

How to use remuneration data strategically

By [Jaén Beelders](#), [Vuyelwa Dantjie](#) and [Smangele Maphanga](#)

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When one thinks of remuneration data, one tends to think of payroll data specifically. This article aims to broaden thinking about a bigger pool of data that could be a critical strategic tool for people managers and business leaders in the future.



Smangele Maphanga, Jaén Beelders and Vuyelwa Dantjie - 21st Century

To some, remuneration may sound like a fancy word, but to the average employee this word would simply refer to their salary. When one applies for a job and receives a job offer, the first thing they would consider is the salary. The average individual would look at whether their salary is higher than what they were previously remunerated and whether it will fulfil and meet their current financial needs.

Remuneration encompasses more than just what meets the eye; in addition to money, individuals should also consider the benefits offered by the employer, which are often overlooked (whether they are offered by the organisation, included in the total package or if the employee decides on the mix based on their individual lifestyle). The total guaranteed package usually includes non-cash benefits, such as medical aid, retirement funding, risk cover, as examples. These can be overlooked because they are less visible and are not as tangible as the monthly net pay.

Employee remuneration would normally be the responsibility of the human resources department and handled by a remuneration specialist. This responsibility takes on many aspects for the HR professional.

The HR professional would need to ensure internal and external alignment of this job offer before it is accepted. Internal equity refers to the relative grade/size assigned to different jobs within an organisation and external equity is based on the organisation's need to compete in a free market for skills. The employee remuneration would also be tested against the organisation's pay scale to evaluate compliance with the organisation's pay placement and progression policy.

So, one may ask, what data informs the decisions taken by the HR professionals?

Company remuneration data provides a wealth of information to develop business insights and more advanced analytics models. With payroll data, companies can analyse the employee, the organisation and how the organisation fits into the market.



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Analysing the employee from payroll data

Time series data of an employee's payroll data can provide various insights into the employee behaviour. Several human capital benefits and risks can be assessed to provide the company with more insight on how to effectively manage employees. One such example is to analyse employee burnout from payroll information. One can analyse the amount of overtime worked in relation to sick leave taken (or as a ratio of their basic salary) to determine whether the employee is potentially overworked and at risk of burnout.

Analysing the organisation

HR professionals manage the most expensive resource in the organisation - its human capital. Therefore, it is imperative that payroll data is analysed in combination with company financial metrics. A commonly used metric is Payroll to Revenue Ratio. This is a productivity metric that measures how effective a business is at utilising its labour costs to produce revenue.

Analysing the organisation within the market

Remuneration benchmarking is the cornerstone of remuneration and benefit analysis. Comparing the organisation relative to the national market (which includes all industries) or its competitors ensures that one can lure the best talent in the market while remaining equitable. However, strategic workforce benchmarking can provide insight beyond that of remuneration practices.

Assessing job family ratios, grade level distributions, skills, and spans of control relative to comparators provides an immense benefit to an organisation's strategic workforce planning. Teams which are too large can be ineffectual while teams which are too small can point to an overabundance of management and supervisory positions which add to levels and cost.

As the free market for skills becomes increasingly more agile, HR leaders will have to be tech-savvy to stay on top of their game. Human capital analytics are already being used by smart HR departments in order to predict and evaluate everything from employee retention to recruitment. Now that millennials are the newest and largest generation in the workplace, they are used to getting information right away.

To accommodate the digital younger workers, HR should already be managing employee experiences, from onboarding, employee engagement, leadership feedback, in order to create a powerful employee experience.

In conclusion, we acknowledge that human resources professionals have evolved dramatically over the past few decades. HR professionals in the near future will no longer focus on just staying on top of HR trends, but they would need to reposition themselves to become strategic business advisors who possess the necessary knowledge and skills to enable them to advise organisations accordingly, in the future. Data may well be the most important tool they need!

ABOUT THE AUTHOR

Jaén Beelders, Executive Director, Vuyelwa Dantjie Benchmarking Manager, and Srangele (Sma) Maphanga Sales Manager - 21st Century

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