

# Occupational Wage Survey 2005

Presented to the  
Cayman Islands Society of Human Resource  
Professionals

# Presentation Outline

- Aligning your reward strategy
  - Reward philosophy strategy and objectives
  - Components of compensation systems
- Sources of data
- Review of OWS 2005
- Developing Pay Structures
  - Job evaluations
  - Using compensation survey data to establish pay rates

# Reward Philosophy, Strategy and Policy

“The reward policy of an organisation flows from its **philosophy** and **strategy**”

(Armstrong. M, (1999) *Employee Reward*)

**Philosophy** is defined as the broad values and beliefs that an organisation holds about rewards

**Strategy** is the direction in which the organisation wants to go in developing its reward process and structures

# Objectives of an Effective Compensation System

- Legal compliance with all appropriate laws and regulations
- Cost effectiveness for the organization
- Internal, external, and individual equity for employees
- Performance enhancement for the organization

# Pay policy objectives

- Employers objective
  - Attract and retain
  - Control costs
  - Reward performance
- Employee Expectations
  - Maintenance of purchasing power
  - Pay increase
  - Fairness

# Perceptions of Pay Fairness

<b>Equity</b>	<b>The perceived fairness between what a person does (inputs) and what the person receives (outcomes).</b>
<b>Procedural Justice</b>	<b>The perceived fairness of the process and procedures use to make decisions about employees</b>
<b>Distributive Justice</b>	<b>The perceived fairness in the distribution of outcomes.</b>
<b>Pay Openness</b>	<b>The degree of openness or secrecy that an organization allows regarding its pay system.</b>
<b>External Equity</b>	<b>The perception that the organization provides employees with compensation that comparable to the compensation of employees with similar jobs in other organizations.</b>

# *Equity Considerations in Compensation*



# *Components of A Compensation Program*

Compensation	
Direct	Indirect
<p><b>Base Pay</b></p> <ul style="list-style-type: none"><li>• Wages</li><li>• Salaries</li></ul> <p><b>Variable Pay</b></p> <ul style="list-style-type: none"><li>• Bonuses</li><li>• Incentives</li><li>• Stock options</li></ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"><li>• Medical/life insurance</li><li>• Paid time off</li><li>• Retirement pensions</li><li>• Workers' compensation</li><li>• Others</li></ul>

# Direct Compensation

<b>Compensation Type</b>	
<b>Base Pay</b>	<b>The basic monetary compensation that an employee receives, usually as a wage or salary.</b>
<b>Wages</b>	<b>Payments calculated on the amount of time worked.</b>
<b>Salary</b>	<b>Consistent payments made each period regardless of the number of hours worked in the period.</b>
<b>Variable Pay</b>	<b>Compensation linked to individual, team, or organizational performance.</b>
<b>Benefit</b>	<b>An indirect reward given to an employee or group of employees as a part of organizational membership.</b>

# *Compensation Approaches*

## **Traditional Compensation Approach**

Compensation is primarily base pay.  
Bonuses/perks are for executives only.  
  
Fixed benefits are tied to long tenure.  
Pay grade progression is based on organizational promotions.  
Organization-wide standard pay plan exists.

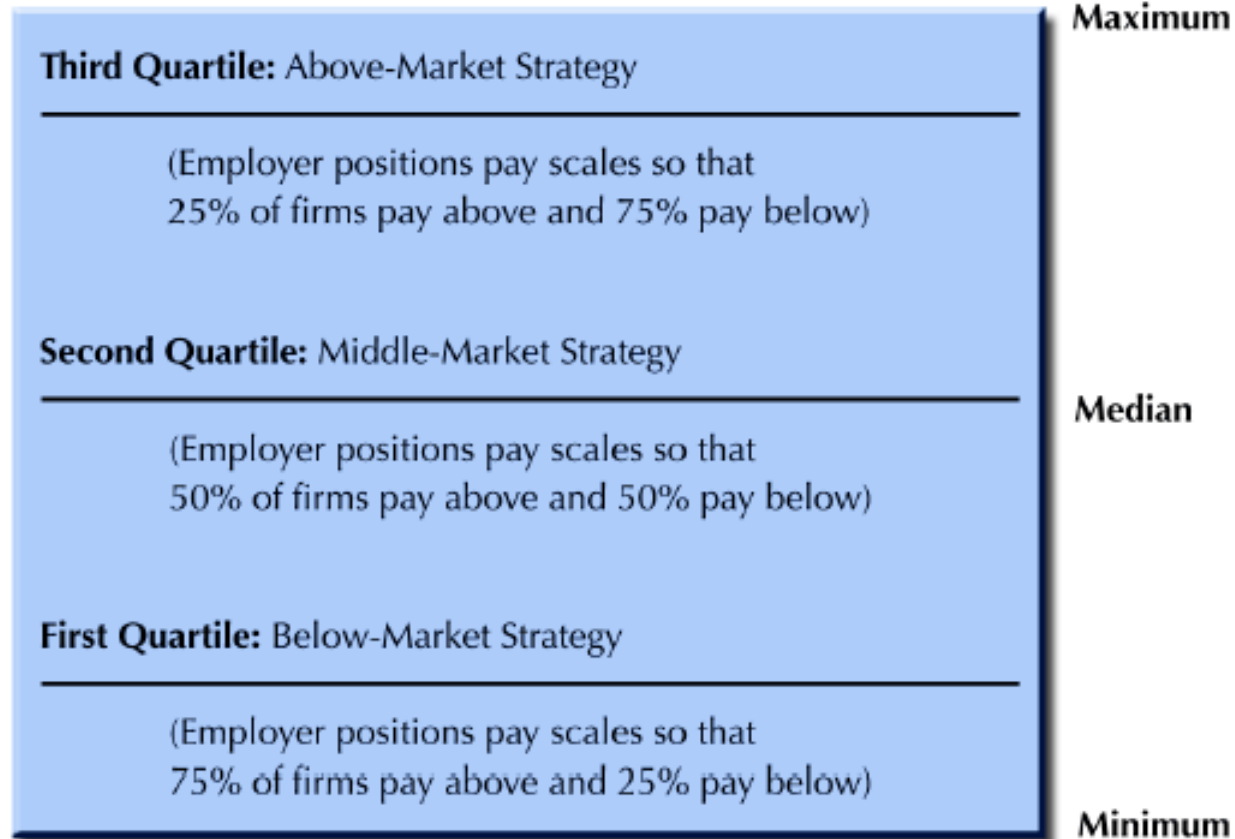
## **Total Rewards Approach**

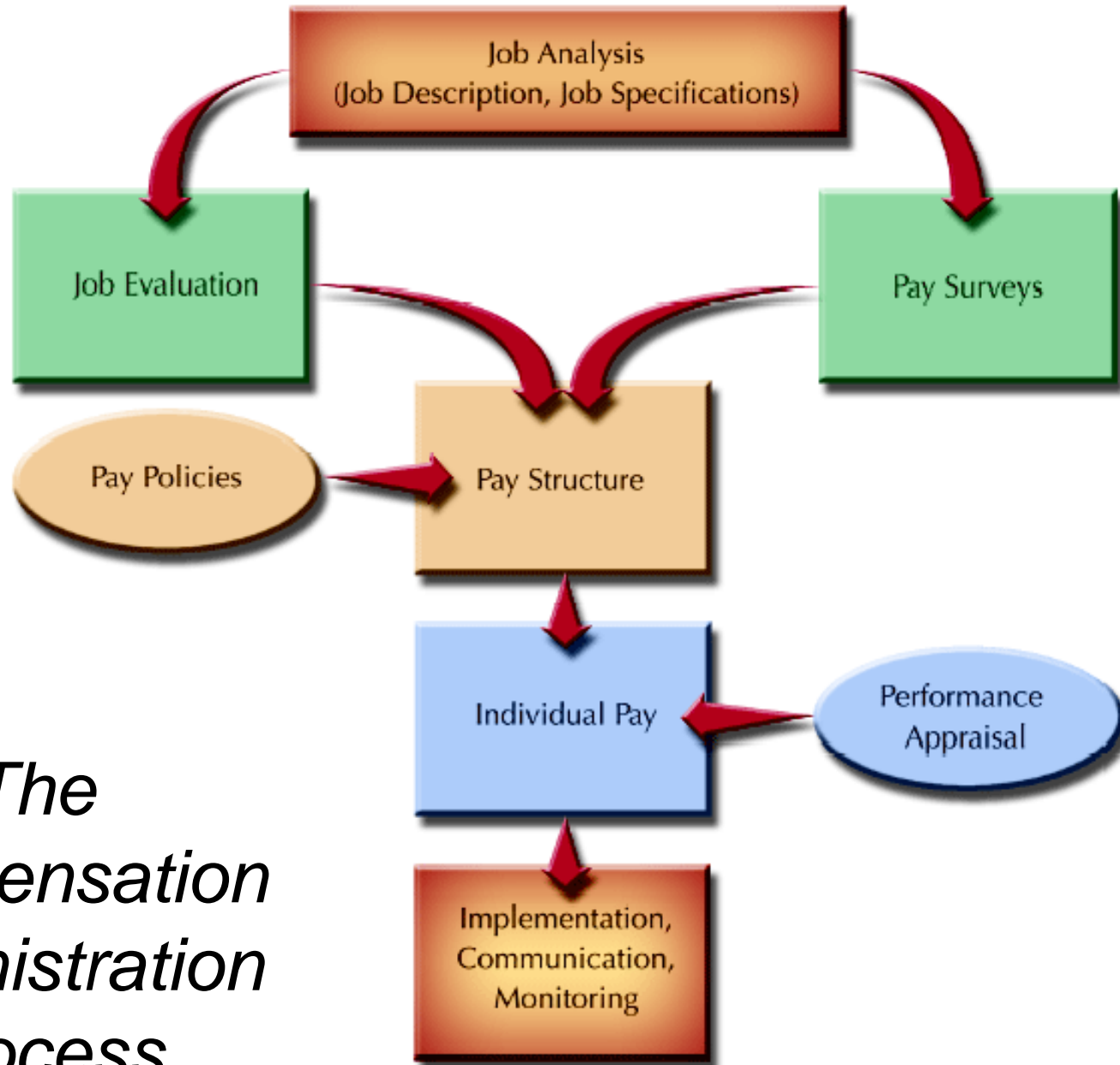
Variable pay is added to base.  
Annual/long-term incentives are provided to executives, managers, and employees.  
Flexible and portable benefits are offered.  
Knowledge/skill-based broad bands determine pay grades.  
Multiple plans consider job family, location, and business units.

# Decisions About Compensation Levels

<b>Compensation Strategies</b>	
<b>Above-Market</b>	<b>Paying for higher qualified, more productive workers.</b>
<b>Middle-Market</b>	<b>Attempting to balance of employer costs and need to attract and retain employees.</b>
<b>Below-Market</b>	<b>Paying all that the firm can afford Taking advantage of the abundant supply of potential employees in a loose labor market.</b>

# Compensation Quartile Strategies





*The  
Compensation  
Administration  
Process*

# Job Evaluation

- Step 1: Carry out job evaluations
  - The systematic determination of the relative worth of jobs within an organization.
    - Job classification method
    - Point Method
    - Factor comparison method
    - Computerized
  - Benchmark Job
    - A job found in many organizations and performed by several individuals who have similar duties that are relatively stable and require similar KSAs.

# Establishing Pay Rates

- Step 2. Refer to the salary survey
  - Aimed at determining prevailing wage rates.
    - A good salary survey provides:
      1. Reliability
      2. Measurement validity
      3. Replicability – spells out procedures for:
        - selecting respondents,
        - designing measures of concepts, and
        - administration of research instruments

# Available Salary Data

- DER (OWS)
- ESO
- Chamber
- Newspapers
- Private Compensation Consultants

# Research methodology used for OWS

- Cross sectional research method
- Covered all geographical areas of the islands: Grand Cayman, Cayman Brac and Little Cayman.
- Covered all major industries: law, banking and finance, architect/surveyor/engineer, contractor/construction.

# Scope of the Survey

- Reference period
  - Wage-week commencing 24<sup>th</sup> Sep 2005
  - Salary-month of Sep 2005

# Sample Size

- Sampling frame 3155 establishments
- 10% stratified sample
- Sample size of 300 establishments
- 280 respondents
- Response rate of 93.3%
- 9946 employees 4924 m 5022 f
- 3587 surveyed 48.1% f 51.9% m

# Sampling Categories

- The sample was broken down into 26 industries using 2-digit International Standard Industrial Classification (ISIC)
- **This included the following 11 categories:**
  - 45 Construction
  - 50 Sale, maintenance and repair of motor vehicles
  - 52 Retail Trade
  - 55 Hotels and Restaurants
  - 65 Financial Intermediation
  - 67 Activities auxiliary to financial intermediation
  - 70 Real Estate Activities
  - 74 Other business activities (Legal, Accounting)
  - 80 Education
  - 92 Recreational, Cultural and Sporting Activities
  - 93 Other service activities (Hairdressing, Dry Cleaning)

# Sampling Sub-categories

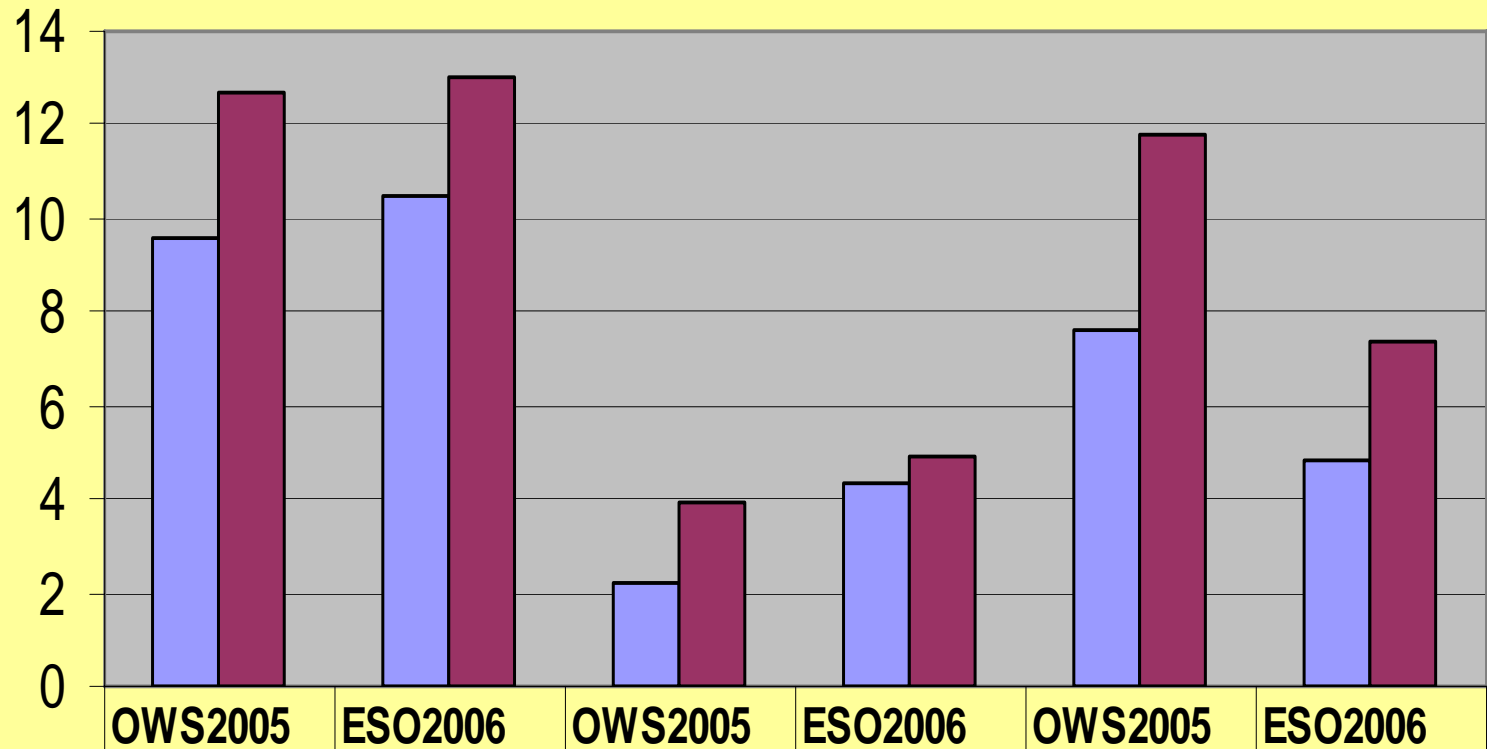
- **The 26 Industry Sectors were further disaggregated into 55 Sectors using the 4-digit ISIC which included:**
  - 4520 – Building of complete construction or civil engineering
  - 4530 – Building installation
  - 4540 – Building completion
  - 4550 – Renting of construction or demolition equipment
  - 5239 – Other retail sale in specialised stores
  - 5510 – Hotels; camping sites, short stay accommodation
  - 5520 – Restaurants, bars and canteen
  - 6110 – Sea and coastal water transport
  - 6210 – Scheduled air transport
  - 6304 – Activities of travel agencies & tour operators
  - 7010 – Real estate activities with own or leased property
  - 9241 – Sporting activities

# Comparison of 2003 and 2005 OWS Key Findings

<b>Variables</b>	<b>2003</b>	<b>2005</b>	<b>Difference (2005- 2003)</b>	<b>% Change</b>
Number of establishments surveyed	232	280	48.00	21%
Response rate	90.62%	93.33%	2.71	2.71%
Surveyed Employees	2052	3579	1,527.00	74.4%
Females	45.50%	48.10%	0.03	0.03%
Male	54.50%	51.90%	-0.03	-0.03%

<b>Variables</b>	<b>2003</b>	<b>2005</b>	<b>Difference (2005-2003)</b>	<b>% Change</b>
Normal Hours of work/week	41.34	41.29	-0.05	-0.12%
Average Monthly Salary	\$3,218.67	\$3,661.12	442.45	13.7%
Average weekly wages	\$416.83	\$447.52	30.65	7%
Average Monthly wage per Hour	19.18	\$22.35	3.17	16.9%
Average Weekly wage per Hour	10.09	\$10.91	0.82	0.82%
Bachelors, Post Grad, Prof. Qualification	20%	24.21%	4.21%	4.21%
High School Graduates	30%	32.36%	2.36	2.36%
Average overtime (Salaried employees)	15.08	13.48	-1.60	-11%
Average overtime (Wage earners)	10.48	11.21	0.73	7%
Caymanians	45%	47.1%	2.1	2.1%
Work Permit Holders	55%	52.9%	-2.1	-2.1%

# Level of education



■ Caymanians

■ Work permit holders

9.55

10.5

2.2

4.3

7.6

4.8

12.7

13

3.9

4.9

11.8

7.4

# Distribution by Industry and Immigration Status

ISIC	Industry	Caymanian	Non-Caymanian
52	Retail	41%	59%
55	Hotels and restaurants	38%	62%
60	Land Transport	37%	63%
61	Water Transport	0%	100%
62	Air Transport	72%	28%
63	Supporting Transport	89%	11%
70	Real Estate	93%	7%
92	Recreational, sporting	34%	66%

# Monthly Wage/Salary in Retail – Specialised Stores 5239

CISCO	Job	National	Retail	Difference
122402	Production & Ops Manager	3282.28	3135.67	(146.61)
123103	Financial Controller	6111.08	5000.00	(1111.08)
123300	Sales & Marketing Manager	3441.52	2982.86	(458.66)
412106	Clerk, book-keeping/accounts	2891.63	3000.00	108.37
731302	Jewellery makers and repair	3260.00	3260.00	0.00

# Monthly Wage/Salary in Hotels

## 5510

CISCO	Job	National	Hotels	Difference
112022	Chief Engineer	4017.24	2954.00	(1063.24)
122501	Production & Ops Manager Hotels	3992.18	3509.36	(482.82)
123300	Sales and Marketing Manager	3441.52	3231.00	(210.52)
123602	Information Systems Managers	5474.00	4750.00	(724.00)
123908	Front Desk Managers	3166.00	3166.00	0
123999	Other Dept Managers	3157.33	3692.00	534.67
131501	General Managers of Restaurants	3234.83	3379.67	144.84
131502	General Managers of Hotels	3442.23	3851.00	408.77
241202	Human Resources Administrator	3744.12	3690.00	(54.12)
322602	Masseuse / Masseur	2468.00	3000.00	532.00

# Monthly Wage/Salary for Scheduled Air Transport 6210

CISCO	Job	National	Scheduled Air Transport	Diff.
121000	Directors and Chief Executives	7659.90	4000.00	(3659.90)
214908	Maintenance Engineers	2906.00	3266.67	360.67
314301	Airline Pilot	5474.18	3000.00	(2474.18)
412104	Book-keeping Clerks	2641.39	3600.00	958.61

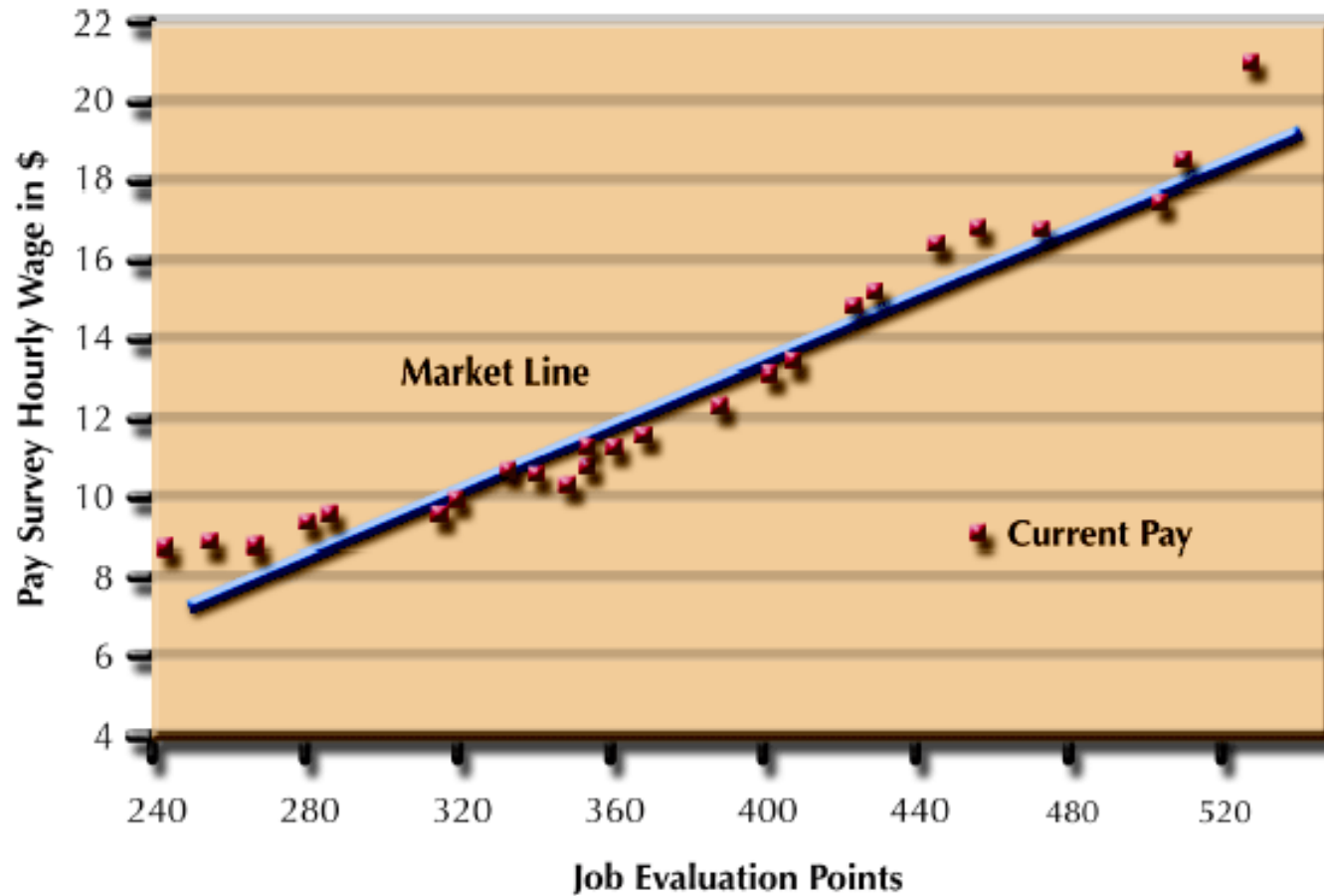
# Monthly Wage/Salary for Non-scheduled Air Transport 6220

CISCO	Job	National	Charter Flights	Diff.
122922	Head of Airport Ops	5187.17	3904.34	(1282.83)
123300	Sales and Marketing Manager	3441.52	3668.46	226.94
123905	Maintenance Manager	4801.18	5695.41	894.23
214507	Aircraft Engineer	6071.97	6071.97	0
314301	Airline Pilot	5474.18	6092.73	618.55
314502	Aircraft Maintenance Supervisor	4683.26	4683.26	0
412105	Payroll Clerks	2537.50	2973.48	435.98
419004	Admin Assistant	2495.61	2922.87	427.26
422102	Reservation agents, travel agent	2131.07	3773.20	1642.13

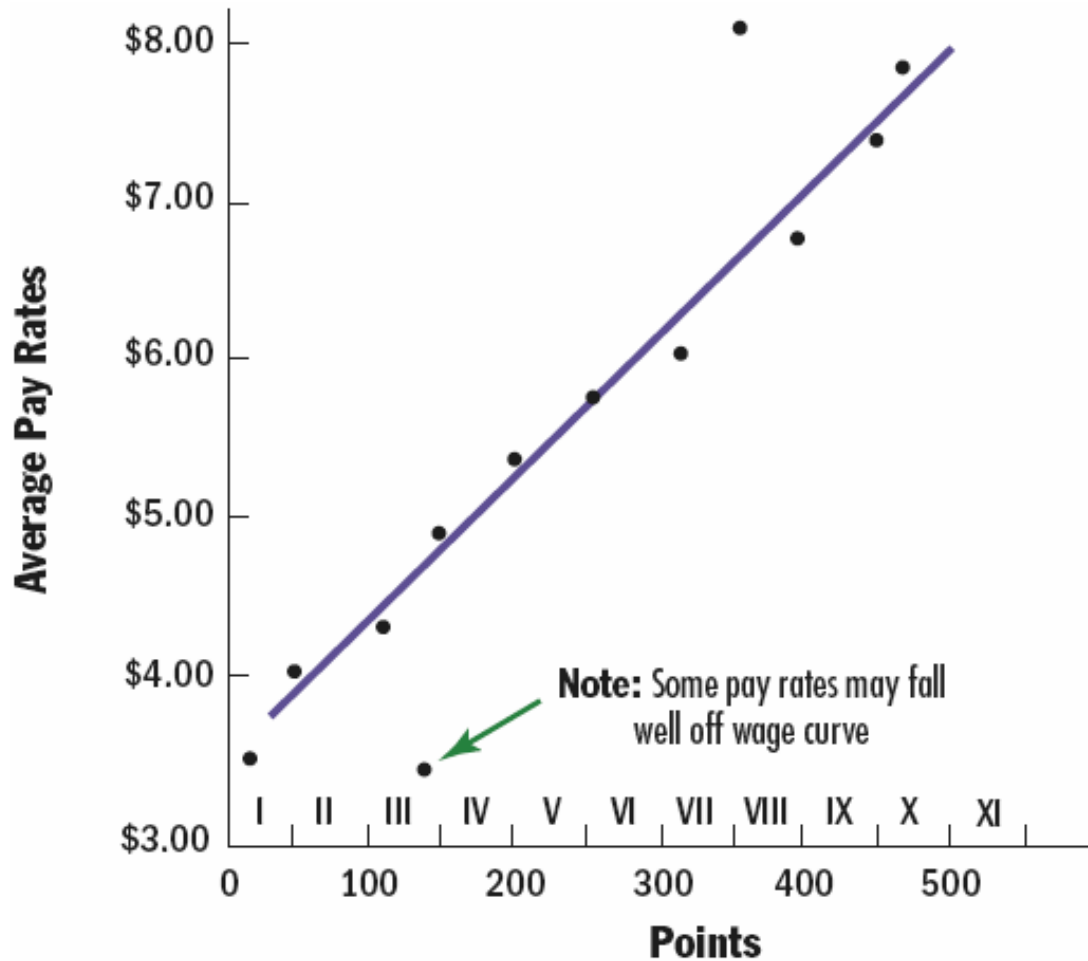
# Establish Pay Rates: Developing a Wage Curve

- Step 3. Price Each Pay Grade
  - Wage Curve/Pay Scattergram
    - Shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation.
    - Shows the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.

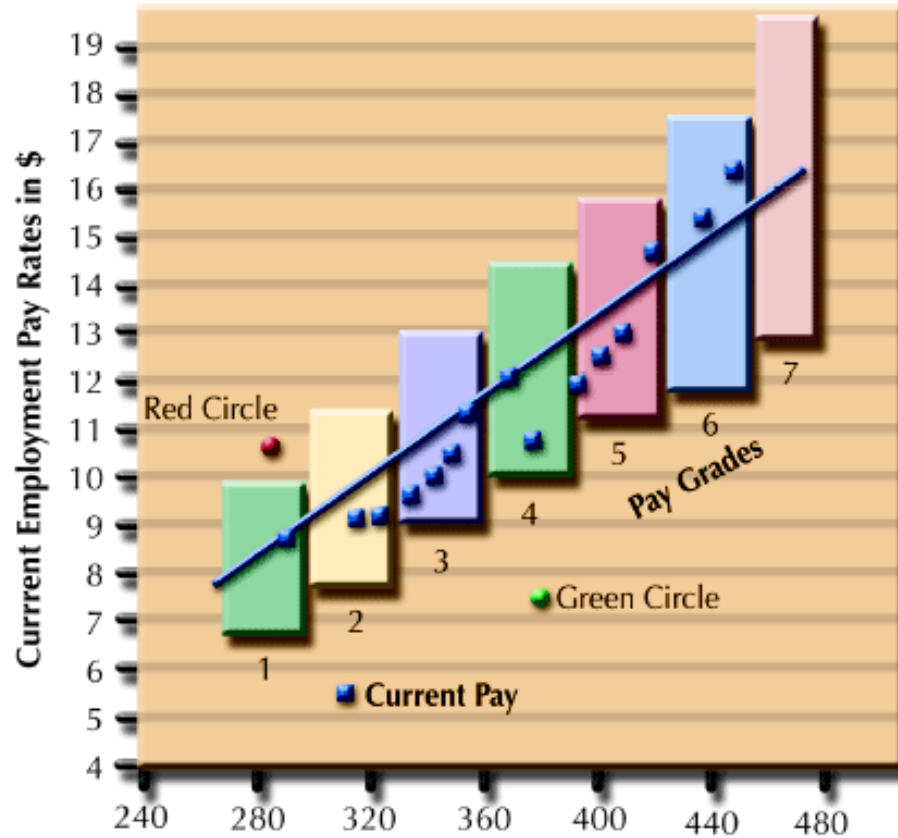
# Pay Scattergram



# Plotting a Wage Curve



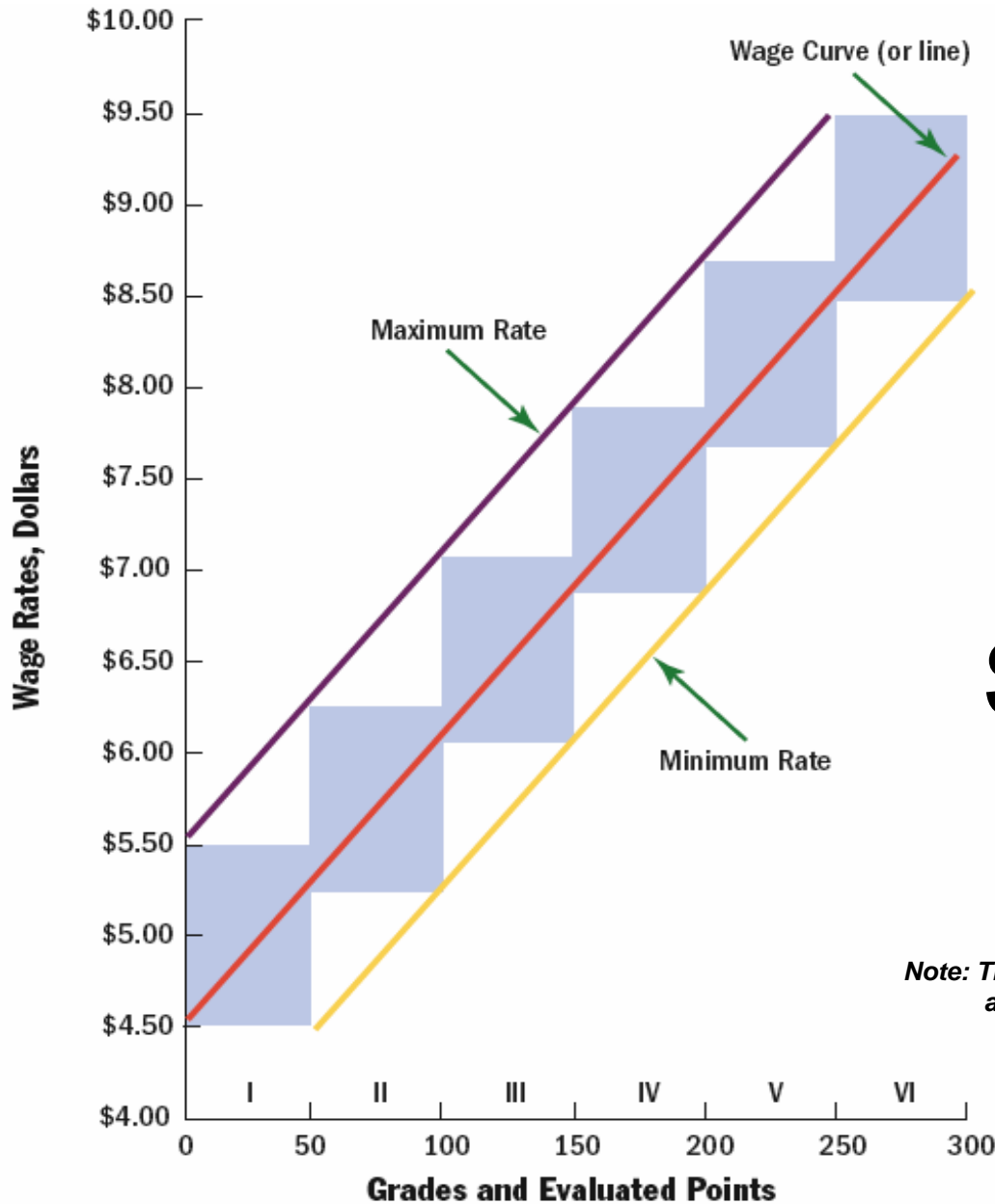
# Example of Pay Grades and Pay Ranges



Grade	Point Range	Minimum Pay	Midpoint Pay	Maximum Pay
1	Below 300	6.94	8.50	10.06
2	300-329	7.96	9.75	11.54
3	330-359	8.98	11.00	13.02
4	360-389	10.00	12.25	14.50
5	390-419	11.01	13.49	15.97
6	420-449	11.79	14.74	17.69
7	Over 450	12.79	15.99	19.18

# Pay Rate Issues

- Rates Out of Range
  - Red-Circled Employees
    - An incumbent (current jobholder) who is paid above the range set for the job.
  - Green-Circled Employees
    - An incumbent who is paid below the range set for the job.
- Pay Compression
  - A situation in which pay differences among individuals with different levels of experience and performance in the organization becomes small.



# Wage Structure

*Note: This shows overlapping wage classes and maximum-minimum wage ranges.*

# Pay Structures

- Market Line
  - The line on a graph showing the relationship between the job value, as determined by job evaluation points, and pay survey rates.
- Common Pay Structures
  - Hourly and salaried
  - Office, plant, technical, professional, managerial
  - Clerical, information technology, professional, supervisory, management, and executive

# *Traditional Pay Structure vs. Broadbanding*

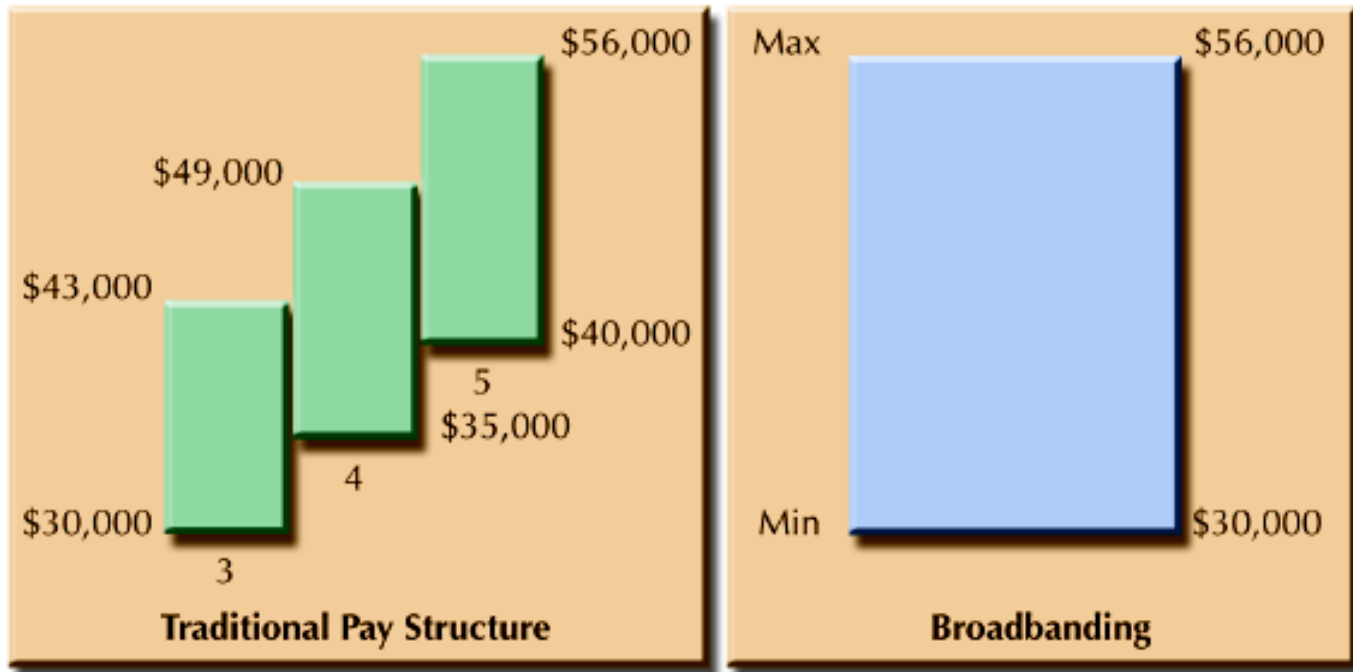


Figure 12-13

# Developing an Aligned Reward Strategy

## Questions to Ask:

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1. What are our company's key success factors?  
What must our company do to be successful in fulfilling its mission or achieving its desired competitive position?
2. What are the employee behaviors or actions necessary to successfully implement this competitive strategy?
3. What compensation programs should we use to reinforce those behaviors?  
What should be the purpose of each program in reinforcing each desired behavior?
4. What measurable requirements should each compensation program meet to be deemed successful in fulfilling its purpose?
5. How well do our current compensation programs match these requirements?

# Financial/Strategic Factors

- Budget Implications
- Long Term Impact

# Financial/Strategic Factors

- Budget Implications
  - What are the short and long term fiscal consequences of this pay action?
  - How have these consequences impacted the pay decision?

# Financial/Strategic Factors

- Long Term Impact

How will the decision affect future salary costs, staffing changes, salary alignment, career growth and salary reference data changes?

Questions?