

How to Build a Transparent and Flexible Compensation Strategy

Yiorgos Boudouris
Head of Talent
Tiny Mile





How to build a transparent and flexible compensation strategy

Tech Talent North
October 18, 2022

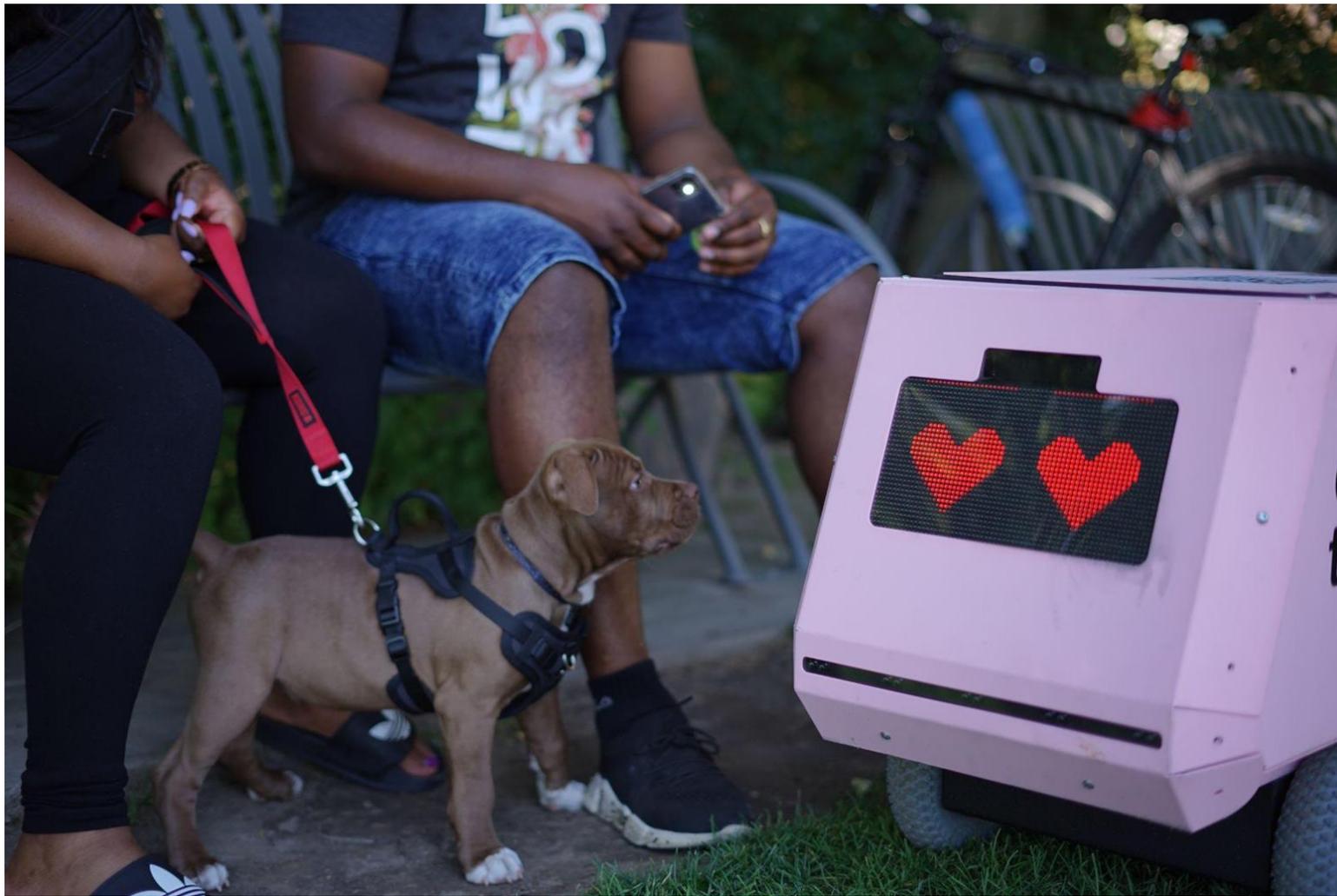
Presentation goals

- The journey of building a compensation strategy from scratch
- What to share to get employee buy-in
- How HR can partner with Recruitment
- The formula method for compensation

About me

- Head of Talent @ Tiny Mile
- I'm a “used to get faxed resumes” kind of recruiter
- I've never owned a compensation program before
- I'm all about context gathering

First thought:



Second thought:



Part 1: Pay transparency

Poll:

Does your company put salary ranges on its job postings?

“I want to put salary ranges
on our job postings.”

Defining pay transparency

- Being open about compensation
- Process for how decisions are made
- Building trust

What it doesn't mean

- Sharing every single employee's exact compensation
- The only solution for pay fairness

Examples of pay transparency:

The Buffer Salary Calculator

I'm a and I live in a high cost of living city.
(Eg. San Francisco, London, New York).

\$152,053 USD



The Zefir Salary Calculator



At Zefir we value transparency and simplicity. That's why we created an easy-to-use and flexible system to calculate salaries in the company. All you have to do is fill in a few details to estimate your salary.

I have [10 years experience](#) ▾
I work in [Software Engineering](#) ▾
And I'm working from [France](#) ▾

Level

1 2 3 **4** 5 6 7 8

[How to define my level?](#)

Tenure at Zefir

0 yr. 1 yr. 2 yr. 3 yr. 4 yr. 5+ yr.

Package



 Fixed salary	76,250€
 Variable salary	0€
 Stock options	45,750€



Compensation

You are here: [Handbook](#) > [GitLab's Guide to Total Rewards](#) > [Compensation](#)

Related Compensation Pages

- [Compensation Calculator Formula](#)
- [Compensation Review Cycle](#)

Use the Compensation Calculator

Team members can access the [calculator](#) at any time with their GitLab credentials. Applicants will be given credentials and will be able access the calculator themselves as well, during the application process.

Introduction

On this page, we're detailing why we have the compensation framework we have now.

Here's everything needed to build this work

- Compensation philosophy
- Job levelling framework
- Compensation bands
- Compensation ratio calculator
- Growth framework

Compensation philosophy

The why behind what we pay

Core elements

We're agile

Tiny Mile employees choose how much compensation they want each year in salary versus equity. We call this Agile Compensation.

Employees can choose all salary, majority equity, or whatever combination suits them best. We believe that this flexibility will help employees grow and sustain a career with Tiny Mile.

Core elements

We're mindful

Employees are owners in Tiny Mile. We believe in being good stewards of our money and remain conscious of our runway. Many startups fail because they spend too much too quickly before they hit the performance goals needed to be a sustainable business.

We think of our funding as a limited resource which we must trade off against our many priorities. This means we find creative ways to reduce financial costs so we can do more.

Examples of compensation
philosophies:

Glitch's Compensation Philosophy

Our compensation philosophy aims to support our people by providing a compensation framework that:

- Is fair and competitive;
- Is transparent;
- Rewards performance

Because we are committed to paying fairly and competitively, our compensation package utilizes market data aligned with comparable venture-backed startups. This includes the technology industry, software companies, and comparably-sized, high technology organizations. And because we are committed to transparency, we share with you the base salaries for each level, which are established by technology industry compensation market survey data.

Any increases to your salary will be based on your performance, the performance of the company, and any significant shifts in the market.

Finally, to ensure the ongoing integrity of our compensation package, and to make sure it continues to be aligned with our strategic goals and financial limits, we will review it at least annually and inform you of any changes.

Last update: 2022-08-03

Compensation at Bonusly

2. People always find out what everyone else is making.

We aim to create a compensation plan that we can easily explain and justify when this happens and an employee asks for an explanation.

Total Rewards Philosophy & Mission Statement

Remote's Total Rewards philosophy is to ensure fair, unbiased compensation and fair equity pay along with competitive benefits in all locations in which we operate. We do not agree to or encourage cheap-labor practices and therefore we ensure to pay above in-location rates. We hope to inspire other companies to support global talent-hiring and bring local wealth to developing countries.

We foster an open and transparent environment at Remote and are always open to conversations from our employees regarding compensation. Please reach out to our Total Rewards team or our VP of People should you wish to engage in a conversation regarding compensation.

We specifically refer to Total Rewards so as to include statutory benefits, supplemental perks (in the locations we are able to offer this) and our global benefits and perks including working in a flexible remote-first organization.

Geo Pay Ranges

The above points lean into **Geo Pay Ranges** (*Geographic Pay Differentials*) which is what we use at Remote in order to determine compensation levels for our roles. Each country falls under a specific Geo Range, this means that even if two countries are within for example the EMEA region, they could still be under two different Geo Ranges.

There are many positives to using Geo Pay Ranges. These include:

- Higher pay than using local/in-country rates
- More frugal than Global Pay which is important considering we are a young start-up and this will ensure we grow and expand well
- A great way to attract global talent
- Ensures fair and equitable pay in regions with similar cost of living standards

In addition to offering Geo Pay Ranges, we position ourselves at the **65th percentile** for all positions in Remote, in order to remain competitive and ensure we can attract great talent.



How'd this step go?

Job levelling framework

The scope, impact and career pathway of our roles

Core elements

	Scope: Growing in the role	Scope: Owning the role	Scope: Expert in the role
Level 1	<p>Ownership:</p> <p>Some ownership</p> <p>Receives instructions on most individual tasks</p> <p>Initiative:</p> <p>Beginning to take the initiative through asking questions and learning</p> <p>People Management:</p> <p>Not Likely</p>	<p>Ownership:</p> <p>Mastering the ability to break down projects into tasks</p> <p>Co-owns projects with strong guidance</p> <p>Initiative:</p> <p>Deep questioning of processes</p> <p>Begins to suggest improvements and tweaks</p> <p>People Management:</p> <p>Not Likely</p>	<p>Ownership:</p> <p>Mastering the ability to break down projects into tasks</p> <p>Co-owns projects with strong guidance</p> <p>Initiative:</p> <p>Deep questioning of processes</p> <p>Begins to suggest improvements and tweaks</p> <p>People Management:</p> <p>Not Likely</p>

How'd this step go?



Compensation bands

The range of compensation within our job levels

Core elements

- Experience
 - Specific knowledge and expertise.
- Scarcity and market value
 - It's fair to say that it's harder to fill some positions than others
- Benchmark
 - Internal and external
- Role and responsibilities
 - Certain roles have a greater impact than others

Poll:

Do your pay ranges overlap
across levels?

“It’s important to note that we’re looking at the position, not the people who occupy it.”



How'd this step go?

Compensation ratio calculator

The way to analyze salaries across job levels, job categories
and compensation bands

Core elements

- Factors such as cost of living, labour, and current market rates are considered when we formulate our compensation plans
- We're also cognizant of grants that might be available in the markets we hire and the impact this has on our payroll costs

Poll:

Do you practice geographic pay
differentials?



How'd this step go?

Growth framework

The process for how we evaluate an employee's work and level of impact

The cycle includes

- Annual performance reviews
- Annual market adjustment reviews
- Quarterly performance meetings
- Ongoing 1-1 Meetings



How'd this step go?

Part 2: Agile compensation

“What the hell is this and when can I get rid of it?”

Balance

0%

10%

20%

40%

50%

60%

70%

80%

90%

100%

The rationale

Depending on an employee's current and future financial goals, they may want to have a different balance between base/equity



How we make an offer

- Assign a total compensation value
- Offer presentation
- Share agile compensation calculator

“I’ll show you mine if you
show me yours.”

tiny mile 

Let's talk about you joining Tiny Mile!

Candidate Name

Position

Date

Strike Price
Minimum Salary
Total Compensation Value

Balance	Salary	\$ Options (Per Year)	\$ Options (4 years)	# of Options (4 years)	Ownership (4 years)
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Forecasted value of Shares		
Exit @ 250M	Exit @ 750M	Exit @ 1.5B

Poll:

Do you negotiate offers with
candidates?

Frequently asked questions

- Employees can change the balance once a year during their annual performance review
- There's no maximum total amount of times they can change this balance
- We use the current fair market value (also known as the strike price)
- Any new additional equity grant will vest for 4 years based on that additional equity grant day

Wrapping up

What went well

- Living our values
- Robust approach
- Identifying FAQs in advance

Gaps identified

- Flat organization
- Leveling framework
- Software vs. Hardware Engineering

What's next

- Additional job levels for individual contributors and people managers
- Department and role-specific job-level evaluations
- Expanded performance resources

“I’m so proud of this foundation. And I’m also intimidated by it.”

Thank you and questions!