
COMPENSATION PHILOSOPHY SAMPLE

Prepared by:

Trucking HR Canada (THRC)
104-720 Belfast Rd., Ottawa ON, K1G 0Z5

September 2022

COMPENSATION PHILOSOPHY SAMPLE

ABOUT TRUCKING HR CANADA

As a national, non-profit organization, Trucking HR Canada advances modern HR solutions for the trucking and logistics workforce

One of our strategic priorities is to make a company's job easier by delivering a comprehensive collection of up-to-date guides, reports, templates and more to support effective human resources management and recruitment and retention efforts.

Visit truckinghr.com to find out more.

DISCLAIMER

The information contained within does not constitute legal advice. Trucking HR Canada, and all content contributors, bear no responsibility for any circumstances arising out of or related to the adoption, or decision not to adopt, any of the recommendations contained in this document.

WANT MORE

To help fleet employers build compensation practices that are inline with the expectations of today's talent, Trucking HR Canada created *The Importance of Predictability and Transparency in Compensation*. This online resource guide will support companies of any size, position themselves as employers of choice amongst prospective and current employees. Learn about:

- The benefits of pay transparency and predictability
- Steps to help you create a robust compensation strategy
- Best practices in communicating compensation
- How compensation relates with current HR trends

To access this resource visit truckinghr.com

COMPENSATION PHILOSOPHY SAMPLE

INTRODUCTION

A compensation philosophy is the foundation for any compensation strategy. It provides a formalized and documented overview for how the organization approaches compensation practices and the factors that are included in compensation decision making. Below is a sample compensation philosophy intended to provide guidance should your company choose to develop their own compensation philosophy.

COMPENSATION PHILOSOPHY SAMPLE

PURPOSE

The goal of [Company's] compensation philosophy is to ensure our compensation practices are fair, equitable and transparent in order to attract, motivate and retain top talent within our industry.

OBJECTIVES

The compensation philosophy is intended to support and foster:

- Fairness in compensation decision making.
- Equity in earnings potential between genders and for individuals of all backgrounds.
- Excellence in on-the-job performance.
- Competitiveness within the market place.
- Opportunities to recognize exceptional performance through incentives and bonus plans.
- Consistency in pay practices and approaches.
- Understanding of when and how employees can earn more.
- Compliance with statutory requirements.

COMPENSATION OVERVIEW

[Company] offers a variety of compensation types. Employees will receive compensation types depending on their position and job classification.

Base Pay

Depending on position title and type, [Company] pays base rates per the following:

- Salary
- Hourly Pay Rate
- Distance Rate (per KM/Mile)

COMPENSATION PHILOSOPHY SAMPLE

Variable Cash Compensation

At [Company], the following variable pay plans help incentivise the achievement of business objectives within certain positions and for certain accomplishments

- [List and describe all that apply, and to whom they apply - examples included below]
- Driver specific bonuses such as: fuel bonus; safety bonus; and inspection bonus.
- Sales driven commission plans.
- Profit sharing for all employees, pay targets are associated with pay grade.
- Target based or MBO (Management by Objective) bonus programs for executive level employees.

The following are the variable pay targets (e.g., the target percentage of base salary), by position, at [Company]:

Position Level	Variable Pay Target (%)
Individual Contributor	
Supervisor	
Manager	
Director	
Executive	

COMPENSATION PHILOSOPHY SAMPLE

Benefits and Perks

To support our cash compensation practices, [Company] also offers employees additional benefits and perks as defined below:

- [List and describe all that apply, and to whom they apply - examples included below]
- Group Benefits Program – applicable to all permanent employees that work more than 20 hours per week.
- Company RSP contributions or Pension Plan – applicable to all permanent employees that work more than 20 hours per week with more than one year of completed service.
- Health Spending Account - applicable to all permanent employees that work more than 20 hours per week.
- Time Off Benefits (Vacation, Sick and Personal) – applicable to all eligible employees.
- Paid Parking – applicable to all eligible employees working at [insert location].
- Car Allowance – applicable to eligible executives and sales team members.
- Cell Phone Reimbursement – applicable to all Supervisors, Managers and Executives.
- Tuition Reimbursement – applicable to all full-time employees.
- Continuous Learning Reimbursement – applicable to all employees upon pre-approval for job-related training programs.
- Maternity and Paternity Leave Top Up – applicable to all full-time employees with more than one year of completed service.

COMMITMENT TO PAY EQUITY

[Company] believes in pay equity. We aim to promote internal and external equity at all times. All of our pay practices are reviewed and assessed against statutory pay equity requirements to ensure compliance and to promote fair pay for all of our team members. Additionally, we take the following actions:

- [Include examples of your company's pay equity practices - examples included below]
- Compensation data is captured and analysed for gaps based on employee gender, disability, race, and Indigenous status annually.
- Individual compensation decisions are based on established ranges and grades and not the salary history of candidates.
- Vice-President and/or HR approval requirements for pay offered to any new hire.
- All internal promotions will follow all compensation administration practices.

COMPENSATION PHILOSOPHY SAMPLE

COMPETITIVENESS

Our goal at [Company] is to ensure our compensation program and pay practices remain competitive by 'meeting market' when it comes to base pay, total compensation targets, and when offering other benefits and perks. Practices that help us accomplish market competitiveness include:

- [Include examples of your company's practices - examples included below]
- Following established pay grades and ranges (determined using reputable job evaluation practices that include factors such as: skills, knowledge, responsibility, training required, experience and accountability) for all new hires and internal promotions.
- Reviewing market competitiveness using local, national, industry and position-specific survey data. Pay grades and ranges are adjusted annually according to findings.
- Each year, the salary grades and ranges will be adjusted to reflect standard cost of living projections for the upcoming year.

Compensation Practices: To Meet, Lead or Lag

Companies can decide whether their market position is to meet, lead or lag in their compensation practices comparative to market data.

Meet – Companies aiming to meet market would set the mid-point of their salary ranges at the mid-point of the market data.

Lead – Companies aiming to lead market would set the mid-point of their salary ranges at the market's 75th percentile.

Lag – Companies aiming to lag market would set the mid-point of their salary ranges below the market's mid-point.

Determining your market position depends on a number of factors, most importantly is your company's budget. Some companies choose to lag market on base pay and lead market in variable pay so that from a total compensation perspective compensation meets or even leads market. Some may wish to off-set lower competitive cash compensation with unique benefits and perks. Others choose to meet or lead market across the board. It's important to have transparent conversations and review your company goals, as well as the risks and benefits to the market position when deciding what's right for your organization.

COMPENSATION PHILOSOPHY SAMPLE

COMPENSATION ADMINISTRATION

To ensure consistency in how employees are compensated throughout [Company], regardless of location, position and manager, we have established the following administrative practices that will be consistently followed for all employees:

- [Include examples of your company's practices - examples included below]
- Pay will fall between the established min- and max-points of the salary range. Employees who's pay falls below the salary minimum will be adjusted to the salary minimum. Those who's salary exceeds the range maximum will be red-circled and their salary will be frozen until the range is adjusted or they change positions.
- All compensation decisions for new hires, promotions, or salary increases will require Vice President and/or HR approval.
- Every year in [month], salaries will be reviewed and increases applied. A company-wide merit budget will be established based on profits from prior year and budget for current year and allocated based on individual performance review rating.
- Salaries are reviewed annually against the range mid-point for each individual and adjustments made as required based on individual performance and internal equity.
- Variable pay plans are designed using compensation best-practice. The process includes financial modelling to ensure plans align with payment intention and company budgets.
- Every variable pay plan will include details on how earnings are calculated and when payments are made.
- Managers receive training and on-going support on compensation practices and decision-making criteria.
- The company's compensation philosophy is reviewed every [#] years, or as needed due to a major business change.
- Adequate notices will be provided to all affected employees of compensation structure and/or practice changes.

ASSOCIATED POLICIES & PRACTICES

The following policies and practices are related to compensation:

- [List all that apply – examples included below]
- Hours of Work & Overtime Policy
- Vacation & Sick Time Policy
- Leaves Policy
- Pay Equity Policy
- Salary Increase Process & Approval Requirements
- Total Rewards Statements
- Internal Job Posting and Promotion Process

COMPENSATION PHILOSOPHY SAMPLE

Prepared by:

Trucking HR Canada (THRC)
104-720 Belfast Rd., Ottawa ON, K1G 0Z5

This project is funded in part by the Government of
Canada's Sectoral Initiatives Program (SIP).



Funded by the
Government
of Canada

Canada 