

Fair Salary System

concept cards[©]

FOR TEAMS, MANAGERS OR LEADERS



Provides transparent, market-based, role-based compensation that aligns employee and company interests.

Fair Salary Systems

- **Create a systemic win-win relationship** between the company and its employees: what benefits one should benefit the other.
- **Are role-based, reflecting the competencies required for each role.** Same role, same pay.
- **Compensation changes when roles change.** Each role has a defined compensation level.
- **Are based on a defined system rather than individual negotiations,** ensuring fairness regardless of gender, age, or race.
- **Salary structures and payment parts are transparent** and must not create envy.
- **Compensation levels are determined by market conditions** and the difficulty of attracting and retaining qualified candidates.
- **Are able to reward success immediately.**
- **Honor needed expertise** that is difficult or time-consuming to acquire.
- **Avoid incentives that favor short-term gains at the expense of significantly larger long-term losses.**
- **Performance rewards are pre-defined** and not based on individual judgements or budgets.

Payment elements of a fair salary system

REGULAR COMPENSATION

1. **Base Salary** — paid to all employees.
2. **Role-Based Compensation** (team-based) — determined by the role within a team.
3. **EVA Reward** (legal-entity-based) — annual salary multiplier applied to 1. and 2.
4. **Specific Expertise Compensation** (individual-based) — for expertise that is needed and difficult or time-consuming to acquire.
5. **Location Multiplier** (location-based) — adjusts compensation for differences in cost of living.

PERFORMANCE REWARDS

1. **Immediate Success Gratification** (individual-per-role-based) — rewards immediate, role-based, measurable success, e.g., sales commissions or project completion bonuses.
2. **Individual EVA Contribution Bonus** (individual-based) — rewards exceptional EVA contributions beyond normal role expectations.

EVA — Economic Value Added

EVA reveals if wealth is generated. Is is the net operating profit less the capital costs.