

3: Examine external competitiveness of pay structures

Pay and benefits policies promoted by the organization will have a great social and economic impact on employees and communities. For example, company policies and practices can transfer the burden to and add stress on local social services systems as a result of inadequate wages and benefits.

The sustainable organization would benefit from ensuring the compensation structure is fair and equitable. Fair pay can be viewed internally and externally to the organization. Internal equity exists when the employees generally perceive fairness in the pay structure across employees. External equity refers to the perceived fairness of pay relative to what other employers are paying for similar labor. The ability to ensure the fairness of compensation is a difficult task. Sustainable companies want to attract the best employees by paying above-market compensation yet remain fair to existing employees with tenure. The organization should conduct pay studies annually to ensure programs remain competitive and implement an annual review cycle for ongoing monitoring. Managers can access salary data through online compensation surveys, such as those available at HR.com, Retrieved January 28, 2009, from <http://www.hr.com> Salary.com, Retrieved January 28, 2009, from <http://salary.com> or SalarySource.com, Retrieved January 28, 2009, from <http://www.salarysource.com> which provide information by location, industry, position, and work experience.

Companies have a choice to develop compensation systems based upon an **elitist system** (that which establishes different compensation plans for different employee groups) or an **egalitarian system** (having most employees under the same equal compensation plan). An egalitarian system is beneficial to highly competitive environments where companies are innovative, risk-taking, and continuously investing in new technologies and projects, which is typically how sustainable companies work. This type of compensation system provides more flexibility in employment by creating fewer differences between employee grades, creating a flatter organizational chart, and minimizing status-dependent perquisites. Fewer differences in compensation plans should result in increased task accomplishment and cooperation among employees by reducing barriers.

Transparency is a cornerstone of the sustainability movement. Even though companies can be transparent in accounting and financial reporting, transparency can also be achieved by communicating openly about policies and practices related to compensation and employment practices. When compensation practices are hidden from employees, they tend to perceive more underpayment than is actually real. Employees tend to compare their pay and benefits to other employees and may inflate any discrepancies they believe they see, thereby causing more dissatisfaction, less productivity, increased absenteeism, and turnover. Transparent compensation plans make management more fair in administering the compensation.

Sustainable organizations should also ensure they pay living wages rather than minimum wages. Minimum wage is set by legislation to be a minimum dollar amount per hour that must be paid by law. By contrast, living wage is the minimum income necessary for a person to attain a specified quality of life given the location and other economic factors where the person is employed. Living wages are generally higher than minimum legal wages. Sustainable firms will recognize the value of living wages in maintaining a productive and sustainable workforce.

In addition to providing living wages, sustainable businesses provide important benefits necessary for employee quality of life. Standard benefits packages, such as health insurance, dental insurance, and paid sick leave, are supplemented with additional benefits addressing work–family balance. Employees are considered to be more satisfied and productive with increased quality of work and home and community life. Sustainable organizations tend to establish work initiatives such as child care centers at the job, time off (leave) from work to care for sick children or elderly family members, paternity leave for male employees, flextime work, telecommuting, job sharing, tax breaks for commuting, and other employee-friendly benefits.

An example of a green employee benefit is demonstrated through HEAL Arkansas, a program started at the Addison Shoe Factory in rural Arkansas. After realizing that many employees spent up to 50% of their income on energy bills, the company implemented an energy-efficiency employee benefit that could help reduce energy bills, increase disposable income, increase quality of life for its employees, and even improve employee retention rates. HEAL Arkansas provides low-cost loans to employees for energy-efficiency home improvements. Employees receive home energy audits with recommendations on how to improve home energy efficiency. Loans are repaid through payroll deduction, which is offset by the employee's energy bill savings.

One specific employee benefit of interest to the sustainable business is the **commuter-choice tax benefit**. The federal tax code (IRS, section 132f) allows employers to provide commuter-choice tax benefits to employees. Employees who commute to work through transit or car/vanpool can set aside up to \$230 per month in pre-tax dollars for commuting expenses and up to \$230 per month in pre-tax dollars for parking expenses. The employer can then also claim a tax deduction for the expense. Because the value

of the benefits paid to employees is listed as a fringe benefit and not listed as wage or salary, the cost of the benefit is therefore considered a business expense and payroll taxes do not apply.

Another example of transportation benefits can be found at Clif Bar and Company, an organic food company in Berkley, California. The company distributes points to employees for selecting alternate modes of transportation to work, such as walking, biking, carpooling, or mass transit. The employees are then able to redeem those points for gift cards, company merchandise, coffee shop items, public transportation passes, or carbon offsets from various organizations that spend the money on projects such as reforestation, renewable energy research, or energy-efficiency technology. Clif Bar and Google, among other companies, actually provide employees an incentive to purchase green vehicles. Clif Bar will provide up to \$5,000 to an employee for the purchase of a qualified car; the loan is provided up front and written off at \$1,000 per year. Green Car Congress (2006).

An imperative for a sustainable organization's human resource department is flexibility. One strategy would be to hire contingent workers—employees hired to deal with temporary increases in workload or to complete work that is not part of the core requirements. Contingent workers are generally the first to be dismissed when an organization experiences a downturn. On the one hand, contingent employees provide protection for the full-time employee who might otherwise have been laid off during the downturn. On the other hand, the use of contingent workers ultimately creates a negative social impact. Contingent employees experience uncertainty about their work future, which can affect work performance. An additional human resource for hire would be interns, which would provide a positive social impact for both the individual and the company.

More sustainable ways to provide human resource flexibility can be accomplished through flexible work scheduling such as flexible work hours, compressed workweeks, or telecommuting. Flexible work scheduling can be accomplished through flexible work hours (flextime) where employees can choose to organize work routines that fit with their personal activities and lifestyles as opposed to the traditional workday hours. Compressed workweeks change the number of workdays per week by increasing the length of the workday, which, in turn, reduces the number of days required in a typical workweek. Compressed workweeks have the potential to positively impact the work-life balance and reduce stress for employees by providing extra time for families and activities. When implemented effectively, compressed workweeks have the potential to lower employee absenteeism and turnover rates for organizations. To date, several city, county, and state governments as well as numerous companies have implemented 4-day workweeks for employees with the anticipation of decreased energy and transportation costs and increased employee satisfaction and retention.

Telecommuting provides flexibility in both the hours and the location of work. Employees spend at least one day a month or more working from home while maintaining their connection to the office by phone, fax, and computer. Many employees, particularly highly extroverted individuals, may be more productive when they remove themselves from multiple distractions. Related to telecommuting is a practice called “office hoteling” or “hot desking.” Office hoteling is the creation of a software reservation program that reserves office space to employees on an as-needed basis rather than in the manner of the traditional, permanent office space setup. Hot desking involves providing a desk that is shared between several people at different scheduled times. These practices reduce the amount of physical space, which lowers overhead cost and prevents resource hoarding or the underutilization of resources. From an environmental perspective, these methods result in reduced traffic and pollution as well as reduced energy consumption and costs for the company.

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