

HEALTH WEALTH CAREER

THE SECRET TO MAINTAINING EXTERNAL COMPETITIVENESS AND INTERNAL EQUITY EFFICIENTLY

**MERCER TOTAL REMUNERATION
SURVEYS + INTERNATIONAL
POSITION EVALUATION**



If you are responsible for establishing rewards strategy and setting salaries in a multinational organization, Mercer Total Remuneration Survey (TRS) is a must-have source of data for market pricing jobs globally. And, maybe you have heard of Mercer International Position Evaluation (IPE) or are using another job evaluation tool to evaluate jobs in your organization around the globe. But...

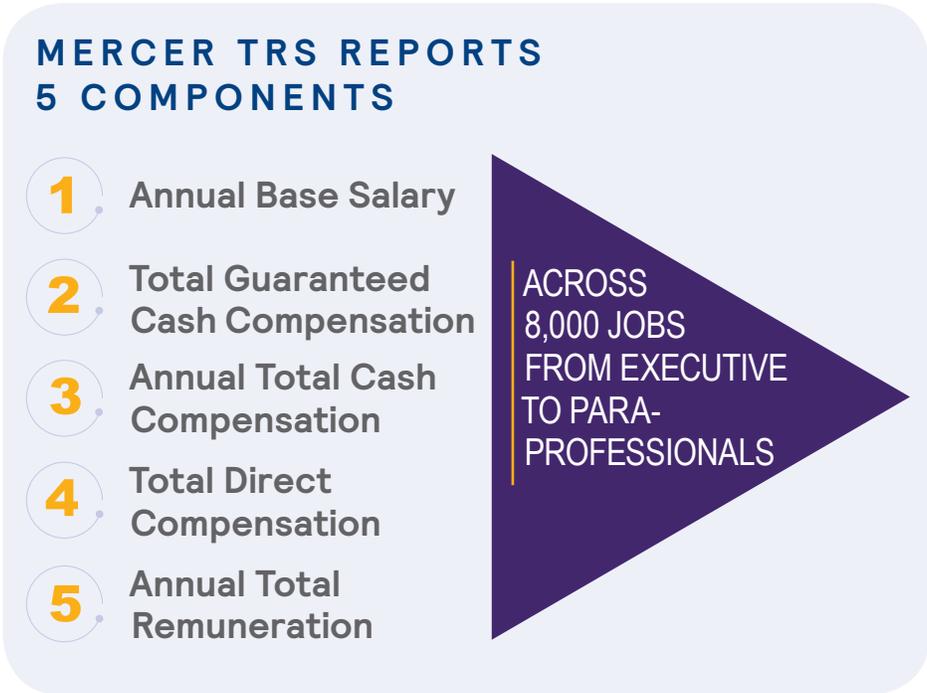
- Are you comfortable with how you tie together your market pricing and job evaluation results?
- Are you actually able to strategically combine the external and internal perspective to ensure that you are market competitive and internally equitable with how you reward jobs across the organization and around the world?

Many times that process of combining the two perspectives is little more than a fairly subjective review by the compensation practitioner assigned to evaluate the job. When pressed to explain the resulting placement in the pay structure or refusal to grant a particular title or level, the process used is often summarized by, "...it's more art than science." How would you like to bring a little more science to the process? By combining Mercer TRS and Mercer IPE you CAN bring more objective methodology to your market pricing and job evaluation and unlock the key to addressing some of your most critical talent challenges with ease.



WHAT ARE MERCER TOTAL REMUNERATION SURVEYS?

If you're not already familiar, Mercer Total Remuneration Survey (TRS) reports provide comprehensive market data on compensation and benefits in over 130 countries. TRS results are published annually and provide data to clients through Mercer WIN®, an online platform. TRS reports on a wide variety of cross-industry jobs and provides robust data for elements ranging from base pay and guaranteed cash, through incentives and total remuneration. Many organizations rely on TRS as the primary data source for executing their benchmarking methodology around the globe. Purchase options for TRS include purchasing individual countries, but for multinationals the true benefit is the subscription offering for multiple countries that simplifies participation and provides discount purchasing.



■ JOB FAMILIES

- Administration Facilities & Secretarial
- Communications & Corporate Affairs
- Construction
- Creative & Design
- Customer Service & Contact Center Operations
- Data Analytics/Warehousing & Business Intelligence
- Engineering & Science
- Finance
- General Management
- Healthcare/Pharmacy Services
- Hospitality (Food Service & Lodging)
- Human Resources
- IT, Telecom & Internet
- Legal, Compliance & Audit
- Project/Program Management
- Production & Skilled Trades
- Quality Management
- Real Estate Management, Property Development & Investment
- Sales, Marketing & Product Management
- Supply Chain

One of the unique features of TRS is the inclusion of position classes or “PCs”. What are position classes? We’ll explain that in more detail but, for now, understand that these PCs are the keys to unlocking the combined power of TRS and IPE.

WHAT IS MERCER INTERNATIONAL POSITION EVALUATION?

In a nutshell, Mercer International Position Evaluation (IPE) is a customizable point factor evaluation methodology that provides a consistent way to evaluate jobs globally using five criteria: Impact, Communication, Innovation, Knowledge, and Risk. Using IPE, you are able to assess the value that each job creates within the context of your organization's unique operations.

POSITION CLASSES OR PC'S ARE THE RESULT OF EVALUATING JOBS USING THESE **5** FACTORS

1

IMPACT

The nature of a job's influence on the organization and the breadth and depth of the job's contribution.



2

COMMUNICATION

The type of communication skills required by the job, the purpose of communication, and the audience with which the job communicates.



3

INNOVATION

The level of problem solving and design/development that the job requires and the nature of the problems the job typically encounters.



4

KNOWLEDGE

The nature of technical (and/or organizational) skills and knowledge required by a job, people management requirements, and geographic context.



5

RISK

The nature of mental and physical risk associated with the job and the conditions in which the job operates.



Position classes, or PCs, are the result of evaluating jobs using the 5 factors. Each evaluation results in the assignment of a PC to a job. PCs allow you to compare jobs internally but also to align your roles to market data as we will explain. Let's first consider a typical job evaluation scenario and see how IPE is used.

In a \$10B, 10,000 employee multinational organization, there may be 40 employees with the title "Director, Finance". However, it's commonly understood that these jobs do not do the same thing – they don't contribute the same to the overall success of the organization. Are these jobs equal in terms of title, rewards, or other indicators of value to the organization? Let's evaluate two jobs, both with the title "Director of Finance", and see.

As with any job evaluation methodology, you compare what you know about the job in question to an established set of criteria which then results in a score or ranking.

When you evaluate the "Director of Finance" that is responsible for overseeing the entire \$10B organization using IPE,

you'd consider the impact, communication, innovation, knowledge and risk associated with the role along a continuum of choices. That evaluation would then yield a resulting score, in this case a position class of 58.

When you take the same steps to evaluate a "Director of Finance" responsible for the North America Region, with \$5M in revenue, while their responsibilities may be similar, their impact, communication and knowledge would be different given their narrower scope which would yield a slightly different score. Due to the underlying methodology of IPE, the fact that the first "Director of Finance" was responsible for a multinational \$10B organization would have a multiplier effect on the Impact score while the "Director of Finance" for North America would not, resulting in a lower score, perhaps 53.



TRS AND IPE—A POWERFUL PARTNERSHIP

Now that you see the value of the two tools on their own, let’s talk about how they work together. Using TRS you are able to accurately and efficiently market price jobs around the world, capturing the external value. With IPE you can compare and evaluate your roles based on their contribution to the organization establishing their internal value. But how do you connect the two? Using position classes!

Remember, position classes are the result of job evaluations, using IPE, and Mercer TRS includes position classes alongside market data for reported jobs.

- TRS participant organizations submit position classes along with incumbent data if they are already users of IPE; if they are not already IPE users, Mercer assigns position classes to the incumbent data submitted by the organizations using a tool that takes into account the size and structure of the organization.
- TRS users can then extract data from the published survey database using position classes. For example, you can extract base salaries, incentive targets, and total direct remuneration values at the 50th percentile for a “Director, Finance – Subsidiary” that is a PC 48–50 as well as the same job, but for PC 54–56.

In the example below, a screenshot of 2018 US TRS as displayed in MercerWIN, you see that for the “Accountant, General Accountant” the median base salary for position class 46 is \$58,396 while for a position class 50, the data is \$60,525. You can also see that the majority of respondents evaluate this role as position class 48.

TALENT IMPACT
Mercer WIN | REWARD

Ashley Kircher - Mercer Help Tools Sign Out

Home Mercer Market Data Mercer Market Data Results Progress Center

Mercer Market Data Results: Library My Saved Results

View: Inc Org Job, Position Class - view for scr... Edit

Job Code	Typical Title	Market View	Position Class...	Base Salary					Total Ca
				Num Orgs	Num Obs	Inc Wtd 25th %ile	Inc Wtd Median	Inc Wtd 75th %ile	
FIN.06.001.P20	Accountant, General Accountant	2018 US TRS							
			46	16	32	50,000	58,396	67,272	
			47	186	552	53,625	61,968	70,075	
			48	315	2,039	56,826	63,000	70,047	
			49	133	2,106	54,630	61,350	68,877	
			50	24	622	56,025	60,525	67,305	

Consider this:

When establishing the value of jobs, many compensation philosophies intend to take into account an external and internal perspective when it comes to establishing pay and rewards for jobs. But, how is that really accomplished? In many cases, market pricing and (internal) job evaluation are two separate activities that yield separate results. Melding the two activities is often subjective and more of an art, than a science. By using TRS surveys and IPE evaluations, you have a built in way to reduce the subjectivity and create more credibility when establishing rewards for jobs in your organization.



LINKING JOB EVALUATION AND MARKET PRICING

Beyond the ability to refine market data, there are many ways to leverage the combined power of IPE and TRS. Though just a sampling, let's consider a few below:

- By creating a regression model that identifies the relationship between the market data and position class for a series of jobs you can create a pay structure or validate an existing one.
- You can support the slotting of jobs, when market pricing might not be advantageous, by creating an overlay that aligns position classes to an existing pay structure leveraging the established relationship between market data and PCs.
- When market data is unavailable for a 'hard to price' job, you can use the position classes and extract data by sub-function or function (e.g., Tax or Finance).
- Producing level definitions that describe the levels of Impact, Communication, Innovation, Knowledge, and Risk will help you when communicating job evaluations to Managers, as well as providing support in drafting job descriptions, and creating titling standardization.
- By creating a job hierarchy, you put in place the foundation for career paths, curated learning and development journeys, promotion criteria and the associated rewards guidance.

These examples are just the tip of the iceberg when it comes to unlocking the doors that lead you down the road of achieving your talent objectives.

But **where**
do you
start?

To understand where to start, let's look at a real life user of TRS and IPE.

COMPANY: One of the world's largest auto manufacturers¹

SIZE: ~ 180,000 Employees globally

At one of the world's largest auto manufacturers the emphasis is on internal equity. The Company uses Mercer's Total Remuneration surveys, along with other market data to ensure they are market competitive, and IPE to evaluate jobs.

To understand just how the global compensation support team is using these tools, Mercer interviewed several members of the team. At the outset of that interview several members explained that though there is market pricing underpinning the pay structures, the evaluation of jobs is done through leveling. As the conversation continued, the picture of how they do rely on market data, but emphasize internal equity through leveling became clear:

- Benchmark jobs have an established connection to Mercer MBD, Mercer TRS, and other survey data.
- Market data, along with the company's compensation philosophy, was used to develop the compensation structure.
- Annually the compensation structure is validated by pulling regression lines at the 25th, 50th, and 75th percentiles and comparing to the benchmark jobs and the pay structure ranges. Adjustments are made as necessary.
- Truly new jobs are rare—with such a large organization, typically there is a similar job somewhere in the world of the Company that reflects most collected job responsibilities, knowledge and skill levels. This eliminates the need to market price jobs from scratch on a regular basis.
- Though jobs are typically not market priced, when a question of the job's worth arises, the Rewards team evaluates the job using the Company's leveling guide. That leveling guide consists of Mercer IPE's 5 factors and level descriptions.
- The Company has simplified the process of combining the external and internal value of a job by creating a crosswalk between their pay/grading structure and the position classes resulting from IPE evaluations.

Internal leveling is deeply imbedded in the Company's culture. Managers all undergo training to help them understand the process of assigning a job to a grade and how to think about a job in relation to the five factors.

¹ Referred to as the Company

When we asked the Rewards team why using a combination of TRS (and other market data) and IPE works, they responded that

this method is efficient and it emphasizes the importance of the value to the Company (or internal value).

Though the Company has been using IPE, along with market pricing, for many years, lessons learned from implementation were still fresh in the minds of the team. When asked what advice they might give a company looking to set up IPE for the first time they shared:

1. Create and involve a broad team of stakeholders early in the process. Get them trained on IPE; develop them as the experts in the methodology which will help them champion the effort across the organization.
2. Setting up the organizations and sizing them in IPE is critical. Since the IPE methodology emphasizes the effect of an organization's size on the internal value of a job, it's critical to take time to think through the right way to set up your company, and the organizations within, to ensure the sizing is captured properly.



HOW TO GET MOVING

If you are already a TRS user and are looking to incorporate IPE's robust job evaluation methodology, all you have to do is reach out to your Mercer team. There are a variety of ways to incorporate IPE into your existing compensation management practices including anything from self - service options involving licensing the methodology and making use of the off the shelf eLearning modules, to much more involved consulting projects that could include facilitated job evaluation sessions, pay structure design, global deployment and training, and career framework localization. Mercer has consultants that specialize in identifying the customized TRS and IPE arrangement to suit your organization's needs.

But what if you're already an IPE user and fairly happy with your current global market data library. Let Mercer show you how incorporating TRS can not only increase your market pricing efficiency and coverage but how by leveraging the two tools you can achieve many of your talent strategy objectives effortlessly.

WHAT ARE YOU WAITING FOR?

With the power of Mercer Total Remuneration Surveys and International Position Evaluation combined, you will magnify your ability to create a custom job evaluation and analysis methodology that supports your compensation philosophy, your career architecture and commitment to internal equity. Your Mercer Account Manager is ready to discuss building an approach that will work for your organization—give them a call today!

ABOUT MERCER

Mercer delivers advice and technology-driven solutions that help organizations meet the health, wealth and career needs of a changing workforce. Mercer's more than 23,000 employees are based in 44 countries and the firm operates in over 130 countries. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With more than 65,000 colleagues and annual revenue over \$14 billion, through its market-leading companies including Marsh, Guy Carpenter and Oliver Wyman, Marsh & McLennan helps clients navigate an increasingly dynamic and complex environment. For more information, visit www.imercer.com. Follow Mercer on Twitter @Mercer.