

I want the
best talent
for the
right salary

A Blusource Guide to Setting the right salary level



Why is it important to set the correct salary level?

Setting the right salary for a position is never an easy task, and with the recent economic downturn I think this has made it even harder as a lot of companies have had pay freezes whilst others haven't.

On one hand you want to attract the best people for your business, the better the people you have, the better your business. On the other hand you don't want to overpay. You should be aiming to get the best talent you can, that is relevant for your business. Obviously you should never pay more than that person is worth to you or your business.

Alternative ways to look at setting a salary

- **Skill-based pay:** Pay scales are determined by skill level, not job title. You create a list of skills necessary for each job and develop the criteria that signify the mastery of each skill. As your employees master the skill, they receive pay increases.
- **Competency-based pay:** This system bases compensation on an employee's traits or characteristics, rather than on specific skills. Salaries and raises are based on how well employees acquire the core competencies needed for their positions.
- **Broadbanding:** You group several related jobs, such as office assistant and receptionist, into one band — for example, administrative staff. You assign a pay range to that band, but you don't base it on a job title.

Where to start...

First things first, what is your top end, what do you not want to go to (or can't afford to go above) for this person's salary? Ask yourself the following questions to help you make a decision...

1. What value would this person/position add to my business?

If you can quantify this, you know not to go above that in terms of salary.

If you are hiring a sales person, this is an easier task, they bring in revenue, so the more revenue they generate, the more you can afford to pay them and this is where a good bonus structure can work well.

But what about support staff who don't bring in revenue, but without whom your business wouldn't survive. This time you need to ask, what do they save for the business? How much would your business lose if they weren't there?

For example- You lose the administrator who supports your sales staff > your sales staff have to compensate by doing the administration themselves > they spend less time focussing on sales for the business > the revenue coming into the business is then reduced.

That helps put into perspective how valuable that person is to the business. (Not even considering the fact if your sales staff are bringing in less revenue, they are earning less bonus (and might not like doing admin), hence might end up leaving your business for one that has an administrator!)

So thinking about the above should help in determining what you feel your top level salary should be for that person or position. Don't forget to consider their costs above the salary to the business (training, utilities, hardware etc).

2. Market Rate

You might now know your top level, but you don't want to be paying that if you can help it. So the next step is working out what the minimum is you actually need to pay to get the right person. This is where you need to consider the market and what the current rate for that kind of position. You need to have realistic expectations of the skills you can get for the salary you can pay.

You should:

- Check out the competition –
 - Speak with other Owners / Managers / HR professionals in other similar businesses, see what they are offering for similar roles (beware you don't just talk about job titles, the content of a job can vary hugely between businesses even if the job titles are the same).
 - Search job boards to see what salary levels similar roles in the area are being advertised at
- Consider your location, or the area you are likely to source someone from. Cost of living can become more and more of a factor as you look to recruit more senior posts (or more specialist staff), where you may have to compete with the larger cities for the top talent or try to attract re-locators.
- Speak to knowledgeable recruitment consultants or Headhunters in your region, who will be able to give you up-to-date information
- See if there are any up-to-date salary surveys available for the area in which you are looking to recruit.



3. It isn't all about the salary!

What can you offer that your competitors don't or can't? What is good about your business that maybe you aren't highlighting?

- This can include the more standard benefits (car, bonuses, pension etc), but what about other factors that could make your business more appealing without necessarily costing you much (for example, if you are a travel company, can you offer heavily subsidised travel to employees or free lunches if your business is a hotel).
- If what your company does doesn't really translate into a benefit for a potential employee ,(I don't think any of the people at Blusource are interested in recruiting a Finance or HR professional for their home!), think what else can you offer.
- Flexibility is probably the number one benefit people look for, but even having something like a gym nearby or a shower at work, so employees can cycle or run to work can have tremendous appeal for a potential employee. As would the promise of training, career progression, ability to earn equity / shares, maybe the ability to dress casually, more holiday days. It all adds up when a potential employee is considering their options.


Big Tip!

The best employees can deliver 10 times the value to a business than an average one, but you may only need to pay a little more to secure them. Hence why a good recruitment company can add such value to your business, by giving you access to a wider range of candidates (including the "passive jobseekers", who could be the best for your post).

Getting the best candidate available will add so much value to a business or team, so investing in getting the best person you can, will make any recruitment fee seem insignificant very quickly.



A recruitment company can give me access to a **wider range** of candidates



What else could we **offer candidates** that they'd find **valuable**?



State a salary or range - you'll get many **more** applicants

Advertising Tip if you're going alone...

Are you thinking, lets advertise the role with "competitive salary" or "salary negotiable", see what we get and judge it from there?

Think again – you will have a significantly lower volume of applications compared to if you state the salary range, which means you could end up on missing out on the best people that see the advert.