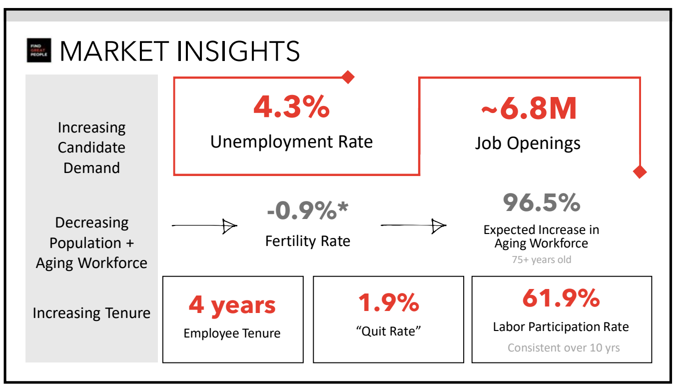
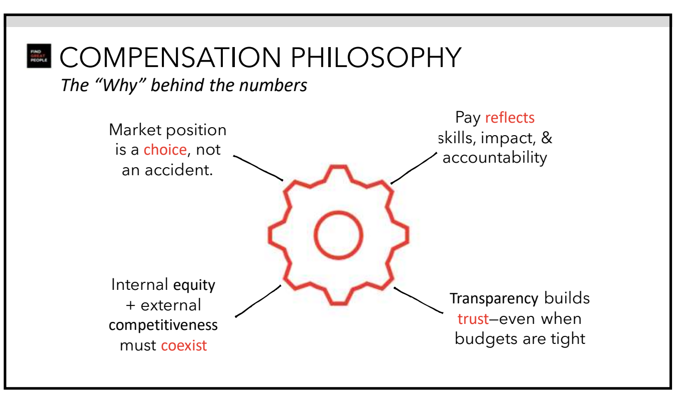
The information provided here is for informational and educational purposes and current as of the date of publication. The information is not a substitute for legal advice and does not necessarily reflect the opinion or policy position of the Municipal Association of South Carolina. Consult your attorney for advice concerning specific situations.





PAY COMPRESSION

WHAT IS IT & WHY DOES IT MATTER?

- Definition: new hires close to or above existing pay
- Costs: morale, turnover, fairness concerns
- Especially visible in smaller orgs with fewer layers

WHAT TO DO ABOUT IT?

- Audit & benchmark regularly
- Adjust proactively, not reactively
- Communicate pay philosophy clearly
- Balance fairness with financial sustainability

PAY COMPRESSION: Case Study

Operations pay floor rising 7%.

Option	Description	Pros	Trade-offs + Risks
A: Hold internal pay steady + raise new hire offers	Bring in new employees at higher rates to stay competitive, but do not immediately adjust existing staff.	• Keeps immediate payroll impact lower • Helps fill vacancies quickly	• Can erode morale and engagement among tenured staff • Increased turnover risk
B: Raise internal pay + new hire rates ("lift the floor")	Increase pay for both new hires and existing employees in similar roles to preserve internal equity.	• Protects culture and fairness perceptions • Strengthens retention and engagement	• Higher-short-term budget • Potential compression up the ladder

PAY TRANSPARENCY ISN'T ALL OR NOTHING

Transparency exists on a spectrum.

Silence creates stories employees fill in themselves.

The Goal: **CLARITY**, not overexposure

Consistency matters more than perfection!

WHAT EMPLOYEES REALLY WANT FROM PAY CONVERSATIONS

How
pay decisions are made.

Why
people in similar roles may earn differently

What
growth looks like over time

What
they can control

BENCHMARKING: WHY & HOW

- Benchmark for All Roles
- Frequency: Every 2-3 Years
- Data Points Matter: Industry, Region, Role
- Benchmark Both Fixed and Variable
- Insight Into the Market: Competitiveness

Starting Point, Not End Point
"Art & Science"

BENCHMARKING: MARKET POSITION

Job Family	Typical Market Target	Rationale/Strategic Intent
Operations & Skilled Roles	60^{th} – 65^{th} percentile	Higher turnover risk, difficult to recruit mid-level talent, essential to daily execution
Technical & Professional Roles	65^{th} – 70^{th} percentile	Competitive market, retention-sensitive, tied to innovation and quality outcomes
Administrative / Support	50^{th} – 55^{th} percentile	Stable supply of qualified candidates; invest instead in growth and culture
Leadership	60^{th} – 75^{th} percentile	Critical decision-making and continuity; reflects scope, accountability, and market visibility

Market position is a deliberate choice, not a data accident.

WHEN SALARIES ARE OUT OF LINE

Above Market — Slow increases; Add non-monetary value

Below Market — Adjust priority roles; Use retention bonuses

WHEN SALARIES ARE OUT OF LINE

	Tier	Definition	Gap to Market	Risk Level	Recommended Action	Timing
1	**Critical Fix**	Pay ≥ 10% below market & high turnover or retention risk	≥ 10%	High	Correct in-cycle - full or partial adjustment; communicate rationale clearly	Immediate
2	**Manage & Monitor**	Moderate gap (5-10%) or moderate turnover risk	5-10%	Medium	Create a 2-cycle glidepath or partial adjustment paired with recognition/bonus	Next 1-2 cycles
3	**Stable & Observe**	Within 5% of target, low risk	< 5%	Low	Maintain current rate; revisit next annual cycle	Ongoing
4	**Compression Review**	Incumbents impacted by new hire pay or structure change	Varies	Medium	Assess structural adjustments during next review; budget 0.5-1% payroll reserve	Mid-year review

WHAT TO ACTUALLY LOOK FOR

EQUITY ≠ EQUALITY

- Same role, same performance, different pay
- Legacy decisions that never corrected
- Tenure used as a proxy for value
- Compression fixes that create new inequities

INCENTIVES: STRATEGIC VS. AD HOC

- Too many bonuses are discretionary
- **Risks:** unfairness, entitlement, misalignment
- **Best practice:** tie to clear, aligned metrics

INCENTIVES: EFFECTIVE METRICS

INDIVIDUAL
Project Delivery
Quality

TEAM
On-Time Completion
Reduced Rework

COMPANY
Revenue
Profitability
Customer Satisfaction
Closings
Starts

Mix Short- and Long-Term Incentives

WHEN COMPENSATION WORKS

Trust in Leadership
Engagement & Retention
Performance Conversations
Employer Brand
Psychological Safety
...IMPROVES!

WHERE IS YOUR ORGANIZATION TODAY?

REACTIVE	Market pressure drives decisions
STRUCTURED	Ranges and benchmarks exist
STRATEGIC	Philosophy and consistency
CULTURAL	Pay reinforces trust and belonging

Grateful

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