

Five keys to getting compensation right

Insights from the 2018 Getting Compensation Right Survey Asia Pacific findings

In today's rapidly evolving work ecosystem, compensation programs must meet a growing range of often conflicting objectives. Are Asia Pacific employers getting compensation right?

For many years, base pay has been the most important driver of attraction and retention in Asia Pacific (AP). The processes for annual merit increases take up considerable management time, yet many companies and employees agree that although base pay recognises performance, it's not driving performance. It's time to get compensation right.

The Willis Towers Watson *Getting Compensation Right Survey* includes information on pay practices for nearly 2,000 global companies, with about 40% representing Asia Pacific. When it comes to meeting employee expectations for compensation, employers must clarify how base pay is determined, improve the differentiation of incentives, make effective use of technology, prioritise fair pay and build a culture of pay transparency.

This research summary, with an emphasis on Asia Pacific, aims to provide employers in the region a deeper understanding of the current state of pay programs, changes employers plan to make in the next three years and our tips for getting compensation right.

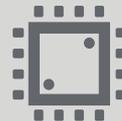
Our findings examine five elements critical to developing relevant, high-impact compensation programs.



Clarify the factors that determine base pay



Improve differentiation of incentives



Make effective use of technology



Prioritise fair pay



Build a culture of pay transparency



1. Clarify factors that determine base pay

Employers continually struggle to deliver base pay programs that effectively reflect and drive performance

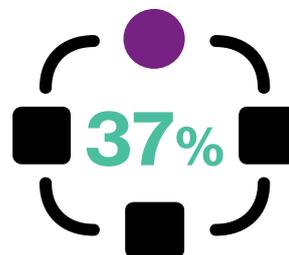
The top three challenges to effective pay-for-performance for AP employers are:



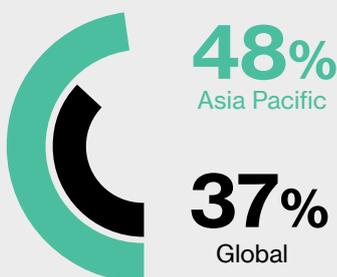
Limited budgets



Manager capability



Limited pay differentiation



About half of AP employers responded that their base programs are effective at differentiating pay and driving higher individual performance.

This may be due to necessity rather than a desired approach, as many Asian companies do not have effective annual incentive plans in place.

When it comes to differentiation,



of AP employers say they can effectively do it.

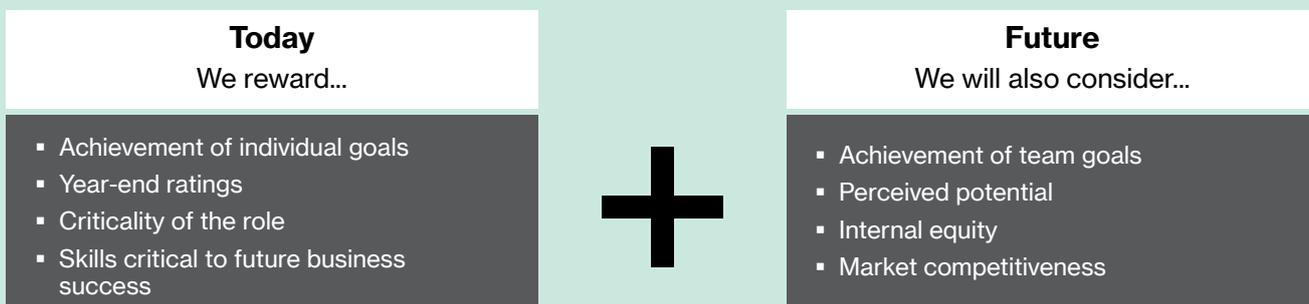
However, only



say base pay increases are effective at driving higher individual performance.

Tip Consider multiple factors when determining base pay

Considering more factors in pay decisions is positively related to effectiveness. Many companies say additional factors will be considered in the future.

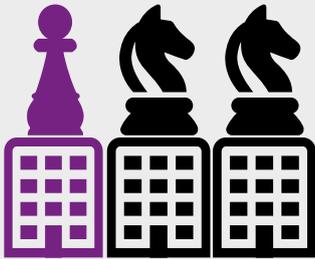


For best results...

- Ensure base pay decisions can be supported by as many factors as might be necessary anywhere within the organisation.
- Subsets of these factors should be used to address base pay decisions within employee segments.
- Ensure managers are equipped to make appropriate base pay decisions.
- Ensure the organisation has the tools and technology to manage the decision process fairly and accurately.

2. Improve differentiation of short-term incentives

Many AP employers are missing opportunities to differentiate incentive payouts to top performers



1/3 of AP employers pay incentives to employees **who do not meet expectations**.



When actual incentive funding levels fall below target, nearly

4/5 reduce the payout to top performers than other employees.

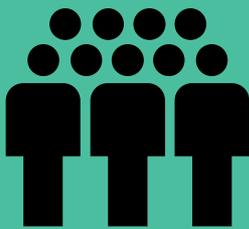
Half have made or are planning to **make changes** to the design of their **annual incentive plans**.



51% are planning on or considering developing **new types of recognition programs**.

Tip

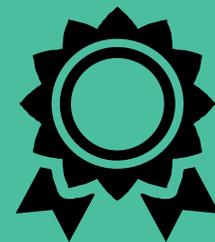
Differentiate incentives enough to make them meaningful to different employee groups



Ensure your incentive payouts deliver appropriate upsides to the right employee groups.



Review your funding targets at all performance levels to ensure you are optimising opportunities to reward top talent.



Consider adding new programs, e.g. a recognition program that reward employees without increasing fixed costs such as base pay.

3. Use technology to improve decision making

Many employers are administering 21st century compensation programs with 1990s technology, making pay decisions even more challenging



Less than half of organisations use software beyond spreadsheets **to support implementation of base pay** and **to determine short-term incentives** both globally and in Asia Pacific.

Those companies that rely on spreadsheets are **50%** more likely to say that **not having the right technology is a challenge** to delivering effective pay for performance.

42% AP / **34%** Global of companies have **technology challenges** that aren't being addressed.

Tip Make effective use of technology with the right software

WHAT..... To make the right compensation decisions, you need software with integrated functionality that will support:



Global job leveling



Benchmarking



Robust reporting and analytics capabilities

HOW..... Start by assessing compensation software tools that provide:



Consumer-grade experience



Configurability



Integrated solutions



Reporting, analytics, decision support

AND..... Improve the employee experience by delivering detailed and up-to-date compensation information to employees via a total rewards portal.

4. Prioritise fair pay

Despite having formal processes in place to prevent bias or inconsistency in hiring and pay decisions, many employers fall short when it comes to fair pay

Most AP companies give themselves high marks for having formal processes in place to prevent bias and inconsistency in hiring and pay decisions, including:



77% Performance reviews



76% Hiring decisions



74% Base pay increases



74% Starting salaries

However, there's still room for improvement:

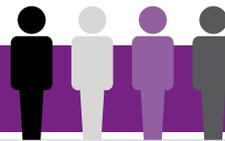
Fewer AP employers believe that gender pay equality will become a more important factor in pay decisions. **have a formal I&D program.**



Gender pay equality

Gender pay equality will become a more important factor in pay decisions in the next three years.

13% vs **39%** vs **41%**
AP vs EU vs North America



Inclusion & Diversity (I&D)

We have a formally structured and managed I&D program.

22% vs **23%**
AP vs Global

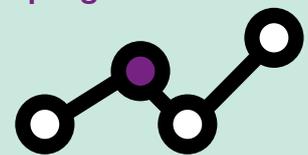
I&D programs for AP companies typically target:

	Asia Pacific	Global
Gender	88%	87%
People with disabilities	63%	61%
Age	61%	55%
Racial and ethnic groups	49%	53%
Sexual preference	41%	41%

Tip

Make fair pay integral to your compensation programs

- **Review the processes currently in place** in your organisation to ensure fair pay decisions.
- **Reconsider your base pay programs** with an eye toward addressing pay equity issues.
- **Conduct a diagnostic** to formally address the progress of your fair pay agenda and whether further actions are needed. (Consider surveying employees to assess their perceptions, and then continue to implement on an annual basis to measure progress.)



5. Build a culture of pay transparency

Generational preferences, legislation and publicly available data are contributing to heightened expectations for pay transparency



say their employees understand how their base pay is determined.



of AP employers are planning to take action within the next three years to **increase the level of transparency in pay decisions.**

Tip Make pay transparency a goal of your reward strategy

- **Establish a clear and future-focused reward strategy** to help manage and explain compensation decisions.
- **Communicate your reward strategy and accompanying pay philosophy** to create a culture of pay transparency.
- Equip managers with the **necessary training and tools for pay transparency communication.**
- Use your **reward and career framework to serve as the foundation for open communication** regarding compensation.



Effective compensation programs are an important part of the talent value proposition and as such are linked to increased attraction and retention of top talent, improved employee engagement and higher levels of financial performance. Isn't it time to **get compensation right?**

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