



Setting The Right Salary For Your Employees

Setting the right salary level for your employees is essential to finding the right people to help you run your business. However, it can be difficult to determine the most appropriate level based on your business and what it can afford while also being attractive to prospective employees.

When setting pay levels, particularly for advertising new positions and interviewing candidates, there are many factors to consider to ensure that you are attracting skilled personnel with the desired amount of knowledge and experience to perform well within your business.

Skill Level and Experience

Some of the first things to consider when determining a salary level are the skill set and amount of experience necessary for the performance of the role. If on-the-job training is provided, likely, a specific skill set is not required, and the rate of pay can be lower to offset the cost of the necessary training. Conversely, if a certain amount of industry experience is essential for performing duties within the role, you may need to offer a higher remuneration level.

Education and qualifications can also influence the rate of pay that you should offer; for example, if a specific university degree in Business or Accounting is required for the position, you will have to offer a higher salary level to attract people who have put in the time and money required to attain these qualifications.

What is Your Competition Offering?

It would help if you had a good idea of what salary ranges other organisations within your sector offer for similar roles. The best way to establish the going rate is to monitor job advertisements, both online and in newspapers and trade journals. There are also several online services designed to help employees determine what their skills and experience are worth within the workplace. Using these services, often found on recruitment websites, you can input the necessary characteristics for the position and calculate what an appropriate salary might be.

What Can Your Business Afford?

Other factors specific to your business may also help in determining the right salary level for your employees. Consider the size of your business and the amount you can afford to offer to attract and retain the right person. Also, think about the region that the position is in – if it is in a large city with a high cost of living, it might be necessary to offer a higher pay rate than in smaller communities.

Other Benefits

If your business is restricted in the amount you can offer as a salary, think about what you have to offer other than money. Often the right candidate will be attracted to an organisation that helps them to maintain their work-life balance by offering flexible working hours or extra holiday leave. Showing potential employees that your business considers their personal needs as well as what they can offer you, possibly by providing them with a company car, access to private study cover or assistance with childcare considerations, can often be more valuable than a dollar amount.

Do You Need a Formal Structure?

To make decisions regarding salary levels easier for you in the future, it can be a good idea to implement a formal structure that will apply to all employees and positions. This would be particularly useful in larger businesses or those with a lot of movement within the company or high staff turnover. Such a structure would need to consider all of the above factors and be applied universally to all employees and candidates in the future.

Alternately, for smaller businesses, or ones where roles are more fluid, it can be more beneficial to offer salaries on a case-by-case basis. The lack of a formal structure would allow you to tailor remuneration packages to suit the needs of individual employees, possibly attracting specific people to a role or helping to retain valued employees within the company.

However you choose to set and review your salary levels, you must remain consistent. Salary levels should be set to reflect the skills and experience of the employee that is necessary to the performance of their role while being mindful of the strictures of your business while being careful not to discriminate against specific employee groups.

If you require assistance with reviewing your business's performance, employee salaries or business cash flow, accountants like us are equipped to assist you. Find out how by starting a conversation with us today.

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