



第十七届中国薪酬福利年会

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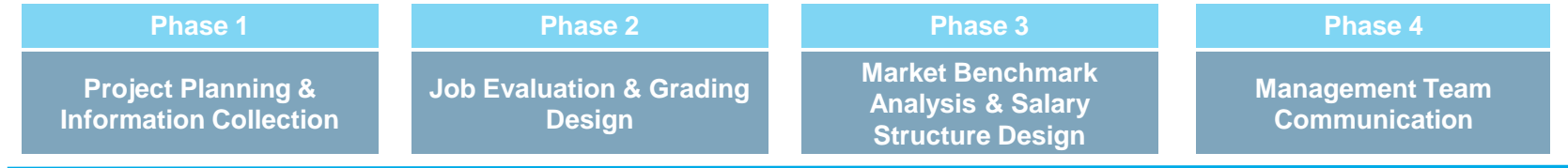
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Salary Structure Harmonization Project Sharing

Normal Process for Salary Structure Design Project



PHASE 1

- **Project Planning, Information Gathering and understanding business imperative to total reward system**

PHASE 2

- **Identify appropriate job evaluation methodology**
- **Design a job grading system according to internal job matching result**

PHASE 3

- **Diagnose pay competitiveness both internally and externally**
- **Develop a salary structure, transition plan and communication material**

PHASE 4

- **Provide project presentation to the management team to share the result of the whole project**
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Normal Process for Salary Structure Design Project



This Step Aims to

- Detailed planning project timelines and milestones with a clear definition of deliverables
- Collect appropriate information to gain a good understanding of target company

Key Activities

- Develop an information gathering list based on the project scope
- Interview key business leaders and HRM to understand their expectations
- Work out a detailed project plan with clear timelines and deliverables
- Specify the roles of the project team
- Conduct a project planning meeting with the project team members to agree upon the details of project activity and roles

Deliverables

- A detailed working plan with project activities and completion dates
 - Well-defined roles and accountabilities for both the Project team and the target company team
 - Project team will achieve a good understanding of target company's business strategy and management philosophy
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Phase 2: Job Evaluation & Grading Design



This Step Aims to

- Design an internal grading system through job matching for all the jobs in target company's current system

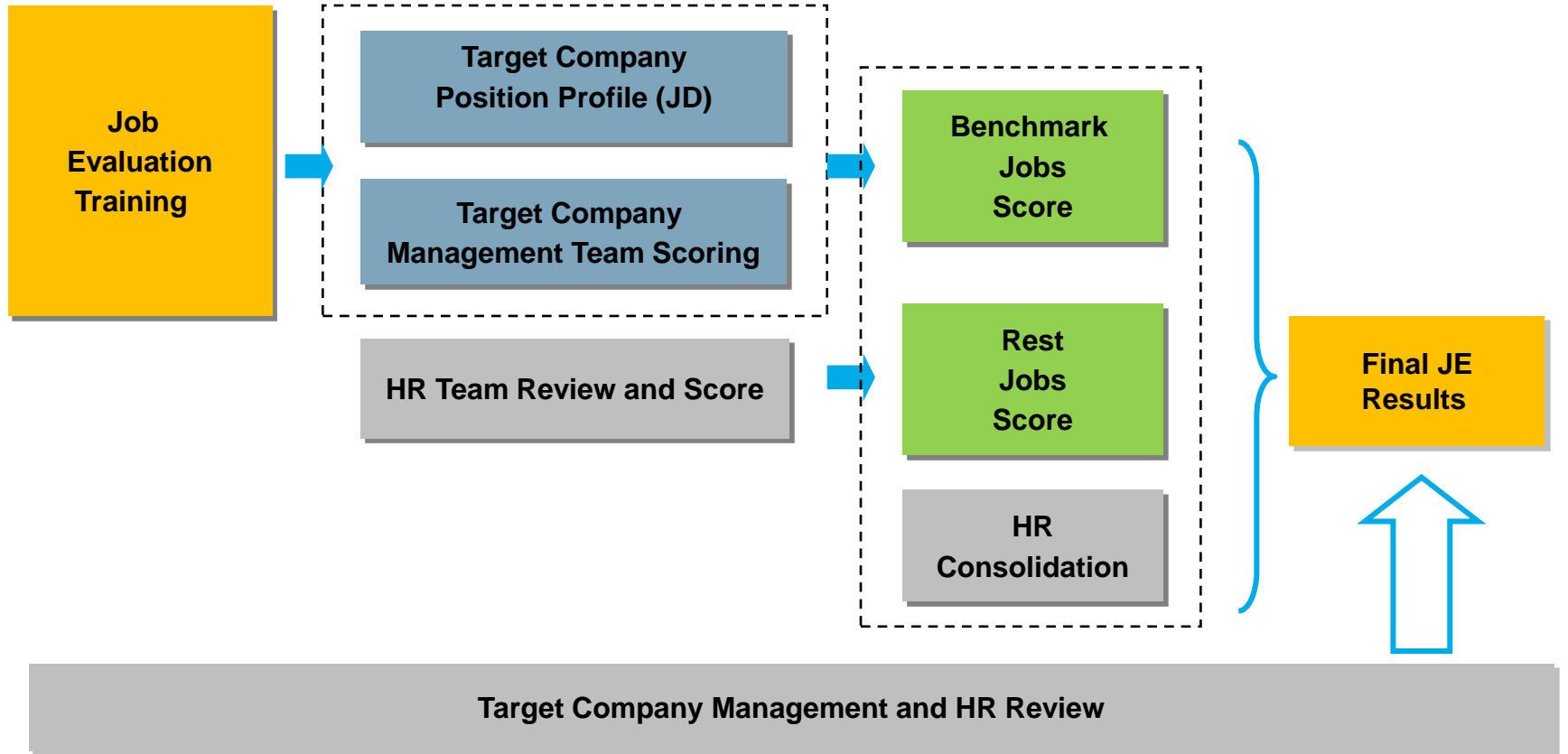
Key Activities

- Project team conducts several days on site job matching for all target company's jobs
- Review and finalize the job matching results to establish the new grading system to make sure all positions are correctly slotted in its proper grade and the system can support the compensation strategy.

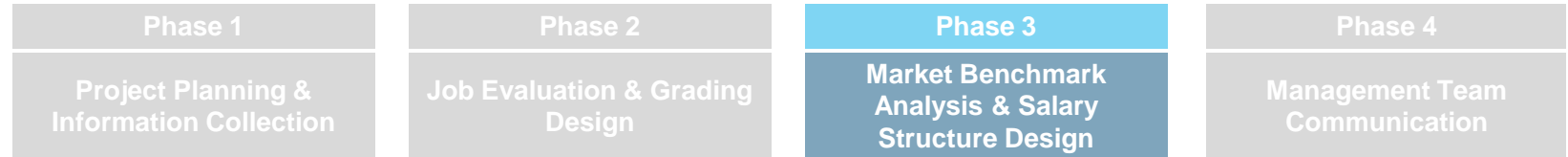
Deliverables

- A training to the project team
- Job matching result
- A final grading structure system which ensures internal relativity of the jobs and an appropriate number of grades for target company

Phase 2: Job Evaluation Process



Phase 3: Cash Market Benchmarking and Analysis



This Step Aims to

- Realistically accessing target company's competitive position versus the external market in terms of compensation.
- The external market data for target company is tailor-made according to the target market defined in the compensation strategy

Key Activities

- Conduct market data analysis of the comparator companies using market database
- Provide a competitive analysis of findings

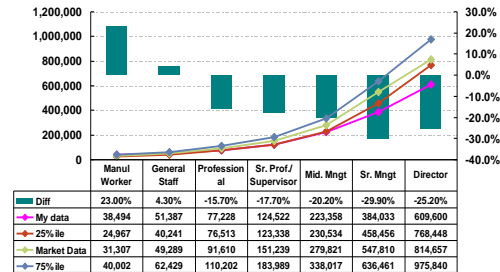
Deliverables

- Target company will have a very good understanding of how each job should be paid at the market and what's their market positioning.
- Competitive analysis report

Phase 3: Example Deliverables of Market Benchmarking

By Level

Competitive Analysis – By Level



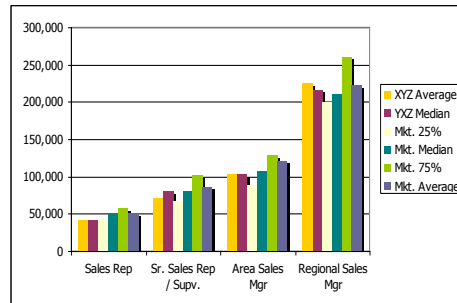
Market Analysis – Annual Guaranteed Pay (AGP)

Function	Manual Worker	General Staff	Professional	Supervisor/Sr. Prof.	Middle Mgr	Sr. Mgr
Finance			-9.3%	-1.1%	3.1%	
Materials			-46.8%	-35.5%		
Customer Service			-31.7%		-51.3%	
Quality			-26.6%			
HR/Admin		-22.7%	-33.6%		-44.7%	
Sales			4.6%	-43.6%	39.9%	
Production	-18.7%	-3.8%	-19.2%	-32.9%	-60.1%	
General Management						-52.1%

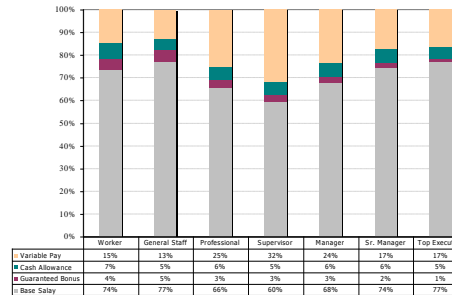
Annual Guaranteed Pay

Competitive Analysis – Key Positions

Key Positions



Competitive Analysis – Sample of Market Pay Mix



Pay Mix

Phase 3: Salary Structure Design



This Step Aims to

- Design compensation structure for target company, which is competitive enough to ensure the attraction and retention of talents.

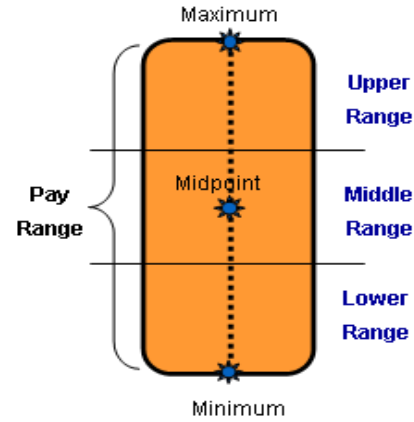
Key Activities

- Use the market benchmarking data and the job grading system, consultants will conduct technical design part of salary structures which involves max, min and midpoint for each grade
- Define how each job should be paid within each salary grade

Deliverables

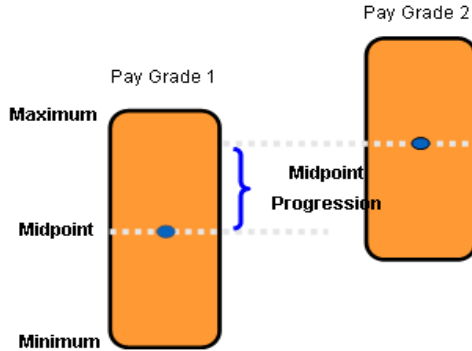
- Target company will have a well-defined salary structure which provides clear pay guidelines for each job

Phase 3: Example Salary Structure Design

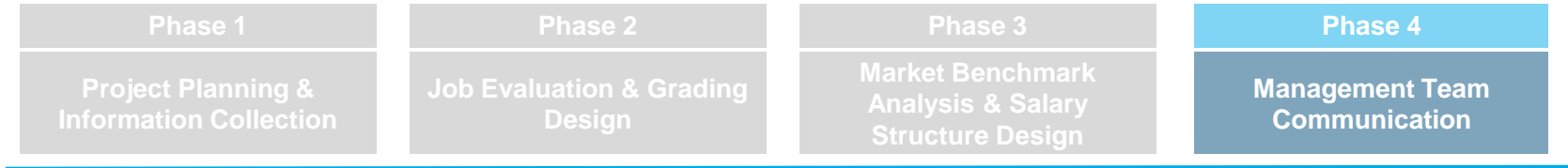


Grade	Z Data	Market Average of Grade	Natural Progression	Adjusted Progression	Structure Midpoint	Comp Ratio to Market	Comp Ratio to Z Data
1	54,130	54,798			54,000	-1%	0%
2	78,112	76,981	40%	45%	78,300	2%	0%
3	97,421	84,736	10%	15%	90,045	6%	-8%
4	119,836	108,273	28%	25%	112,556	4%	-6%
5	137,825	120,912	12%	15%	129,440	7%	-6%
6	158,430	159,832	32%	30%	168,272	5%	6%
7	290,123	277,831	74%	70%	286,062	3%	-1%
8	501,428	530,912	91%	85%	529,214	0%	6%
9	805,390	780,923	47%	50%	793,821	2%	-1%

Grade	Min.	T1	Midpoint	T2	Max.	Progression	Range Spread
1	41,500	47,700	54,000	60,200	66,400	45%	60%
2	68,100	73,200	78,300	83,400	88,500	45%	30%
3	72,000	81,000	90,000	99,000	108,000	15%	50%
4	90,100	101,400	112,600	123,900	135,200	25%	50%
5	112,500	121,000	129,400	137,900	146,300	15%	30%
6	140,300	154,300	168,300	182,400	196,400	30%	40%
7	190,700	238,400	286,100	333,700	381,400	70%	100%
8	352,800	441,000	529,200	617,400	705,600	85%	100%
9	529,200	661,500	793,800	926,100	1,058,400	50%	100%



Phase 4: Management Team Communication



This Step Aims to

- Let the management team to better understand the project result

Key Activities

- Prepare communication materials
- conduct one communication workshop for target company's management team to better understand the project findings and what's target company needs to do next to ensure the implementation for the whole salary structure

Deliverables

- Final presentation
 - Communication materials
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Case Sharing

Background

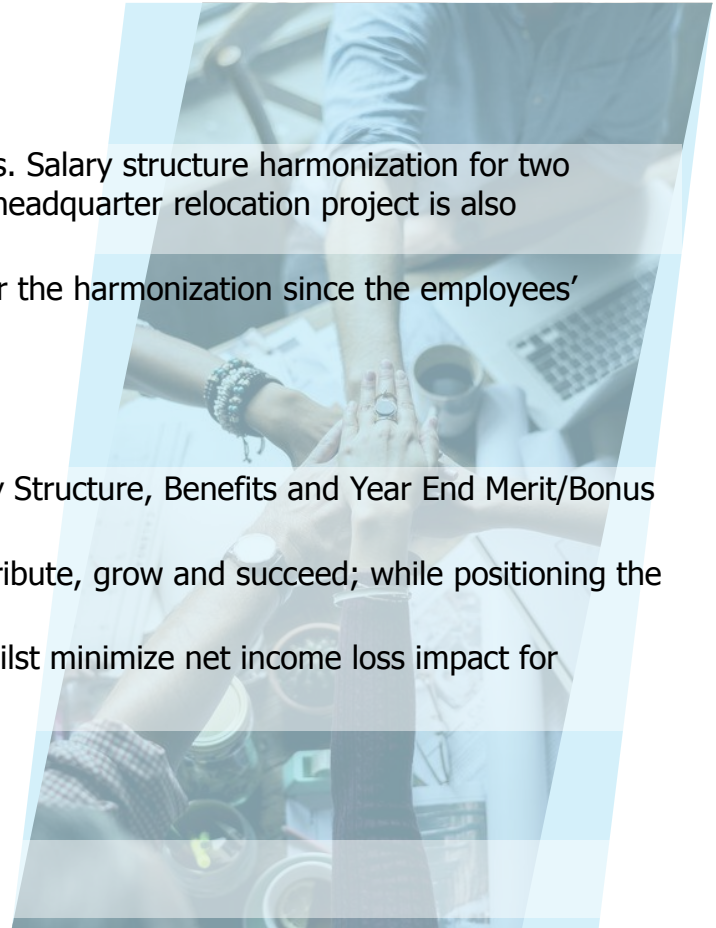
- With the merge of Z & T, numerous harmonization projects are in progress. Salary structure harmonization for two headquarters is one of the most important and fundamental project. The headquarter relocation project is also undergoing, which brings this topic on top of the list.
- Considering the business depression in China, it may be a better timing for the harmonization since the employees' expectation is easier to manage.

Summary

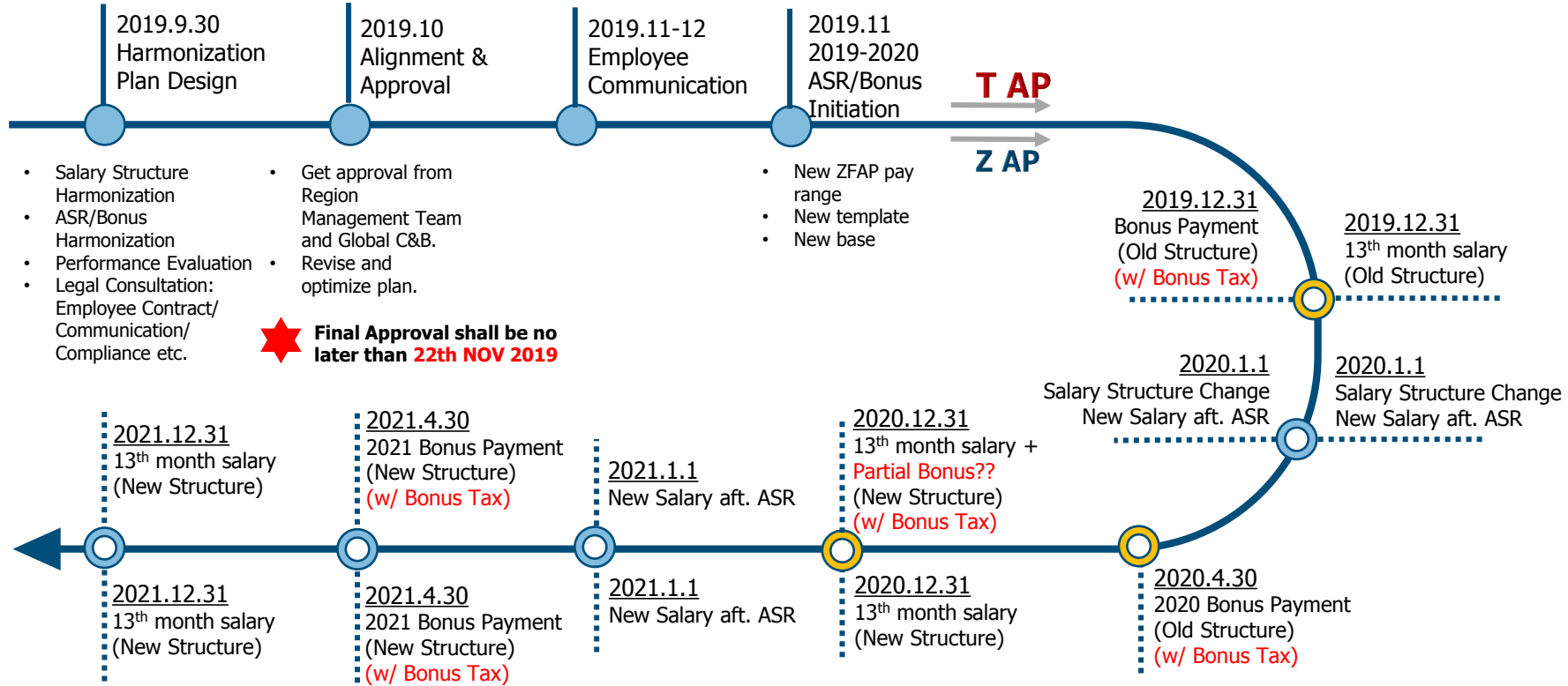
- Standardize comp & ben packages/process for employees including Salary Structure, Benefits and Year End Merit/Bonus review process.
- Promote a shared, internally equitable culture where employees can contribute, grow and succeed; while positioning the company for the future growth in China
- Harmonization activities targeted to be "cost neutral" for the company whilst minimize net income loss impact for individual employees.

Challenges

- Alignment from all divisions.
- Tight timeline for communication and process management.



Project Timeline (2020.1.1 effective)



Selling Point for Employee Communication

	Z AP Employee	T AP Employee
Salary Structure Change	<ul style="list-style-type: none"> • More & earlier monthly net income. (one Demo calculation is necessary) • More guaranteed, less variable pay elements. 	Higher base salary after social insurance merge back (?)
Benefit System Standardization	<ul style="list-style-type: none"> • One standard platform/system for all employee related non-cash benefits. • User friendly, variable choices. 	
C&B Process Integration	One process (performance review, merit increase etc.) in the whole Z Group, no more conflicts for future internal transfer	
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Employee Communication



Questions:

- My net income decreases.
- My monthly net decreases.
- My annual total net income decreases.

Answers:

- The One and Only Principle: Total Cash Equivalent
- Net income deviation is mainly caused by different Tax Rate.
- Without Bonus Tax in near future, the net income will be the same..



Questions:

- My Variable Pay increases with more unpredictability. (Business Modifier/Mid-year Leaving).
- My Variable Pay decreases thus less utilization of Bonus Tax.

Answers:

- Unpredictability stands for potential risks and potential benefits. With satisfying performance, it could be profitable.
- 13th month salary will be paid with Bonus Tax until it is cancelled. However, it is not beneficial for all employees due to the diverse tax rate. We implement ONE for ALL solution, Majority subordinate to minority.



Questions:

- New Hire/Recent Salary Adjustment will have tremendous increase in Social Benefits next year.
- Bonus Payment time is changed till end of April.
- Running Cost was included in ASR budget, but now not eligible for ASR.

Answers:

- When making salary proposal, total cash (including individual social benefits) is considered and benchmarked with internal peers and market.
 - The business modifier will be introduced in bonus calculation. The company result for calculation will be published in April each year. However, 13th month salary will be paid at the end of each year with last month salary.
 - Running Cost is a reimbursement budget, not a salary income, which shall not be considered during ASR.
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