

BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners

HUMAN RESOURCES SERIES

Compensation and Benefits Management

As a business owner, you, eventually with the help of an HR team, are responsible for determining your total compensation philosophy, strategy, practices, and structure, including base pay and any additional compensation.

Strategy and Design Considerations

When designing a total compensation structure, you need to first be aware of any statutory requirements regarding pay-related considerations, such as federal and Vermont minimum wage and overtime, the federal Equal Pay Act, worker's compensation insurance, and Vermont's Fair Employment Practices Act. There are also some mandated time-off benefits, such as Vermont's paid sick leave law and Parental and Family Leave Act. Even though the latter doesn't require employers to provide paid leave, it is important to consider these benefits as part of the time off an employee may need to take.

For many reasons, employers are moving toward greater transparency and equity in their pay practices. A group of Vermont employers formed [The Leaders for Equity and Equal Pay](#) several years ago, culminating in a free toolkit aimed at providing small employers (those with up to 400 employees) with the tools to conduct in-house, DIY gender and racial pay equity reviews.

It's also helpful to benchmark your pay and benefit offerings to ensure you can effectively compete with employers needing people with similar qualifications. The increase in pay transparency in job ads makes it much easier to know what some employers are doing without running afoul of antitrust laws like

The Sherman Act, which prohibits unreasonable restraint of trade, including setting compensation and benefits provided to employees. To protect your company, it's best to seek data that has been compiled by a third party using median pay rates and aggregated data gathered from various sources, and that does not directly identify survey participants. Examples of third party data sources include benefit brokers/advisors or HR consulting firms, such as Gallagher, Flynn and Company, LLP (see link below), Hickok and Boardman (see link below), and Common Good Vermont (see link below) that conduct annual surveys of area employers, as well as the U.S. Bureau of Labor Statistics and Vermont Department of Labor's Wages and Income Information.

Gallagher, Flynn and Company, LLP's HR Consulting Group conducts an annual salary survey and report: <https://gfc.com/services/hr-consulting/>

Hickok and Boardman's HR Intelligence and Retirement Solutions conducts an annual benefits survey and report: <https://www.hbhriq.com/employee-benefits-survey/>

Common Good Vermont conducts a bi-annual Wages and Benefits Survey and Report of



BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners

nonprofit organizations: <https://commongoodvt.org/jobs/wages-and-benefits-report/>

Employee Benefits

Employee benefits are an important component of your total compensation package; they include both involuntary benefits mandated by federal or state law and voluntary or fringe benefits the employer chooses to offer. Low-cost voluntary benefits can include things such as disability insurance to provide income protection if an employee becomes ill or injured off the job, providing flexible work hours, or a stipend for wellness-related expenses such as a gym membership. As a company grows and can spend more on benefits, the list could include insurance (health, dental, short term/long term disability, life and vision), paid leave, remote/hybrid work, educational benefits, a retirement plan, etc. While manufacturers probably can't offer remote work,

they might be able to offer something unique, such as a discount on products that employees may need and appreciate. Optimally, benefits are a net gain for the employee and an investment in people that can favorably impact business operations, workplace culture and even the company's bottom line, while not negatively impacting a company's bottom line or operations.

Benefits matter to both current and prospective employees. While base pay (hourly wage or salary) is important, according to [Glassdoor's Q3 2015 Employment Confidence Survey](#), nearly four in five (79%) of employees would prefer new or additional benefits over a pay increase. For budgeting purposes, a well-rounded benefits package can account for 30%+ of total compensation.

Another aspect of compensation is payroll and benefits administration, related taxes (including income taxes

on some employer-provided benefits), reporting, employee communications, and annual enrollment. Even for small businesses with only a few employees, these processes can quickly become complex and time-consuming.

Compensation and Benefits Management

Payroll administration, including tax compliance, reporting, and time tracking, are all tasks that need to be taken care of, either by your bookkeeper, yourself or a third party. Once that's handled, factors such as rewards and personal autonomy* can pay huge dividends in employee satisfaction, reduction in staff turnover and a workplace culture that attracts the best talent.

Benefits to the Next Level

There are a number of studies that claim compensation is not the main predictor of workplace satisfaction. From articles in the Harvard Business



BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners

Review to studies noted by critically acclaimed author Daniel Pink in his book, *Drive: The Surprising Truth About What Motivates Us*, we are reminded that money is not our prime motivator. These studies urge us to focus on workplace culture where attention is paid to personal autonomy, mastery and purpose. These are the prime motivators once pay is at a base level where people

are not worried about making enough money to survive.

Compensation components that include rewards (think 'employee of the month' with a new spin) that recognize any above and beyond extra efforts made can go a long way towards both instructing new staff on what's encouraged and acknowledging existing staff on their contributions.

These 'rewards' can be as simple as a gift certificate to a local restaurant to something more personalized based on the individual's needs/wants, such as an extra day off with pay.

★ **Footnote:** Autonomy: one's ability to generate results from a place of trust, ability to set own schedule/location, initiate a course of action based on self-knowledge and inner wisdom, as opposed to being micro-managed.



NOTE TO READER

The information contained herein is based upon sources believed to be accurate and reliable. While we have exercised reasonable care to ensure the accuracy of the information contained here, no representation or warranty is made as to such accuracy. Readers should check primary sources where appropriate and use traditional research techniques to make sure that the information has not been affected or changed by recent developments.

The author of this information does not render any legal, accounting or other professional service through publication of this document. Due to the rapidly changing nature of the law, information contained in this document may become outdated. Readers are encouraged to seek legal or other professional advice for their particular needs.

Business Sense is a no-fluff source of information that gets right to the heart of what small business owners need: essential tools and informational resources to help their businesses grow. Written by our team of business coaches, this series shares their decades of experience in areas such as financials, operations, sales and marketing, human resources, leadership, and governance. Business Sense is designed to provide entrepreneurs and small business owners in various sectors, including agriculture, forestry, waste management, renewable energy, and environmental technology, with recommendations and practical advice to help their businesses not only survive but thrive.

Our business management coaching and Business Sense Resource Guide are designed to accelerate the growth of the enterprises we work with and expand the leadership capacity of the entrepreneurs who own and manage these businesses.

Let Us Help You and Your Business

The Vermont Sustainable Jobs Fund provides tailored business management coaching, entrepreneurial support, and training to position Vermont-based entrepreneurs and small business owners in our designated market sectors for growth and long-term success. We partner with state government, private sector businesses and nonprofit organizations to build a thriving economic, social and ecological future for Vermont. Learn more at [VSJF.org](https://www.vsjf.org)



Vermont Sustainable Jobs Fund

Accelerating Sustainable Economic Development

[Learn More](#)