

Establishing Meaningful Salary Ranges For Job Postings



“The countries with the consistently lowest employment costs are places like the US, Denmark, India, and Canada”

While this statement from Ladislav Hornan, Chairman of UHY (a network of independent accounting and consulting firms) may be good to hear, it does not change the fact that employees are one of the largest costs in your organization.

For many organizations the costs associated with human capital is as much as 70% of your operating budget. And while there are many costs included under the umbrella of human capital it is the cost of employee compensation that is the biggest expense you have to contend with; Salary, benefits, bonuses and more add up quickly and continue to increase overtime.

Managing the costs associated with your employees begins before any employee is hired and continues through the process of hiring including the initial and future negotiations. Setting the right expectations from the moment a job is created is an important element of employee cost management. As you prepare to create and post a position consider the following information:

Establishing Salary Ranges

The good news for Canadian employers is that Canada has managed to keep employment costs relatively low as a percentage of salaries. According to Martin Cairns of McGovern, Hurley, Cunningham, LLP and member of UHY in Canada, *“Canadian businesses [have] some of the lowest mandatory employment costs in the world.”* However, salary management continues to be an important element of the human resources department contribution to keeping costs reasonable.

Understand all costs: Determining the cost of a new employee certainly goes beyond the expense of the base salary. Total cost of the employee includes government remittances (CPP, EI, Workers Compensation, Employer Health Tax), benefits packages (which can include a range of costs including health care, education, professional development, vacation and more) and bonuses. This does not include the cost to hire and setup and support the employee on the job. Because salary impacts all these other costs salary management remains vital.

Research the market: When looking to establish salary ranges do your homework and research salary ranges through a number of sources. The Government of Canada Job Bank wage data is a good place to start as you can search by job and geographic region and you will receive information on the low, high and median salary. However, this source alone will not be enough. Research industry specific reports and data and other salary sites (Glassdoor is among the most popular) to get as much information as you can before you proceed. Chances are the candidate or employee will be doing the same thing.

Do not forget to consider wage ranges within your organization including across departments and functions. Issues such as discrimination and pay equity should be well considered when establishing salary.

When determining salary project the cost for 3 years out for all roles, including short term, part time and contract roles so you can see where the department and organization are headed

Find an appropriate balance: Once you have done your homework consider how difficult it may or may not be to fill the role, how unique the skills are and how desirable your organization and location are.

Identifying an appropriate salary range can be both an art and a science and balancing both is important. If you over pay one person in one role you may find down the road more and more employee wages head up the scale, making hiring unaffordable. However, if you underpay and do not find or retain good employees the cost to find and hire again will cost you any advantage you gained by underpaying.

To Post or Not To Post Salary Ranges

Managing expectations while attracting candidates is a delicate balance. If you advertise a salary range along with a job posting you may be more likely to weed out candidates who screen themselves because the salary is too low or too high. At the same time if the salary is too low you may not attract the best candidates and if it is too high you might attract a large number of candidates hoping to win the lottery.

It may be easier to conclude that advertising a salary range is a bad idea, but that is not necessarily so. General transparency is a good way to begin your relationships with potential employees. If you are only attracting candidates because of your salary range you may not be attracting the right candidates. By posting a reasonable salary range you are attracting candidates who hopefully are looking beyond only compensation. Your goal with a job posting should be to attract candidates who want to work with your organization not only for the money. At the end of the day an employee only motivated by money may not be the employee to bring on board. If you have crafted a good organization brand and showcase that brand effectively you can attract candidates who want to work for you and not just for your money.

Normal hiring ranges: When posting salary ranges consider posting the normal hiring range and not the maximum salary available. Consider posting ranges that begin at your base line and stop approximately 25% away from your maximum, unless you are in a highly competitive market. If you are in a competitive market and need to attract the best, consider posting up to 10% away from your maximum, still indicating this as the 'normal hiring range'.

Create compelling job postings: Understand your message out to that candidate and include more than just salary in the posting. Research what will attract your ideal candidate that is not simply remuneration based. Include aspects of your company atmosphere; give examples of projects work environment and people who work for your organization. Remember that the traditional one dimensional, static, job posting had made way for the dynamic, social and ongoing job posting process. To attract the best candidates who want to work for you get out there and create conversations where you job posting and the salary are an interesting backdrop and not the entire conversation.

Take the time up front to understand your needs when hiring and lay the ground work to manage the expectations of candidates when you do not have an unlimited hiring budget.

Employers Now Pay Average Employment Costs Worth Nearly 25% of Employee Salaries