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** 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.
- **Reflect that success is often a team effort.**
- **Are based on a defined system rather than individual negotiations,** ensuring fairness regardless of gender, age, or race.
- **Salary structures & payment parts are public or 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 larger long-term losses.**
- **Avoid annual bonuses—they don't improve performance.** Goal setting creates distortions.
- **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** (role-based)
3. **Team-Based Compensation** (team-based)
4. **EVA Reward** (legal-entity-based) — annual salary multiplier applied to 1. and 2.
5. **Specific Expertise Compensation** (individual-based) — for expertise that is needed and difficult or time-consuming to acquire.
6. **Location Multiplier** (location-based) — adjusts compensation for differences in cost of living.

PERFORMANCE GRATIFICATION (NOT A BONUS)

A. **Immediate Success Gratification** (individual-per-role-based) — rewards immediate, role-based, measurable success, e.g., sales commissions or project completion bonuses.

B. **Individual EVA Contribution Gratification** (individual-based) — rewards exceptional EVA contributions beyond normal role expectations. They are not goal based and provide orientation.

EVA — Economic Value Added

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