

# Supplemental Pay

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# Supplemental Pay: What is it and how do we use it?

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- Supplemental pay is an increase to base pay to address temporary or business driven compensation concerns
- Eligibility of supplemental pay should be clear
- Eligibility information can be included in job descriptions
- Supplemental pay is paid in addition to the base rate; it can be removed and added as conditions are updated

# Supplemental Pay Types

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- Acting Pay/Temporary Pay (management initiated temporary supplemental adjustment for assuming new duties and responsibilities in an interim period)
- Differentials (reflects specified job conditions and or makes salaries competitive within the market)
  - Shift
  - Geographical
  - Hazard

# Acting Pay or Temporary Pay

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- Employee is rewarded for new duties and responsibilities that will only be executed for an interim period
- Typically there is an established percentage changes based on the level or scope increase of the new temporary duties
- Time period in which the employee will be responsible for these duties should be clearly defined
- Volume or Scope increase?

# Shift differential

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- Shift differential is provided to reward for working a shift that is typically different than the normal operating schedule
- Amount of shift differential should be consistent
- The time period in which shifts are defined should be well documented
- Define which departments or positions are eligible
- Rules around transferring or altering to different schedules should be made clear

# Geographic Differential

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- Geographic differential is provided to reward for working in a region that has a higher pay index than the normal region
- Amount of differential should be based on survey data from each region
- Transfer rules for employee movement in and out of regions should be defined
- Certain roles are eligible for the differential
- Easy solution to market pricing the same job, but accounting for cost of living in various areas

# Hazard Pay

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- Hazard pay differential is provided to reward employees for working in challenging work environment conditions
- Amount of pay and eligibility should be clearly defined
- Role based hazard pay to account for levels, scope of responsibility
- Can be varied condition dependent (ie weather) or consistent work environment (noise, heat)
- Helps make physically demanding roles more attractive

# Key Take-Aways

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- Base pay administration must be correct in order for a supplemental program to be effective; If base pay is wrong, then the differential is meaningless
- Be mindful of employee transfers
- Supplemental pay is an easy way to reward and recognize, but takes diligence in maintenance of programs
- Leverage system support to automate eligibility rules for payments



# Questions?

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