

Age 55+

85% Work performance

49% Specialized skills

62% Cost of living

46% Tenure at company

Age 16-24

45% Work performance

38% Specialized skills

30% Education level

40% Cost of living

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Q&A

One model for compensation changes

Top Performers

Still Developing

	Lower in Pay Band	Higher in Pay Band
Top Performers	Most likely to get an increase	Might get an increase
Still Developing	Might get an increase	Unlikely to get an increase

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Decoupling conversations

'All-in-One'
Annual Reviews

Independent Cycles for
Compensation, Performance, and Growth

Performance
Compensation
Development

Performance
Reviews

Compensation
and Promotion
Cycles

Developmental
Reviews
and IDPs

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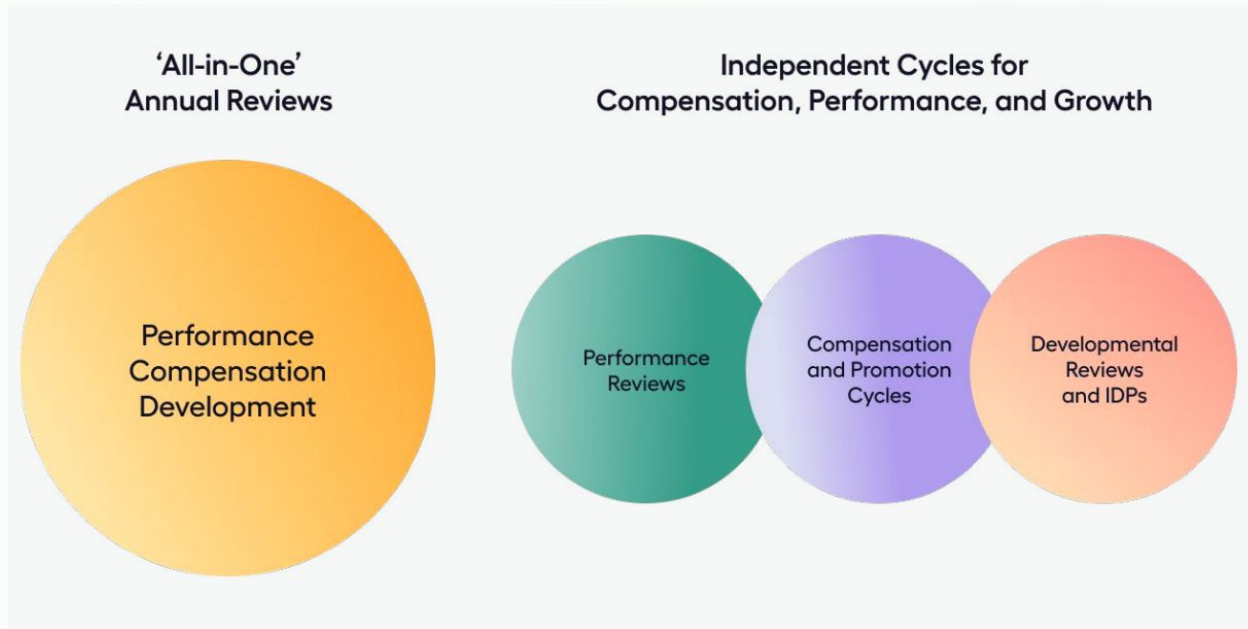
Compensation transparency spectrum

Very flexible

Very transparent

Pay is secretive and flexible

Pay bands are known by HR and finance only

Employees know their pay band

Employees know their pay band's range

Employees know the range for the pay band above theirs

Employees knows the ranges for all pay bands

Employees know exactly what everyone makes

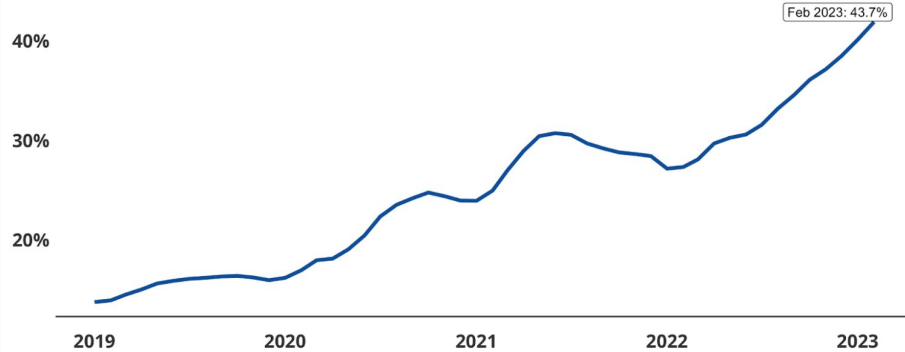**Lattice**
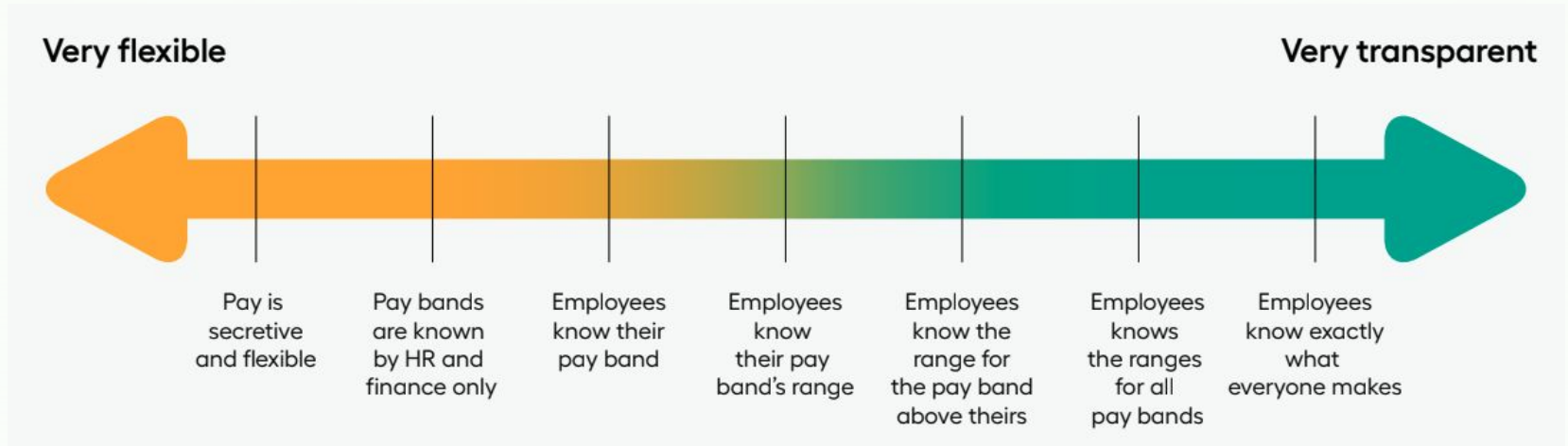
Pay transparency growing substantially over time, with differences by occupation

Pay transparency has risen significantly since 2019

Share of US job postings advertising salary (%), Jan 2019 to Feb 2023
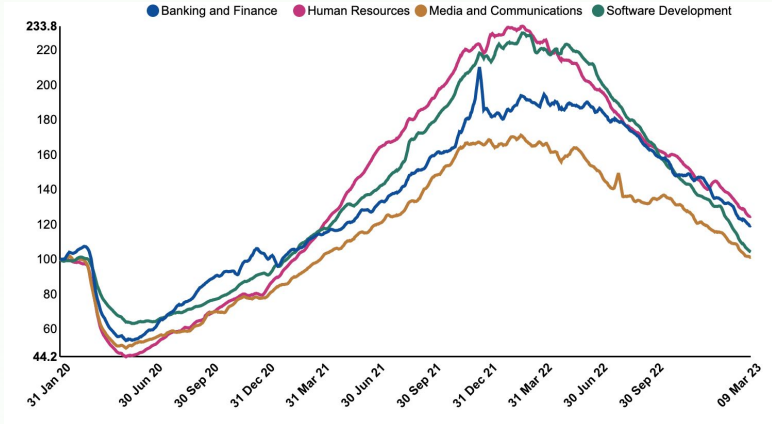

Feb 2023: 43.7%

Occupational groups with the highest and lowest pay transparency

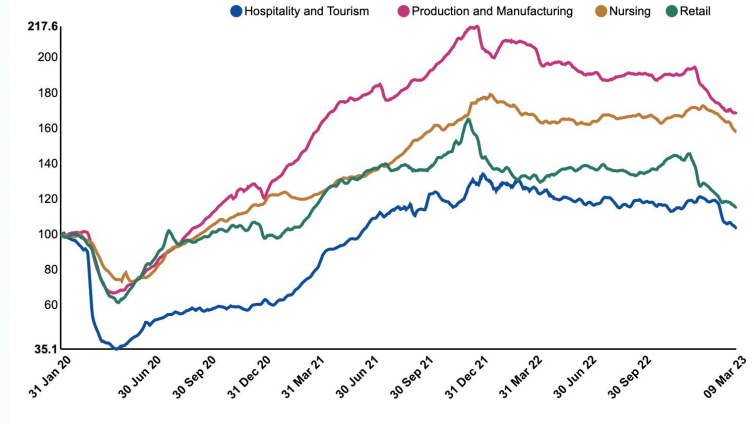Ranked by share of job postings advertising salary (%) in Feb 2023

Occupational Group	Feb 2023 (%)
Most Transparent	
Childcare	75.9%
Security & Public Safety	68.3%
Dental	63.1%
Personal Care & Home Health	61.8%
Real Estate	61.4%
Least Transparent	
Scientific Research & Development	33.1%
Management	32.8%
Banking & Finance	31.8%
Chemical Engineering	31.4%
Industrial Engineering	30.6%

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Job market softening, with drastic industry differences

Tech, Media & Finance

Legend: Banking and Finance, Human Resources, Media and Communications, Software Development

Set of other industries

Legend: Hospitality and Tourism, Production and Manufacturing, Nursing, Retail

Source: Indeed Hiring Lab tracking of job postings; 100 = Feb 2020 (pre-COVID) https://www.hiringlab.org/data/

Higher performing HR teams report substantially more investment in compensation programs

KEY POINTS OF DIFFERENCE	HIGH-PERFORMING HR	LOW-PERFORMING HR
Invest more in linking compensation and performance	46%	22%
Ability to link compensation and performance	64%	27%
Invest more in compensation transparency	37%	24%
Invest more in compensation equity	46%	29%
High performance on compensation equity	80%	37%
Use feedback from manager's manager in reviews	42%	18%
Use mostly quantitative data for performance reviews	52%	25%
Implemented training programs for reducing bias in reviews	57%	20%
Implemented software to reduce bias	40%	21%
Have clear employee growth paths	58%	19%
Invest more in coaching / upskilling programs	46%	29%
Invest more in HR analytics	50%	18%
Board pays attention to HR data	36%	19%

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Relating pay increases to performance

Pay & performance model

Significant relationship — — — Strongly significant relationship ——

Effective coaching by managers[1]

Goals linked to business priorities[2]

Differentiated compensation[3]

Perception of fairness[4]

Effectiveness of performance management

Positive impact on employee performance[5]

Positive impact on organizational performance[5]

Organization outperforms peers

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Pay & performance model

Number of practices in place at respondent's organization

0   1   2   3

+12x

7   27   43   84

% of respondents rating performance-management systems as effective[1]

The three practices

Linking performance goals to business priorities

Coaching by managers

Differentiating compensation

"...meaningful differentiation of compensation among low, midlevel, and high performers…the results confirm that this practice links closely with outperformance… Also on compensation, the results suggest that effective performance management is more likely when organizations separate compensation conversations from formal evaluations.

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Source: McKinsey; Harnessing the power of performance management and global survey of 1,761 executives on performance management

Pay transparency & compression

Our research uncovered that in firms adopting pay transparency practices, supervisors… assume a self-protective approach…

Because it's often time consuming and psychologically draining for them to address employee complaints and salary adjustment requests…[they] make employees' performance-based incentives more similar to each other — in other words, compressing them — thereby reducing the pay dispersion driving employee concerns and complaints about pay inequity.

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Pay transparency & compression

Make the performance-reward link clear and objective.

...clearly link performance with rewards — for example, objectives and key results (OKRs) — with continuous monitoring allows employees to better understand how their work relates to specific outcomes.

Provide training to facilitate pay-related communication.

One challenge in adopting pay transparency is managers' limited understanding of their company's compensation policy, even though they're the ones managing employee inquiries...

Restructure reward systems.

...companies should consider...offering [individualized rewards] to upskill employees... [and] reward and retain loyal employees.

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Thank You!