Salary.com for Business’ Single Job Report solutions enable you to market price your jobs—even on an individual basis. Salary.com’s Job Valuation Report customizes your answer based on the unique characteristics of your employee or position to give you a complete pay picture, including base, bonus, raise and benefits data.
The values shown on this page involve significant assumptions. Please read the relevant sections of this report before using these numbers in a business decision.

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Executive Summary
Thank you for choosing Salary.com to provide market compensation information. Below is a summary of the market pay practices relevant to jobs similar to Accountant III in the relevant recruiting market. Attached to this memo is our complete Job Valuation Report.

Market Values for the Job of Accountant III
A benchmark job is a standard job that is common to numerous employers. To determine comparable market compensation practices, employers match their own jobs to the most similar benchmark job. You matched the job of Chief Financial Officer to the benchmark job Accountant III maintained by Salary.com. The recruiting market you specified includes employees in the Internet industry in Richland with 200 - 500 in FTEs. Salary.com has analyzed benchmark job data from multiple well respected compensation surveys to determine the benchmark base pay and total cash compensation practices for this job title in this recruiting market. In addition, we have provided “predicted” values that correspond to the best estimate of the pay most appropriate for a person with the skills and experiences you provided for a typical Accountant III.

Raises
Based on the current market conditions, a typical Accountant III should expect an annual salary increase of 2.0% to 4.8% this year. The raises applicable to your case can vary significantly if the employee is either a very strong or very weak performer. They should also vary significantly if the employee is well above or well below the market pay for the job.

Benefits
A typical benefits package in the Internet industry is worth between 33.0% and 44.3% of total cash compensation or $25,336 to $34,054 based on a total cash compensation of $75,292. These estimates include the employer’s contributions to Social Security, 401(k)/403(b), healthcare, time off, etc. This information is useful in explaining the total compensation you provide to your employees.

Additional Services
Full details on the information you provided, the results of your analysis, and the Salary.com methodology are included in the attached Job Valuation Report. If you need further assistance in interpreting your compensation needs or executing your compensation decisions, the Salary.com compensation experts are available for consultations. Call our toll-free number at

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Job Valuation Report

Molly Brown  
Accountant III  
Apple  
Location: Richland, WA  
Prepared by: Molly Brown  
Report Run: January 13, 2017  
Data Effective: January 2017

Summary

Job and Employee Traits
As many as four employer-related job traits and four employee-related traits were used to calculate the values predicted for a typical Accountant III.

Accountant III (Internet)  
Prepares balance sheets, profit and loss statements, and other financial reports. Responsibilities also include analyzing trends, costs, revenues, financial commitments, and obligations incurred to predict future revenues and expenses. Reports organization's finances to management, and offers suggestions about resource utilization, tax strategies, and assumptions underlying budget forecasts. Requires a bachelor's degree in area of specialty, and 4-6 years of experience in the field or in a related area. Familiar with a variety of the field's concepts, practices, and procedures. Relies on experience and judgment to plan and accomplish goals. Performs a variety of complicated tasks. May lead and direct the work of others. A wide degree of creativity and latitude is expected. Typically reports to a manager or head of a unit/department.

The Benchmark base pay represents competitive pay practices among comparable employers. The benchmark base pay for Accountant III is $66,168 to $80,916, which represents what comparable employers are paying people performing a similar job.

Predicted Base Pay: $71,830 – $75,995.  
The predicted base pay is the likely pay level necessary to attract and retain employees with the desired traits. While the benchmark base pay for Accountant III is $66,168 to $80,916, the requirements for a similar position with Apple vary slightly with the market as a whole; therefore, the Predicted Base Pay is a more accurate and appropriate base pay range for this position. Given the traits specified, the predict a base pay ranging from $71,830 to $75,995.

Benchmark and Actual Values as of January 13, 2017:

<table>
<thead>
<tr>
<th>Benchmark Comparison</th>
<th>Apple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Internet</td>
</tr>
<tr>
<td>Business Size</td>
<td>200 - 500</td>
</tr>
<tr>
<td>Job Title</td>
<td>Accountant III</td>
</tr>
<tr>
<td>Location</td>
<td>Richland, WA</td>
</tr>
<tr>
<td></td>
<td>Chief Financial Officer</td>
</tr>
</tbody>
</table>

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### Base Pay

<table>
<thead>
<tr>
<th>Base Pay</th>
<th>$73,065</th>
<th>$1,000,000</th>
</tr>
</thead>
</table>

### Total Cash Compensation

<table>
<thead>
<tr>
<th>Total Cash Compensation</th>
<th>$75,292</th>
<th>$1,000,000</th>
</tr>
</thead>
</table>

Data Effective: January 2017

### Benchmark Market Ranges

Benchmark base pay and total cash compensation (TCC) are the market ranges for the selected position for the selected scope criteria—that is, employers of comparable size, in comparable industries, in comparable geographic areas. The market for this report is based on the salaries for a typical Accountant III as reported by companies with 200 - 500 FTEs, in the Internet industry, and doing business in the Richland metropolitan area. These external market ranges do not take into account the effect of employer-related traits and employee traits, which are reflected in the Predicted Base Pay.

Base pay for benchmark job: $66,168 to $80,916

Total cash compensation for benchmark job: $67,587 to $84,133

### Benchmark Base Pay

Base pay is the annual, fixed portion of cash compensation. Base pay is compensation for an employee’s fulfillment of a job’s essential functions. Base pay does not include any other forms of cash compensation such as bonuses, incentives, overtime, premiums, or differentials. The most prevalent competitive pay philosophy targets the market median for base pay.

This chart illustrates the median base pay for this position, broken down by industry, company size, and location.

<table>
<thead>
<tr>
<th>Percentiles</th>
<th>25th</th>
<th>Median</th>
<th>75th</th>
</tr>
</thead>
<tbody>
<tr>
<td>All sizes; All industries; All U.S.</td>
<td>$65,903</td>
<td>$72,800</td>
<td>$80,673</td>
</tr>
<tr>
<td>200 - 500; All industries; All U.S.</td>
<td>$66,309</td>
<td>$73,298</td>
<td>$81,236</td>
</tr>
<tr>
<td>200 - 500; Internet; All U.S.</td>
<td>$67,945</td>
<td>$75,027</td>
<td>$83,088</td>
</tr>
<tr>
<td>200 - 500; Internet; Richland</td>
<td>$66,168</td>
<td>$73,065</td>
<td>$80,916</td>
</tr>
</tbody>
</table>

### Benchmark Total Cash Compensation

Total cash compensation (TCC) is the combined value of base pay plus short-term incentives such as bonuses, incentives, and commissions, if any. The TCC figures shown do include data reflecting employers for whom the benchmark job did not earn STI this year, or was not eligible for STI. For such employers, TCC is the same as base pay. TCC minus base pay equals the average STI across all employers. This means it includes $0 for any employer that doesn’t report paying STI, whether or not the employee is eligible.
This chart illustrates the total cash compensation (TCC) for this position, broken down by industry, company size, and location.

**Percentiles**

<table>
<thead>
<tr>
<th>Total Cash Compensation: Accountant III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentiles</td>
</tr>
<tr>
<td>All sizes; All industries; All U.S.</td>
</tr>
<tr>
<td>200 - 500; All industries; All U.S.</td>
</tr>
<tr>
<td>200 - 500; Internet; All U.S.</td>
</tr>
<tr>
<td>200 - 500; Internet; Richland</td>
</tr>
</tbody>
</table>

**Benchmarking**

**Benchmarking Basics**

Benchmark job descriptions are simplified descriptions that facilitate comparisons. Human resources managers responding to the surveys analyzed by Salary.com must match their company and job descriptions as closely as possible to the benchmark categories. A benchmark job description must match the actual job by between 80% and 120% to be valid for comparison. Hybrid jobs are not surveyed, but may be priced as a weighted average of several salary reports. Jobs should be benchmarked against the recruiting market from which most employees are drawn. A single employer may need to use different benchmark comparisons for different jobs. For jobs strongly defined by industry and company size, such as executive jobs, employers may find their job is best benchmarked against a national recruiting market. Recruiting for lower-paid talent is often a matter of local conditions. Employers may find themselves competing against employers in completely different industries for these core jobs. Generate additional reports for alternative recruiting markets to compare with employers of different industries, sizes, and locations.

**Impact of Job and Employee Traits**

To narrow the salary range and to predict salaries higher or lower within the range for benchmark base pay, Salary.com analyzes the impact of both employer-related and employee traits. As entered, the traits of Apple and a typical Accountant III at Apple result in a Predicted Base Pay that is $1,406 above the median of the Benchmark Base Pay range as of January 2017. This page reports the data used in Salary.com’s formulation of the predicted base pay for a typical Accountant III at Apple.

**Employer-Related Job Traits**

Employer-related job traits capture differences in an employer’s staffing requirements for a job versus those of typical employers in a recruiting market. If the employer’s requirements are more stringent than those of comparable organizations, its predicted base pay and TCC would
be at the higher end of the range; conversely, if its requirements are less stringent, its predicted base pay and TCC would be at the lower end of the range.

<table>
<thead>
<tr>
<th>Job Variable</th>
<th>Characteristics at this Employer</th>
<th>Salary.com Impact Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>To whom this position reports</td>
<td>Supervisor</td>
<td>3</td>
</tr>
<tr>
<td>How many report to this position</td>
<td>11 - 25</td>
<td>4</td>
</tr>
<tr>
<td>Shift differential</td>
<td>1st</td>
<td>3</td>
</tr>
<tr>
<td>Hazard pay</td>
<td>Not applicable</td>
<td>3</td>
</tr>
</tbody>
</table>

Employee Traits

Some of the individual’s traits have a quantifiable impact. If the individual shows especially strong qualifications, predicted base pay and TCC would be at the higher end of the range; conversely, if the individual’s traits are not as strong, predicted base pay and TCC would be at the lower end of the range.

<table>
<thead>
<tr>
<th>Employee Variable</th>
<th>Characteristics of this Employee</th>
<th>Salary.com Impact Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Experience</td>
<td>5.00000</td>
<td>3</td>
</tr>
<tr>
<td>Performance Rating</td>
<td>Above expectations</td>
<td>3</td>
</tr>
<tr>
<td>Education</td>
<td>Superior (Top 20 Institutions)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Reputation, High Relevance ED05</td>
<td></td>
</tr>
<tr>
<td>Additional Education</td>
<td>N/A</td>
<td>-1</td>
</tr>
</tbody>
</table>

Incentive Pay

While base pay is compensation for the general requirements of a position, incentive payments are compensation offered to reward specific achievements. Short-term incentive (STI) payments reward employees for achieving performance goals that are measured annually or more frequently. Long Term Incentive (LTI) payments are predetermined awards to employees that reflect the company’s performance over a performance period over one year, usually designed to retain high-value employees over longer periods of time.

Expected Short-Term Incentives for the current year: $3,724
Calculated as of 5.0% of the median predicted base pay ($74,471). Assumes company and employee performance at expectation.

Expected Long-Term Incentives for the current year:
Long term incentive plans generally are limited to senior executives and vary too widely from company to company to establish a significant statistical sample.

Short- and Long-Term Incentives

Short Term Incentives

Short term incentives (STI) are cash payments made by employers to reward employees upon achievement of critical business goals. Bonuses are discretionary payments to recognize exceptional performance by an individual or group, usually awarded after the fact. Commissions and spot awards are other common forms of cash incentives. The increasing
prevalence of STI plans has enabled employers to restrain base pay growth while still rewarding successful business performance.

Below is an incentive payout grid that may be appropriate for organizations like yours. You have told us that the maximum bonus percentage at your organization for a typical Accountant III is 10.0%. To determine the recommended salary adjustment, find the intersection of the rating you gave to the performance of Apple and the individual performance of a typical Accountant III at Apple in the table.

### Employee Performance Rating (relevant level highlighted)

<table>
<thead>
<tr>
<th>Annual Performance of Apple</th>
<th>Poor or Needs Improvement</th>
<th>Below Expectations</th>
<th>Meets or Above Expectations</th>
<th>Excellent or Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Expectations</td>
<td>2.5% Payout (25% of Max)</td>
<td>5.0% Payout (50% of Max)</td>
<td>7.5% Payout (75% of Max)</td>
<td>Maximum Payout</td>
</tr>
<tr>
<td>As Expected</td>
<td>1.0% Payout (10% of Max)</td>
<td>3.8% Payout (37.5% of Max)</td>
<td>5.0% Payout (50% of Max)</td>
<td>7.5% Payout (75% of Max)</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>No Payout</td>
<td>2.5% Payout (25% of Max)</td>
<td>3.8% Payout (37.5% of Max)</td>
<td>5.0% Payout (50% of Max)</td>
</tr>
<tr>
<td>Significantly Below Expectations</td>
<td>No Payout</td>
<td>No Payout</td>
<td>1.0% Payout (10% of Max)</td>
<td>2.5% Payout (25% of Max)</td>
</tr>
</tbody>
</table>

This bonus payout grid is for use as an example only. The actual payout at the end of any year depends on both individual and corporate performance. Your company’s incentive plan may differ in format or award levels.

### Long-Term Incentives

Long-term incentive (LTI) plans generally reward employees for attaining corporate performance goals that are measured less frequently than one year. The measurement period for LTIs is typically two to five years, but can be as long as 10 years. LTI plans can deliver rewards in the form of cash or equity.

#### Cash LTI Plans

Cash plans target organization-wide performance measures, typically financial or operational in nature. Cash-based plans can be used when company stock is not an available or appropriate form of compensation. Cash-based plans generally are used:

- Private company
- Not-for-profit organization
- When strategic business results are better leveraged with cash

Common Cash LTI Plans include:

- Stock appreciation rights (SARs)
- Phantom stock
- Performance units

#### Equity LTI Plans

Equity or stock-based plans track the company’s share price or total shareholder returns. Stock-based plans are best for:

- Aligning employee and owner interests
- Focusing employees on equity performance
• Encouraging long-term employee commitment

Equity LTI Plans include:
• Stock options
• Restricted stock
• Performance shares

Benefits and Perquisites
Benefits are any indirect or noncash forms of compensation, such as goods or services given to, used by, or provided to employees at reduced or no cost. Because benefits are not usually denominated in dollars, employees frequently overlook the value provided by the employer. Although employees often contribute a portion of their benefit costs through payroll deduction, in most cases the cost to the employer significantly outweighs the cost to the employee. Employees should be made aware of the employer’s cost and asked to consider what the employee’s cost would be to replace the benefit. Employers should concentrate on providing those benefits that are worth more to employees than it costs the employer to provide.

Noncash Compensation
Benefits and perquisites make up an important—and sometimes very valuable—part of an employer’s total compensation package. When discussing compensation with employees, it is important to remember these indirect compensation components.

Cash value of benefits: $25,336 to $34,054
This represents 33.0% to 44.3% of median predicted total cash compensation.

Benefits Breakdown
The values of benefits are based on the typical benefits offered by employers in the Internet industry and the median predicted Total Cash Compensation. The numbers shown represent the employer-paid portion of each benefit.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Low 25th Percentile</th>
<th>Median 50th Percentile</th>
<th>High 75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security / FICA</td>
<td>$5,881</td>
<td>$5,881</td>
<td>$5,881</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>401(k) or 403(b) Match</td>
<td>$2,691</td>
<td>$3,306</td>
<td>$3,998</td>
</tr>
<tr>
<td>Disability Insurance</td>
<td>$1,076</td>
<td>$1,461</td>
<td>$2,229</td>
</tr>
<tr>
<td>Healthcare Insurance</td>
<td>$5,292</td>
<td>$6,166</td>
<td>$7,074</td>
</tr>
<tr>
<td>Pension Contributions</td>
<td>$1,230</td>
<td>$4,228</td>
<td>$4,228</td>
</tr>
<tr>
<td>Paid Time Off (PTO)*</td>
<td>$9,166</td>
<td>$10,053</td>
<td>$10,644</td>
</tr>
<tr>
<td>Total</td>
<td>$25,336</td>
<td>$31,094</td>
<td>$34,054</td>
</tr>
</tbody>
</table>

* Dollar value of all time off, such as when paid at termination. The number of days reflected in the values for the 25th, 50th, and 75th percentiles are 31.0, 34.0, and 36.0 days, respectively.

Perquisites
Perquisites (perks) are those goods or services given to, used by, or provided at reduced cost to some group of employees. Employers should know the true cost of providing any perk, and estimate the value employees place on such perks. As with benefits, employers should concentrate on providing perks that are worth more to employees than it costs the employer to provide. The most prevalent perquisite for executives is a company car or automobile.

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allowance. The most prevalent perquisite for exempt employees is company-paid professional dues.

The practice of providing valuable perquisites to employees as compensation, however, is more prevalent among executives. Some traditional perquisites include the following:

- Company car, automobile allowance, or transportation subsidy
- Dues for professional associations
- Scholarships and matching gifts
- Dues for club memberships (sports clubs, hospitality/travel clubs)
- Discounts provided to employees for company products or surplus
- Supplemental health, welfare, or retirement benefits

Other perquisites that have recently gained in popularity include the following:

- Dependent care allowance or provided on site
- Flexible work hours and/or the option to bank flexible leave time
- Paid telecommuting expenses and equipment
- Subsidized meals or refreshments
- Services (concierges or errand-runners, retirement planning, outplacement, adoption assistance, tax or financial counseling)

When labor markets are tight, many companies add perks designed to attract strong candidates and keep current employees from leaving the organization. Prominent examples in the past few years included massage therapists, concierge services, sportscars, and the ubiquitous foosball table. When labor markets favor employers or the economy tightens, such high-profile perquisites are among the first expenses to be cut.

**Guidelines for Decisions about Pay**

Raise values are based on performance at or above the expectations of a typical Accountant III and the median predicted base pay.

Expected annual raises: $1,489 to $3,575

This represents 2.0% to 4.8% of median predicted base pay.

**Linking Pay to Performance**

Employers wishing to tie pay to performance typically divide the likely pay range for a given job into several pay levels. Each pay level corresponds to a measurable level of job performance, with progressively higher performance corresponding to progressively higher pay. Each time performance is evaluated, pay is reset to correspond to expected future performance levels. The raise predicted for a typical Accountant III is highlighted in the table below.

<table>
<thead>
<tr>
<th>Employee Performance Rating</th>
<th>Poor or Needs Improvement</th>
<th>Below Expectations</th>
<th>Meets or Above Expectations</th>
<th>Excellent or Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level - Top 25% of Pay Range</td>
<td>No Raise</td>
<td>No Raise</td>
<td>0.0% - 2.0%</td>
<td>2.0% - 4.8%</td>
</tr>
</tbody>
</table>

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### Middle Level - Middle 50% of Pay Range
- Meets standard job criteria
- Possesses required knowledge and skills
- Mature and proficient professional
- Performs all/most accountabilities of job effectively and independently
- Consistently exhibits desired competencies to perform job successfully

<table>
<thead>
<tr>
<th>Improvement Plan</th>
<th>No Raise Place on performance improvement plan</th>
<th>0.0% - 2.0%</th>
<th>2.0% - 4.8%</th>
<th>3.0% - 5.8%</th>
</tr>
</thead>
</table>

### Bottom Level - Lowest 25% of Pay Range
- New to job/role; recent hire, newly promoted, or trainee
- Little/no direct experience
- May not meet all job performance criteria
- Knowledge and skills for the job are still developing
- Exhibits some of the desired competencies for the job

<table>
<thead>
<tr>
<th>Improvement Plan</th>
<th>No Raise Place on performance improvement plan</th>
<th>0.0% - 3.0%</th>
<th>3.0% - 5.8%</th>
<th>4.0% - 6.8%</th>
</tr>
</thead>
</table>

### About Pay Setting
This sample matrix for pay increases is designed to guide employers in reviewing employees’ pay in the context of job performance and competitive market ranges. An employee who meets expectations and whose salary falls within the bottom level of the pay range requires a substantial increase to move the salary closer to the middle level of the range. By contrast, an employee who needs improvement and whose salary falls within the middle level typically would not receive an increase until either performance improved or the bottom level of the pay range increased to the employee’s level through normal salary movements.

An employee whose performance rating coincides with the placement of his or her pay with in the market range would receive an increase that approximates annual pay trends to maintain the appropriate placement. In cases where an employee’s pay approaches or reaches the upper limit of the pay range for a given job, employers may do the following:

1. Freeze base pay at the maximum for the range. Additions to an employee’s base pay would then occur only if the pay range moves up.
2. Reward performance in the form of lump-sum payment, but do not add to base pay.
3. Slow pay growth as the salary approaches the range maximum by giving smaller increases to base than performance would indicate.
4. Slow base pay growth by rewarding performance through a partial merit raise added to base with the remainder paid as a lump sum.

Employers may also outline ways for employees at the upper limit of a job to earn a promotion to another job with greater value and higher base pay.

### Timing and Rationale for Raises

#### Timing of Raises
The labor market is constantly changing, but pay is set just once or twice a year. There are three basic choices for keeping employee pay in synch with the market.

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• Lead the market by setting pay at the start of a cycle to the value expected for the end of the cycle, placing pay above the market initially and waiting for the market to “catch up.”

• Lag the market, by setting pay at the start of a cycle to then-current levels. Over time, the market will progressively rise above lagged pay.

• Use a lead/lag policy, setting pay at the start of a cycle to the expected level for the middle of the cycle. Such firms lead initially, but lag at the cycle’s end.

Rationale for Raises
Employers should give raises for reasons tied to business objectives. Three types of such raises are common:

• Market trend raises, which respond to competitive pressures in the recruiting market and are given provided an employee performs as expected for the pay level.

• Merit increases, which reward improvements in performance in the same job.

• Equity adjustments, which correct a past mispricing of a job or an employee.

Cost-of-living raises, tied to consumer prices, are not related to any businesses objective and are therefore out of favor as a means of setting pay.

Pay Policy
Since a new employee’s performance is unknown, the starting salary should be somewhat conservative. Many jobs are subject to change over time, due to internal and external factors including technology advances, industry changes, employers’ needs, and incumbents’ capabilities. Reevaluate the job once a year and, when appropriate, select a new benchmark. The Job Valuation Report database contains job families that reflect career levels. When considering the promotion of an employee, generate a new report to obtain the appropriate benchmark base pay range. Pay for part-time employees is administered under the same guidelines that are used for full-time employees, with adjustments for the reduced work schedule. The job should be assigned to the appropriate pay range, based on the benchmark for the full-time job. The employee’s annualized base pay should be determined as if the employee worked full-time, and then prorated for part-time status. Equity adjustments may from time to time be necessary to calibrate pay levels appropriately within a job, department, job family, etc. Considering equity before any pay decisions are made can reduce the need for and magnitude of periodic equity adjustments.

Starting Pay for New Employees
Some compensation programs start all new employees at the minimum of the pay range. Starting at the minimum may be appropriate for inexperienced candidates, but it is inappropriate for experienced candidates. Paying at the minimum for all new employees is likely to create recruiting problems, since the minimum is generally below market value for experienced people. In addition, the practice of starting everyone at the minimum will cause pay compression over time.

Pay compression occurs when the salaries of several employees, despite clear differences in capability, are clustered closely together. This means highly capable employees are paid similarly to employees with less skill and experience. This eventually creates morale problems, particularly for the more capable employees.
A better approach is to establish pay for new employees that reflect their capabilities. Under this approach, a new employee’s skills and competencies are evaluated through the interviewing process. The pay level is determined by using guidelines for placing pay within the range for benchmark base pay, and by considering internal equity and budget constraints. This method establishes an appropriate starting pay that is consistent with the capabilities the new candidate brings to the job.

**Promotion to a Job with a Higher Pay Range**
In traditional compensation programs, a promotion results in an automatic pay increase. This uniform approach can be problematic for several reasons.

- Not all promotions are of equal value.
- Automatically increasing an existing pay level may simply perpetuate the trend of an employee's pay history, which may not reflect the value the employee currently brings to the employer. Also, there may have been circumstances in the past that resulted in either over- or underpaying the employee which the promotion is an opportunity to correct.
- An automatic increase policy prevents managers from tailoring the increase to the circumstances of the promotion.

A better approach is to determine the appropriate pay for an employee based on performance demonstrated in the previous job (which indicates the capability to handle the new job), rather than focusing on current pay. The pay level within the new benchmark base pay range would be determined using guidelines on and considering internal equity and budget constraints. The adjustment, therefore, would be the difference between the old and new pay guidelines.

**Demotion to a Job with a Lower Pay Range**
When a demotion results in an employee’s movement to a job having a lower pay range, current best practice favors setting pay based on both the nature of the demotion and its relationship to performance. Voluntary demotions are carried out with the consent of—or even at the initiation of—the employee. Employers or employees may initiate performance-related demotion, but demotions used to facilitate a transfer or more favorable working hours are generally not considered performance-related. The chart below gives the recommended pay impact for the four types of demotion.

<table>
<thead>
<tr>
<th>Employer's Reason for Demotion</th>
<th>Voluntary</th>
<th>Involuntary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related to employee’s performance</td>
<td>Pay is decreased to below the midpoint of the new range.</td>
<td>Pay is decreased to below the midpoint of the new range.</td>
</tr>
<tr>
<td>Not related to employee’s performance</td>
<td>Pay is not decreased unless it is in the top level of the new range.</td>
<td>No change in pay.</td>
</tr>
</tbody>
</table>

Some organizations do not decrease pay for demotions in any circumstances. Employers who allow the demoted employee’s pay to be set by the pay in a previous job should be careful to treat it as an exception. If not treated as an exception, these legacy situations can cause internal equity problems between the demoted employee and his/her new peer group. Employers sometimes compound their difficulties by forgetting the circumstances of the demotion and dwelling only on the pay differences, or by overpaying the new peer group in an attempt to remedy the internal equity problem.
Negotiation with Employees

Employers benefit from having a formal performance and compensation review cycle. Many companies have a semiannual performance review cycle. One of the two reviews often coincides with the normal annual salary review while the other is used sparingly for special or off-cycle salary adjustments. This formal process is helpful because it allows the employer to do the following.

- Establish a regular schedule the employer and employee can use to prepare for discussion and negotiation.
- Communicate the employer’s commitment to engage in a negotiation.
- Minimize the number of off-cycle negotiations and adjustments.
- Set expectations about the employer’s important business objectives and the rewards that correspond to meeting or exceeding those objectives.

Preparing for a Salary Negotiation

Employers face negotiations with employees in all aspects of the relationship, but two types of negotiations are particularly important: the first occurs once, upon hire, and the second occurs at each subsequent salary review. Assess the candidates or employees with regard to the following considerations.

- Competence. How capable are the employees in performing the job? Assess their ability to perform the specific functions of the job effectively by reviewing past performance, if applicable. Also consider whether they have the experience, skills, and competencies you require.
- Compatibility. How well would they do the job here? Assess their ability to interact effectively with customers, suppliers, and other employees. Also, assess their abilities to develop a positive impact on the desired results.
- Compensation. Will they perform the jobs for the pay levels we deem to be appropriate? Assess your organization’s ability to attract and retain the caliber of talent necessary for business success within the job’s market range. Will they be difficult to replace?

Candidates and employees who review favorably against these considerations may warrant higher placement within the pay range for the job.

Performance Management as an Effective Negotiation Process

Employers can negotiate effectively with employees when the process is based on performance management. Employers can collaborate with their employees by communicating important business goals and the rewards associated with achieving results. The benefits of this collaboration are as follows:

- Employees know their employer’s performance expectations.
- Employees develop ownership for meeting or exceeding performance expectations.

Both employer and employees can agree in advance what the rewards will be depending on actual performance outcomes.

- Communicate a clear understanding of how employee performance will be measured in the coming year.
• Establish three to five reasonable, measurable goals with each employee at the beginning of the performance year.
• Agree on what the salary increase and incentive award will be depending on actual performance outcomes.

Negotiation Pointers
• Do not withdraw from an employee who initiates a negotiation.
• Employees who approach employers to discuss compensation may be concerned about more than just pay. Be sure to look for sources of dissatisfaction other than compensation—but do not ignore compensation.
• Open communication generally helps build morale. Many employers find that bad news that is well communicated is much better for the environment than bad news that is not discussed at all.
• When discussing salary issues with an employee, make sure it is a discussion with both parties talking. Solicit employee input.
• Discuss your views. Talk about recent performance and expected future performance, as appropriate.
• Although many aspects of the employment arrangement are negotiable, most employees focus first on cash compensation.
• While cash compensation is an important element of the employment arrangement, other important considerations include scope of responsibility, degree of autonomy or authority, and noncash compensation. Do not ignore or underrate these means for satisfying the demands of an employee you seek to retain.
• The section on benefits and perks can be helpful in framing a discussion of the benefits offered to an employee.
• Employers should focus on benefits and perks that are valued more highly than it costs to provide them.
• Thank the employee for talking with you about the issues.

Methodology
The market compensation data in any Job Valuation Report is the same as the data Salary.com provides to all corporate clients, and is developed using the same methodology. Each job has been thoroughly researched and validated by Salary.com’s team of compensation consultants using practical standards for data collection, analysis, and validation that are widely accepted throughout the compensation profession.

To customize the market data to an employer’s needs, Salary.com ‘s compensation consultants compare the job and employee traits, where specified, against those typical for the benchmark job. Based on the importance and reasonable value of each trait, Salary.com predicts where an employee with such traits may be expected to fall within the benchmark job’s market range. The result is the predicted pay range.
Valuing Benchmark Jobs

The data in this Job Valuation Report represents Salary.com’s market price for this job. The source of the data is Salary.com. All pay figures are expressed in U.S. dollars. Our team of compensation consultants establishes our market compensation data based on primary and secondary research, analysis, and a proprietary mathematical model.

1. Salary.com identifies jobs to include in the database and creates benchmark job descriptions that summarize the key aspects of each job.

2. In addition to using our own data, Salary.com identifies and purchases the most current compensation surveys covering the targeted jobs. All of the surveys are published by reputable compensation data firms and Salary.com makes sure each adheres to the standards set by WorldatWork.

3. Salary.com’s compensation consultants match our job descriptions to the most comparable jobs (if any) from each available data source. Each job must be matched to multiple survey sources to be published in the Salary.com database.

4. Our compensation consultants create a composite view for each job and recruiting market, then adjust the data for any inherent biases in the source data.

5. Salary.com’s compensation consultants periodically validate the database by comparing the figures with relevant labor market indicators.

6. The Salary.com consultants’ composite view is then a “best-of-the-best” analysis of the compensation market for each job for which the data is sufficient to report.

7. The compensation consultants identify those scopes for which data is insufficient and interpolate or extrapolate a best estimate of a reasonable market range.

8. The team updates the database every month to incorporate the most current information available and to reflect the general movement of salaries. Therefore the market data
Valuing Traits
Placing a value on required talent involves both statistical analysis and compensation principles. To customize the analysis, we apply a general set of rules based on our experience with market pricing.

1. Salary.com identifies the traits—also called compensable factors—that are likely to have an impact on how an employer values the talent required to fulfill the job.
2. Each compensable factor is given a range of possible scores linked to the user’s possible responses and adjusted for the expected, or typical, response for that job.
3. Salary.com’s compensation consultants further weight each factor depending on its relative importance for the given job.
4. Using the traits, the consultants then generate a unique valuation to predict the pay level necessary to attract and retain employees with those traits in relation to the benchmark job’s market range. This is the predicted pay range for the job.

Glossary

Base pay. The annual, fixed portion of compensation paid to an employee. This is the rate or salary paid for an employee’s fulfillment of a job’s essential functions. Base pay does not include differentials, premiums, overtime, benefits, or any pay element other than the base salary rate.

Benchmark base pay. The range of competitive compensation levels paid by comparison employers for the benchmark job. The range is defined by the 25th percentile (low), 50th percentile (median), and 75th percentile (high) market compensation statistics.

Benchmark job. A commonly found job for which quality market pay data is available. A benchmark job within the employer’s recruiting market can be matched to a comparable job within the company. For an organization to assess the competitiveness of its pay practices for its job, the benchmark and company jobs should have similar content, as characterized in the benchmark job description.

Benchmark job description. A brief, generic version of a job description used to help employers match comparable jobs throughout a particular recruiting market. Benchmark descriptions provide general details regarding the role, level of responsibility, and qualifications for the job for the purpose of developing the benchmark base pay.

Benefits. Services provided to employees at reduced or no cost as a form of compensation. Benefits include mandated benefits (e.g.—Social Security, unemployment insurance, family and medical leave), and may also include health insurance, disability insurance, retirement plans (pensions, 401(k) or 403(b) plans), and pay for time off (sick days, vacation days, holidays).

Bonus. An after-the-fact discretionary award in cash or other item of value based on individual, group, or enterprise performance.
**Commission.** A predetermined, direct cash payment made as incentive pay for the sale of a product or service, usually calculated as a percentage of the gross sale or flat amount for each unit sold.

**Comparison employers.** Employers within a recruiting market as defined by industry, company size, and geographic location.

**Compensable factor.** Any factor used to provide a basis for judging job value to create a job worth hierarchy. The generic compensable factors established by the Equal Pay Act of 1963 are skill, effort, responsibility, and working conditions. See also employer-related traits, employee traits.

**Compensation philosophy/policy/strategy.** The principles that guide design, implementation, and administration of a compensation program at an organization. The strategy ensures that a compensation program, consisting of both pay and benefits, supports an organization’s mission, goals, and business objectives. It may also specify what programs will be used and how they will be administered. The philosophy ensures that a compensation program supports an organization’s culture. The policy ensures that a compensation program carries out the compensation strategy while supporting the compensation philosophy.

**Compensation review.** The formal process (typically an annual process) of evaluating an employee’s compensation package for the purpose of adjusting the value of compensation elements according to plan design and company policy.

**Competency.** A behavior, attribute, or skill that is a relevant predictor of individuals’ successful job performance at the company.

**Cost-of-living increase.** A means of determining raises by tying wages to the prices of a standard market basket of goods and services (e.g.—groceries, healthcare, housing). Preferred methods tie raises to factors affecting the employer (see also pay raise).

**Defined-benefit retirement plan.** A benefit plan that makes a guaranteed periodic payment during an employee’s retirement. The value of the benefit is based on a formula that typically takes into account pay and years of service. Sometimes called a pension plan or traditional pension plan.

**Defined-contribution retirement plan.** A benefit plan to which contributions are made by the employer or employee during a worker’s tenure, but whose ultimate payout is determined by the plan’s investment performance. SEP-IRAs, 401(k) plans, and 403(b) plans are all defined contribution retirement plans.

**Demotion.** The formal reassignment of an employee to a job with less responsibility requiring lower levels of skills, knowledge, and capabilities. See also promotion.

**Differential pay.** Extra pay allowances made to employees who work on a shift other than a regular day shift (e.g.—nights, weekends, holidays).

**Disability insurance.** An insurance plan that pays a worker who is temporarily or permanently unable to work due to physical or mental illness.
**Employee traits.** Those aspects of an employee’s background that may have an influence on the predicted pay ranges. Such traits are compensable factors that include years of job experience, recent performance rating, education, and professional certifications.

**Employer-related traits.** (Or employer-specific job traits) An employer’s staffing requirements for a particular job that tend to influence the predicted pay ranges of base pay or compensation. Such traits are compensable factors that include organizational level, number of direct reports, work shift, and hazardous working conditions.

**Equity adjustment.** An adjustment to the compensation level (usually an increase or raise in pay) of an individual or group to correct for a lack of parity with external or internal markets. See also *external equity* and *internal equity*.

**Estimated market value.** See *predicted pay range*.

**External equity.** A measure of an employer’s compensation levels compared to those employers within its recruiting market. As a fairness criterion, external equity implies that the employer compensates at levels that correspond to prevailing, external market rates, as determined by the job’s benchmark pay range. Not to be confused with terms relating to equity (shares) as a form of corporate ownership.

**FICA.** The Federal Insurance Contributions Act. The act mandating that employers and employees submit payroll taxes to support the Social Security system.

**401(k) plan.** A type of defined-contribution retirement plan sponsored by for-profit employers. Often characterized by individual accounts, contributions, and sometimes employer markets.

**403(b) plan.** A type of defined-contribution retirement plan sponsored by employers in the not-for-profit sector. Often characterized by individual accounts, contributions and sometimes employer markets.

**Health insurance.** Forms of insurance designed to mitigate financial hardship resulting from injury or illness, such as hospitalization costs, pharmaceutical expenses, and surgery. Many employers offer paid medical insurance as a benefit to employees.

**HR.** An abbreviation for *human resources*. The term refers to the corporate function that provides employment services to company managers and employees.

**Incentive.** A predetermined award in the form of cash or another item of value that is contingent upon the achievement of individual, group, or enterprise results identified at the beginning of a performance cycle.

**Incumbent.** A person doing a particular job; the employee.

**Internal equity.** A fairness criterion that directs an employer to establish compensation levels that correspond with each job’s relative value to the organization. See also *job evaluation*.

**Interquartile range.** The difference between the values for the 75th and 25th percentiles.
Job evaluation. A process used to establish each job’s relative value to the employer by comparing and evaluating job descriptions and other employer-related job traits. Not to be confused with a performance evaluation.

Job family. A group of jobs of the same nature (e.g., engineering) but requiring different levels of skill, effort, responsibility, and working conditions (e.g.—entry- vs. senior-level engineer).

Job’s market value. See benchmark base pay.

Long-term incentive (LTI). Predetermined awards to employees for the company’s performance over a performance period greater than one year, usually designed to retain better employees over longer periods. Stock options are the most common forms of long-term incentive compensation.

Market pay trends. The annual rate of change in pay tied to pay raises implemented by comparison employers for similar jobs.

Median. The value in the middle when a set of data points is ranked from the lowest to the highest, so that there is an equal number of data points below and above it. Also called the 50th percentile.

Merit increase. An adjustment to an individual’s base pay rate because of performance or some other measure of individual equity.

Overtime pay. Under the Fair Labor Standards Act of 1938 (FLSA), nonexempt employees must be paid one-and-a-half times their base rate for all hours worked in excess of 40 in any work week. Some states require overtime to be calculated based on a work week other than 40 hours.

Pay compression. When the pay rates of several employees, despite clear differences in capability, are clustered close together. In situations of pay compression, highly capable employees are paid similarly to employees with less skill and experience. This eventually creates morale problems, particularly for the more capable employees.

Pay raise. An increase in employee base pay to reward individual merit (see merit increase), respond to competitive pressure (see market pay trend), or correct prior mispricings versus internal or external equity standards (see external equity and internal equity).

Pension. See defined benefit retirement plan.

Percentile. A mathematical term representing the value of a point in a set of data below which a certain percentage of the data points lie. For example, the 40th percentile of a set is larger than 40% of the set, but smaller than the remaining 60%, whereas the 75th percentile lies above the lowest 75% of a set, and below the highest 25%.

Performance evaluation. The evaluation of an incumbent against the performance expectations for the job. Where a job evaluation measures the worth of a job relative to an organization, a performance evaluation measures the worth of an incumbent relative to the job.
Performance management. A managerial process that consists of planning performance, managing performance (through observation, feedback, discussion), improving performance through development, evaluating performance, and rewarding performance.

Performance period. The predetermined time during which individual, group, or enterprise performance is measured.

Perquisites. Goods or services that may be given to, used by, or provided at reduced cost to employees. Essentially, compensation above and beyond the employee’s regular pay and benefits that may reduce the employee’s normal personal expenses. Also known as supplemental benefits.

Predicted pay range. The market range of base pay or total cash compensation for a job at comparison employers, adjusted to account for employer-related traits and employee traits. The predicted pay range is Salary.com’s estimated market value for a particular incumbent in a particular job in a particular organization.

Premium pay. Extra pay, beyond the base salary, for working beyond regularly scheduled hours, or under hazardous conditions, or for highly demand knowledge and skills.

Promotion. The formal reassignment of an employee to a job with greater responsibility requiring higher levels of skills, knowledge, and capabilities. See also demotion.

Recruiting market. The segment of the national labor market from which a particular company recruits its employees. The market segment is defined by comparison employers with which a company competes for employees.

Red circle. Company policy for treating an individual whose compensation is above the maximum guideline for the assigned job. In this situation, an employee may be ineligible for future pay increases until the maximum guideline surpasses the employee’s pay level due to market pay trends.

Short-term incentive (STI). An award, typically a cash payment, to an employee when company or individual goals have been achieved. The performance period for short-term incentives is one year or less.

Social Security. A benefit program covering retirement, death, and disability mandated by the U.S. federal government for most nongovernmental workers. Social Security is supported by payroll taxes governed by the Federal Insurance Contributions Act (FICA) and paid by both employer and employee.

Starting pay. The compensation level at which employees typically are hired into a job according to company policy.

Time off. Any benefit permitting a paid absence from work. Time off is commonly offered for use for vacation, sickness, government holidays, optional holidays, or dependent care. Also called paid leave. See also unpaid leave.

The values shown on this page involve significant assumptions. Please read the relevant sections of this report before using these numbers in a business decision. All pay data is expressed in U.S. dollars.

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Total cash compensation (TCC). The cumulative value of annual base pay and other annual cash payments such as bonuses or incentives.

Unpaid leave. An employment status in which an employee ceases working and receiving ordinary pay, but may continue to receive benefits and/or retain a claim on his or her prior position.