

Pay Rate Compensation Metrics – Manage Employees

There are two compensation metrics available to Perform HR users that are useful in determining an employee's current comparative compensation point in a pay range related to their job. Meaning, how an employee's **annual** pay stacks up against others in the area who are performing the same or a similar job. These two measurements are: Compa-Ratio and Range Penetration.

In order for these two calculations to occur, there are a few prerequisites:

1. A Pay Range must first be set up within Configure Company. For details, refer to the job aid entitled: Perform HR_Pay Ranges (Configure Company).
2. The Pay Range must be tied to a Job Title within Configure Company. For details, refer to the job aid entitled: Perform HR_Pay Ranges (Configure Company).
3. The Job Title must be assigned on the employee's Position page within Manage Employees.
4. The employee must have a pay rate assigned on their Compensation Pay Rates page within Manage Employees.

Provided the above steps have been taken care of, the system will automatically calculate Compa-Ratio and Range Penetration on the employee's Pay Rates page. This job aid will provide information on these two compensation metrics.

Compa-Ratio

Compa-Ratio is a measurement of an employee's annual salary compared to the midpoint of their position's pay range. This ratio is calculated using the following formula:

$$\text{Compa-Ratio} = \text{Salary} \div \text{Pay Range Midpoint}$$

For example, if John earns \$54,000 per year and the annual salary range for his job is \$40,000 to \$80,000, the midpoint would be \$60,000. Therefore, the calculation would be $\$54,000 \div \$60,000 = 0.90$. Meaning, John is earning 90% of the midpoint of his salary range. So, he's close to the midpoint; earning *about* average for his position!

Ratios *below* 1.00 indicate the employee is paid below the midpoint (just like John, in our example), while a ratio *at* 1.00 means the employee is paid at midpoint, and a ratio *above* 1.00 means the employee is paid above midpoint.

Compensation metrics will display in red if they are either below the pay range minimum or above the pay range maximum.

Compensation metrics will display in blue if they are within range; meaning, between the pay range minimum and maximum.

Note: Compare compa-ratios for multiple employees to quickly see which is earning significantly more or less than the midpoint of their range.

Range Penetration

Range Penetration is another metric that can provide useful data when analyzing an employee's annual compensation and determining where they fall within the range and how much more room there is for them to move up. Unlike compa-ratio, range penetration takes into consideration the entire pay range rather than focusing on just the midpoint. Range penetration is calculated using the following formula:

$$\text{Range Penetration} = (\text{Salary} - \text{Range Minimum}) \div (\text{Range Maximum} - \text{Range Minimum})$$

For example, if John earns \$54,000 per year and the annual salary range for his job is \$40,000-\$80,000, you can see that the minimum is \$40,000 and the maximum is \$80,000. The calculation would be:

$(\$54,000 - \$40,000) \div (\$80,000 - \$40,000) = 0.35$. Meaning, John's range penetration is 35%, which indicates he is 35% of the way into his range.

A range penetration of 0% indicates the employee is paid at the range minimum, 50% indicates they are at midpoint, and 100% means they are paid at the range maximum.

Compensation metrics will display in red if they are either below the pay range minimum or above the pay range maximum.

Compensation metrics will display in blue if they are within range; meaning, between the pay range minimum and maximum.

Note: You can use range penetration data to set goals. For example, you may target new hires to be in the first 30% of the pay range, with more tenured associates having a penetration of 70% or more.

Note: Use compa-ratio in conjunction with range penetration in order to get a more holistic view of the data.

The following numbered list and corresponding screenshots will illustrate the flow this function takes:

- 1 From within **Configure Company**, the Pay Range is set up.
- 2 From within **Configure Company**, the Jobs page identifies the **Pay Range Code** associated with the specified Job Title.
- 3 From within **Manage Employees**, the Position page identifies the **Job Title** pertaining to the displayed employee.
- 4 From within **Manage Employees**, the Pay Rates page displays the Current Compa-Ratio and the Range Penetration.

Screenshot is available on the next page

Pay Ranges

Active Show History Show Future + New Pay Range

Code	Minimum	Midpoint	Maximum	Effective Dates
Shift Foreman 1	\$40,000	\$60,000	\$80,000	1/1/2017

Jobs

Programmer

Job Details

Active Employees: 4 | Last Updated On: 01/09/2017 | Last Updated By: Training, Diane

Job Title * | Job Code

Pay Range Code **2** | Job Category

Min: \$40,000 | Mid: \$60,000 | Max: \$80,000

Position

Current Position | History

Client: 100788 - Single Client for SST with PFMHR

Job Title **3** | Department * | Paygroup *

FLSA: | Manager * | Work Location:

Pay Rates

Current Compa-Ratio: 0.9000 **4** | Range Penetration: 35%

Show History Active pay rates are displayed in bold.

#	Description	Pay Rate	True Annual Salary	Effective Date	% Change	Reason	Actions
1	Rate 1	\$2,250.00 / pay	\$54,000.00	01/01/2017	N/A		<input type="text"/>