

# Compensation Deep Dive

October 2023

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# Agenda

1. Our compensation philosophy
2. Understanding our system
  - a. Salaries
  - b. Variable comp
  - c. Stock options
  - d. Benefits
3. How you can get paid more
4. DE&I considerations
5. Summary



# What really matters?

What brought you to Octopus, and what makes you want to stay?

Your career ambitions -  
where Octopus fits in  
*your* story

The work, is it enjoyable  
and challenging?

Our customers & mission

The people you work with

Your manager

Our company culture &  
how you're treated (high  
trust culture)

Your compensation -  
salary / stock etc.

The benefits we offer

The flexibility & autonomy  
you have (WFH etc.)

These things have a  
clear north star - as  
good as we can  
possibly make  
them!

How do we think  
about these? What  
are we aspiring to?



# What we think *you* want

- The ✨ stuff has to be the **right** or you wouldn't be here
  - If it's not, no amount of salary makes up for it
- You have an obligation to yourself & your family
  - Money & benefits matter here and are important
  - But not the only thing - stress/work-life harmony matters to them too
- You want to end most days feeling you had a **great day at work** and were **fairly treated & rewarded**
- You want to feel like the system is fair, there is rhyme and reason to it, and there is opportunity for you to progress



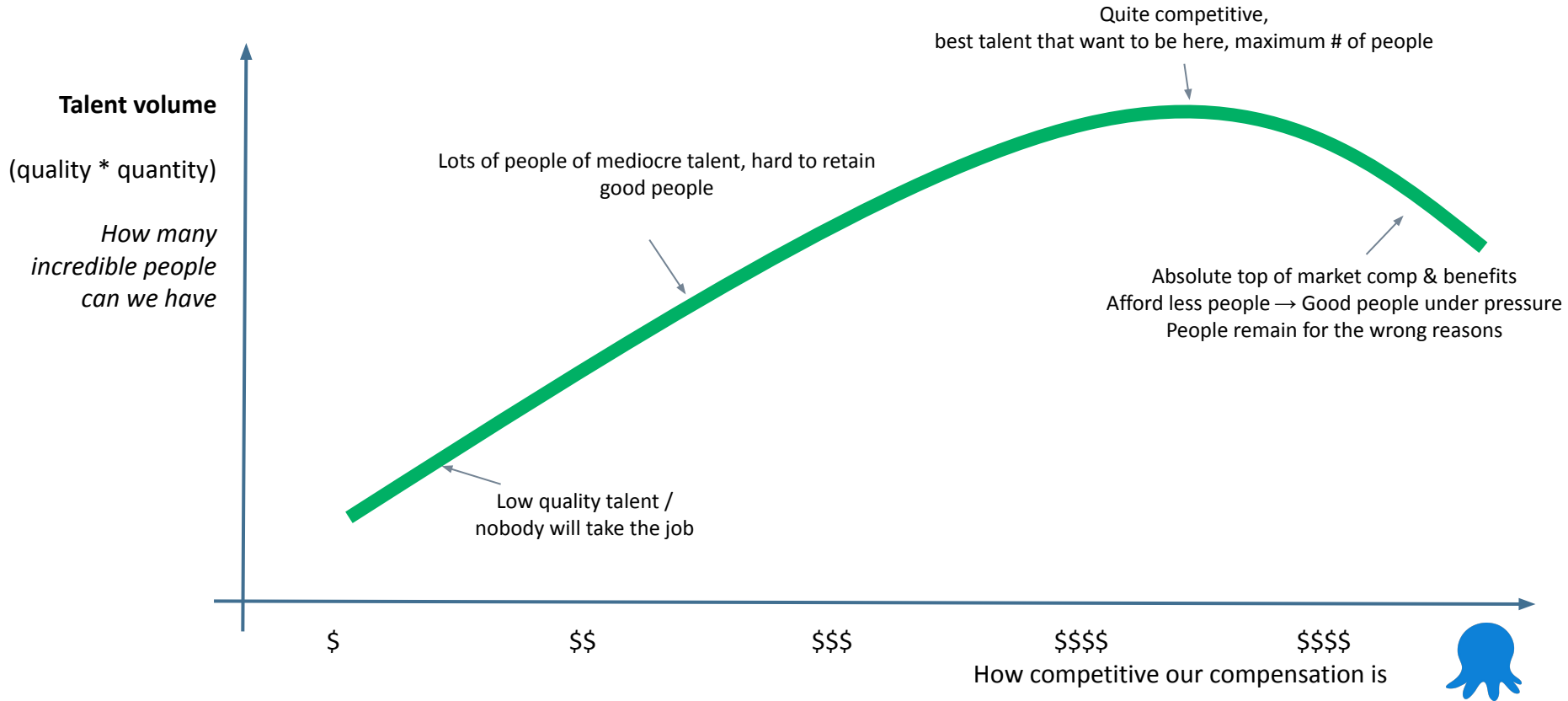
# Octopus perspective

When it comes to compensation, this is the balance Octopus has to find

- Let's be real: we're a business and we have a big mission
- It'll take a lot of people to accomplish
- We have to attract & **retain** the best talent we can find
- *And* as many of them as we can afford
- We want to sleep well at night: system needs to feel morally right
- Happy Octonauts → Happy customers → Happy shareholders



# Getting the compensation mix & balance right



## That's a good place to pause



- Does that make sense to you?
- Put compensation aside: is Octopus the right fit for you in regards to the stuff?



# Our compensation philosophy





- Why do investment bankers get paid more than cleaners?
- Why do software engineers get paid more than teachers?
- More importantly, who decides this?
  - Yes we have benchmarks, but who sets the benchmarks?
  - Company board of directors?
  - Finance people trying to cut costs?
  - A cabal of CEO's colluding?



# Compensation is governed by market forces

- It is a market – companies set prices
  - If they find the talent easily, **they don't need to pay as much**
  - If finding the talent is hard, **they will pay more**
- Importantly:
  - There's a **floor** – minimum wage
  - There's a **ceiling** - the business model can't absorb the price
    - Applies more to manual jobs, less to knowledge jobs
- Supply = people wanting to do the job at the price
- Demand = companies willing to hire people to do the job at the price



## **Ceiling** limits price

- Despite skill, hard to make a living as a furniture maker vs. IKEA
- Most manual skills are directly correlated with production costs
  - High salaries → Higher prices → Customers won't buy
- Sadly, includes most caring skills (a single teacher or support worker doesn't scale/people only prepared to pay so much)
- It takes consumers a long time to warm to price increases (businesses less so)

## **Supply** puts downward pressure on price

- 50% of kids at my school still want to be teachers when they grow up (other 50% want to be Youtubers)



# It has nothing to do with your intrinsic value as a person

It is only *loosely* correlated with:

- How smart you are
- The difficulty or uniqueness of your skillset
- Whether society needs more of what you do
- The value you bring to the company
- Cost of living

If you want to get paid more (*anywhere*), find a job that:

- You are good at & want to do
- Has high demand
- Has low supply
- Has a high ceiling capacity to absorb the price (knowledge / gross margins)



# Pause



This is **not** a commentary of whether we think it's right or wrong

- It is what it is.
- It's the "context in which we operate".



# Within this system, what are Octopus' moral obligations?

We can't change this system, nor do I feel we have a moral obligation to try to.

We are a business, not a political movement!

Paying every job \$50K = hard to find talent for higher-paying jobs

Paying every job \$200K = less people overall → more stress on those people



# Within this system, what are Octopus' moral obligations?

I do think that we have obligations:

- To pay people doing **the same job, at the same skill**, in the same country, the same money
  - Whether they joined 3 years ago or last week
  - Whether they have 10 years experience or 2
  - Whether they “knew somebody” when they started or not
  - No matter who they are – gender, race, etc.
  - Whether they are good at negotiating or advocating for themselves
- To give everyone the same opportunities to progress
  - Horizontally as well as vertically across our careers
- To have a fair and transparent system and processes that you trust



## That obligation extends over time

We have an obligation to do right by you. You are giving up years of your life to be on the journey with us.

But it's not just about you. Our obligation extends to every Octonaut. We can't look after some at the expense of others. And it extends both to **Octonauts here today** and those **who join tomorrow**.

And we have an obligation to making Octopus as a whole successful, which both fundamentally *requires* our Octonauts to be successful, and is key to them being successful.





# Pause



Whether you agree the economic system we operate in is right or wrong, do you think our description is accurate?

We outlined where we think our moral obligations begin and end. Do you agree or disagree?

If so, how does Octopus put those moral obligations into action? →



# First: what do most companies do?

No doubt you experienced at least one of these in the past!

- Before making an offer, ask you what you earned previously
- Have big “salary ranges” for jobs – e.g., \$120K to \$180K
- In practice have many people outside of those bands
- Negotiate with every employee at offer time
  - We know who gets the high and who gets the low salaries
- Salary reviews depend a lot on your manager, or you asking (or resigning)
- Hired someone yesterday that they pay more than you, but won't increase you
- Say “we don't have budget to promote you”
- End up with people who hate the company but have golden handcuffs

Often not intentionally, but lack of care, a good framework, biases, and poor training



# Our compensation philosophy

We have a set of beliefs, a system and a set of lightweight processes that work together to hopefully be a more thoughtful approach to compensation than what is usually done.

It has been crafted and refined over 10 years with a ton of internal and external input

It's designed intentionally to avoid the traps most companies fall into

It's the system by which we bring those moral obligations to life

It's no single thing: it's all the small details about how we design compensation tables, how we put it into action, the words we use, and how all of it interlocks and works together



# I hold our compensation philosophy dear

I'm sure it's not perfect and always open to feedback – I care about it being successful a lot more than I care about being right

We take great care care and put thought into every change because there are so many unintended consequences – it's a whole system that has to work together

We sometimes lose our way. In particular when we start new departments or new regions, or as our business changes, we can be unintentionally led by “what's normal” until we find conviction. But we are committed to fixing that and bringing it to life in every part of Octopus.

If what you're experiencing isn't matching this, I'd like to know so I can help fix it



# Compensation tables

How we put our compensation philosophy into  
action



# Compensation tables

We have the obligation:

- To pay people doing **the same job, at the same skill**, in the same country, the same money
  - Whether they joined 3 years ago or last week
  - Whether they have 10 years experience or 2
  - Whether they “knew somebody” when they started or not
  - No matter who they are – gender, race, etc.
  - Whether they are good at negotiating or advocating for themselves

How:

AUD NZD

Job Code	Level	Professional	Management	Currency	Maturing	Performing	Exceeding
2121 - Software Engineer 1	1	<a href="#">Junior Software Engineer</a>		AUD	\$85K	\$95K	\$110K
2122 - Software Engineer 2	2	<a href="#">Software Engineer</a>		AUD	\$110K	\$130K	\$140K
2123 - Software Engineer 3	3	<a href="#">Senior Software Engineer</a> <a href="#">Senior Site Reliability Engineer</a>		AUD	\$140K	\$160K	\$170K
2124 - Software Engineer 4	4	<a href="#">Lead Software Engineer</a>	<a href="#">Engineering Manager</a>	AUD	\$170K	\$180K	\$200K
2125 - Software Engineer 5	5	<a href="#">Principal Software Engineer</a>	<a href="#">Senior Engineering Manager</a>	AUD	\$200K	\$210K	\$220K



# Key Concepts

Country/currency

**Job codes** (seniority levels within the bands)

Software Engineer 1, Software Engineer 2  
Multiple titles can map to the same job code

**Maturity** (how proficient at the job code)

Maturing, Performing, Exceeding

AUD NZD

Job Code	Level	Professional	Management	Currency	Maturing	Performing	Exceeding
2121 - Software Engineer 1	1	Junior Software Engineer		AUD	\$85K	\$95K	\$110K
2122 - Software Engineer 2	2	Software Engineer		AUD	\$110K	\$130K	\$140K
2123 - Software Engineer 3	3	Senior Software Engineer Senior Site Reliability Engineer		AUD	\$140K	\$160K	\$170K
2124 - Software Engineer 4	4	Lead Software Engineer	Engineering Manager	AUD	\$170K	\$180K	\$200K
2125 - Software Engineer 5	5	Principal Software Engineer	Senior Engineering Manager	AUD	\$200K	\$210K	\$220K

**Job family** (a career pathway)

Software engineering, support, account executives

= What we think of as “the same job at the same skill”

= a specific, single \$ value we pay for that job



# Level expectations (generally)

Level	Experience	Impact/thinking horizon	Direction needed	Impact
<b>Level 1 - Junior</b>	Junior, likely 1-2 years relevant experience	Current quarter	Requires detailed direction	Task/activity
<b>Level 2</b>	Developing, likely 2-5 years relevant experience	Current quarter	Some direction needed	Team
<b>Level 3 - Senior</b>	Proficient, likely 5-8 years relevant experience	Current and next quarter	Minimal direction needed	Project
<b>Level 4 - Lead</b>	Skilled, likely 7+ years relevant experience	Current and next quarter	No direction needed, just a mission	Business
<b>Level 5 - Principal</b>	Expert, likely 10+ years experience	Next and future quarters	Drives functional vision	Industry





# Maturity expectations (generally)

## Maturing

New to the company or the role, achieving 50%+ of the expectations of the role (1-2 years max)

## Performing

A solid and reliable performer at this level, achieves 90%+ of the expectations of the role consistently

## Exceeding

Someone who consistently goes significantly above and beyond the expectations of the role.



# Manager vs. IC track

We don't believe you should have to become a manager to get paid more - we see management as a different track.

Not all jobs have these defined but this is the general pattern:

AUD

NZD

Level	Professional	Management	Currency	Maturing	Performing	Exceeding
1	Junior Software Engineer		AUD	\$85K	\$95K	\$110K
2	Software Engineer		AUD	\$110K	\$130K	\$140K
3	Senior Software Engineer Senior Site Reliability Engineer		AUD	\$140K	\$160K	\$170K
4	Lead Software Engineer	Engineering Manager	AUD	\$170K	\$180K	\$200K
5	Principal Software Engineer	Senior Engineering Manager	AUD	\$200K	\$210K	\$220K



# Design of the tables

Ideally:

- Jumps between cells are fairly uniform
- Bigger jump happens maturing → performing
- Smaller jump performing → exceeding
- No steps backwards
- Exceeding at level N = Maturing at level N+1
  - Main pay rise happens when you can consistently do the role
  - Prevents the Peter principle

But it's not that simple!

	Maturing	Performing	Exceeding
	\$85K	\$95K	\$110K
	\$110K	\$130K	\$140K
	\$140K	\$160K	\$170K
	\$170K	\$180K	\$200K
	\$200K	\$210K	\$220K



# We aim for consistency, but may have temporary misalignments

Please consider it “eventual consistency”

Our ideal is to be fully consistent but there are sometimes outliers for good/known reasons.

E.g., right now about 10% of employees don't fit this perfectly.

- People in new roles where we are figuring out the career framework
- Roles where career frameworks have been neglected/not prioritised or the team was too small for it to matter
- People hired prior to the introduction or revision of a career framework and are overpaid (we don't reduce salaries)
- We make mistakes too (but now you can spot them yourself)

**The intent is to help us build a fair and equitable system that is self-correcting over time, but not to be handcuffs that prevent us making sensible business decisions.**

Key events that make it self-correcting:

- When you are hired you should 100% match the current comp table
- Same for promotions that happen out-of-band
- Performance review cycles (every 6 months)
- Spot checks by People team (every 6 months, offset 3 months from the perf review cycle)

\* Previously, if you just joined/were in probation we would hold off on applying changes until after, but no longer do that



# You can view our compensation tables yourself

<https://comp.octopusiq.com>

These compensation tables have existed since ~2016 as spreadsheets used by recruiting, people team, and managers. Now we are making them open and accessible to all Octonauts.

We hope you find this a useful tool to navigate careers at Octopus.

Thanks to all Octopus managers and the People team for taking time to review the app, the data in it, and give feedback

Ideas/questions/feedback to **#topic-people-and-culture** or **#elt**



# OK, but how do we come up with the numbers?

What would the ideal number in each cell of the compensation table be?

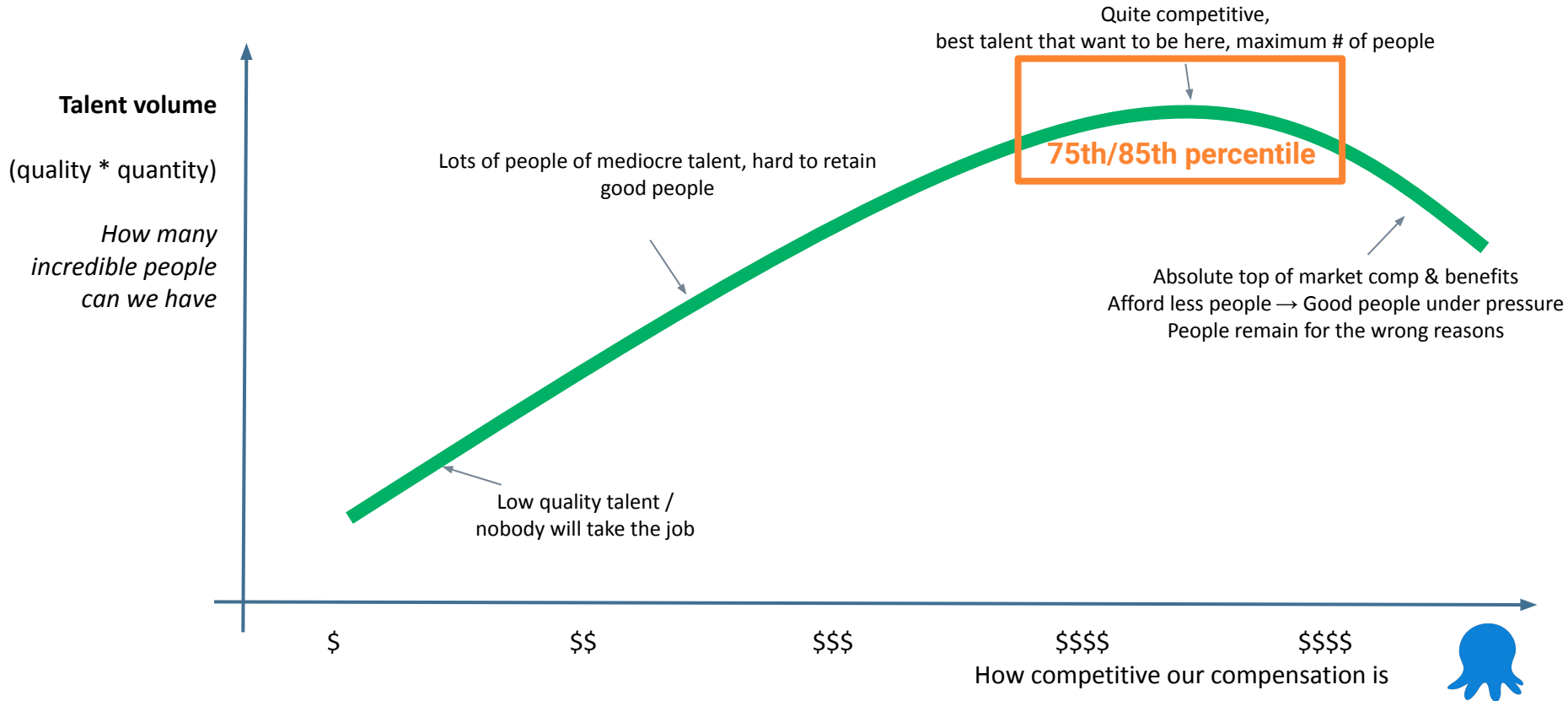
- We benchmark them (previously once a year, now twice a year)
- We also revise them if we are making offers and struggling to clear market
- Changes to them flow on to every Octonaut each performance review cycle

What if the benchmarks suggest compensation should decrease? (We see some of this now)

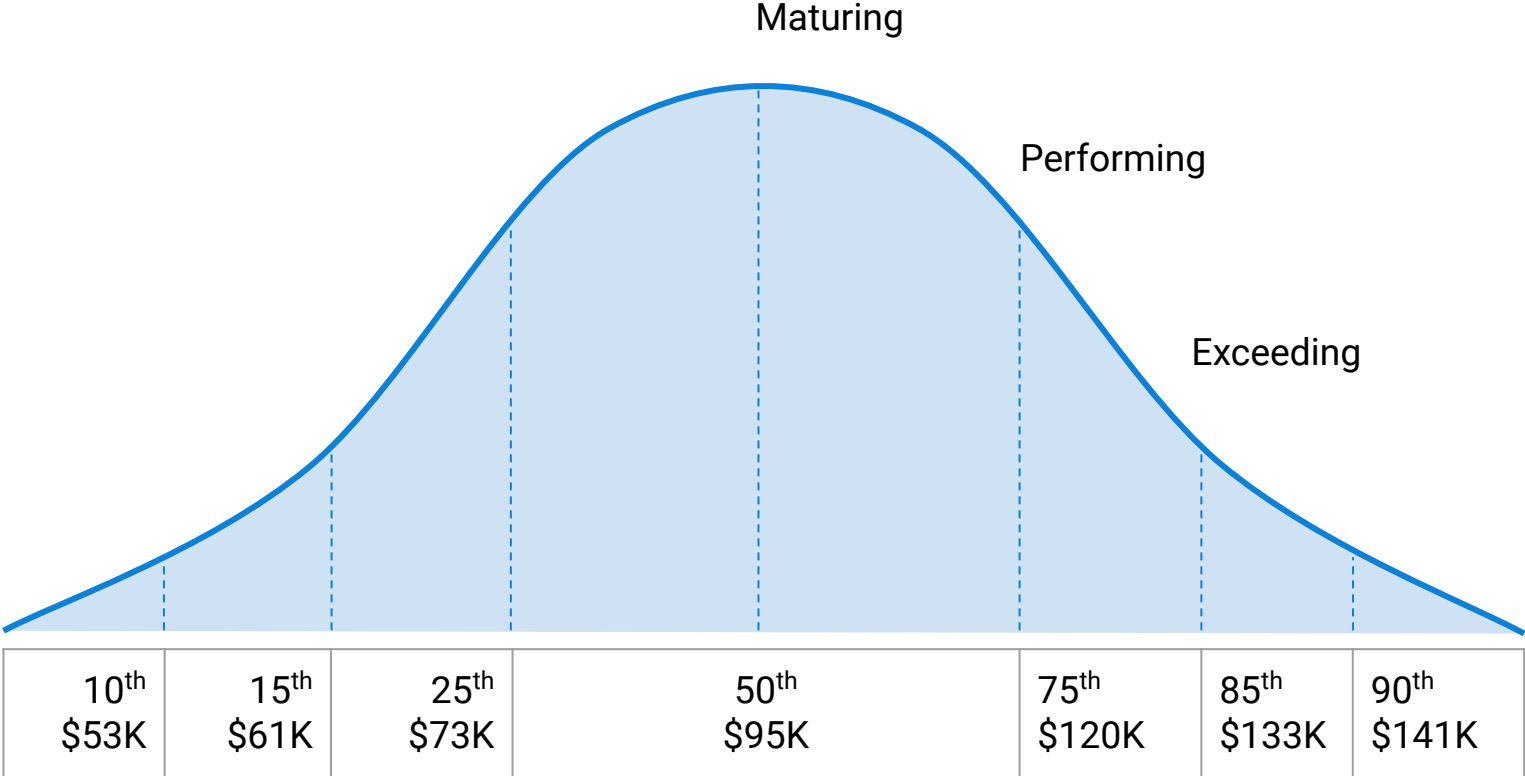
- We don't adjust down



# Getting the compensation mix & balance right



# What we (roughly) aim for





# Design of the tables

50th

75th

85th

	<b>Maturing</b>	<b>Performing</b>	<b>Exceeding</b>
	\$85K	\$95K	\$110K
	\$110K	\$130K	\$140K
	\$140K	\$160K	\$170K
	\$170K	\$180K	\$200K
	\$200K	\$210K	\$220K



# Our inputs and benchmark sources

- We are a “market maker” – we are actively hiring, and so making offers ourselves
  - If we hear our offers are too low, we take that as a signal and review our compensation tables
    - Lag time typically 1-2 months – can’t just be one rejected offer, looking for good signals
- We usually hire at the Performing band, sometimes the Maturing band
- Our ears are to the ground – we do worry about losing good people because we got the comp wrong
- We use external benchmarks
  - We prefer benchmarks relevant to the kinds of companies we compete with talent for
    - E.g., we compete with consultancies and tech companies at an earlier pre-IPO stage, not the tech giants, investment banks or manufacturing
  - Option Impact was our best source for this to date as it’s comprised of data mostly from venture backed, privately owned tech companies
  - Pave is another source
  - Recruiting firms and other companies also publish benchmarks that we cross-reference with
    - But take with a grain of salt as they often skew to big industry particularly in Australia
- We’re adding these sources to the compensation tables so you can see for yourself
- You - tell us what you’re seeing (but remember confirmation bias)

We do a thorough review and benchmark twice a year before the performance review cycle



# More art than science, unfortunately



Selection Criteria	
Location:	United Kingdom
Industry:	All Industries
Founding Status:	Non-Founders
Group Data By:	Number Of Employees
Select Data For:	51-100, 101-200, 26-50, >20
Export Date:	09/17/2023

Here is an example - and this one is better than usual

- Numbers are all over the place
- Big jumps then small jumps
- While we aim for 85th/75th percentile, not always easy
- USA is easiest to get good benchmarks for
- UK a bit harder, easy for some roles not others
- AU/NZ hard (relevant sample size small)

Note: 'N/A' indicates a section of data which was suppressed to maintain confidentiality

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JobCode	JobCode / Title	Currency	# Employees			
				50th	75th	85th
2121	SW Engineer 1	GBP	86	£ 43,000.00	£ 50,375.00	£ 63,900.00
2122	SW Engineer 2	GBP	148	£ 60,000.00	£ 70,000.00	£ 77,000.00
2123	SW Engineer 3	GBP	178	£ 75,000.00	£ 90,000.00	£ 100,000.00
2124	SW Engineer 4	GBP	170	£ 85,000.00	£ 100,000.00	£ 110,000.00
2125	SW Engineer 5	GBP	90	£ 90,000.00	£ 100,625.00	£ 111,750.00



# More art than science, unfortunately

Where are the percentiles here?

	DEVELOPER (.NET/JAVA)		SENIOR DEVELOPER (.NET/JAVA)		FULL STACK DEVELOPER (.NET/JAVA)		AUTOMATION DEVELOPER/ ENGINEER		TECHNICAL LEAD	
	Typical	Range	Typical	Range	Typical	Range	Typical	Range	Typical	Range
NSW - Sydney	120	90 - 140	160	140 - 180	130	120 - 150	130	120 - 150	180	160 - 200
NSW - Regional	120	90 - 140	140	120 - 160	135	120 - 160	135	120 - 150	160	135 - 180
VIC - Melbourne	110	90 - 140	140	140 - 170	135	120 - 160	140	120 - 160	160	150 - 180
VIC - Regional	100	80 - 130	120	100 - 145	125	110 - 140	125	105 - 140	150	130 - 172
QLD - Brisbane, Gold Coast & Sunshine Coast	90	100 - 120	120	120 - 140	130	115 - 150	130	120 - 160	150	140 - 185
SA - Adelaide	100	80 - 110	130	120 - 140	130	110 - 140	125	105 - 140	150	125 - 170
WA - Perth	100	80 - 120	140	120 - 160	140	120 - 160	130	120 - 160	170	150 - 210
ACT - Canberra	120	110 - 130	150	135 - 165	150	125 - 165	145	135 - 165	170	150 - 200
TAS - Hobart/Launceston	100	80 - 110	120	100 - 140	110	95 - 130	115	100 - 135	145	125 - 165
NT - Darwin	100	80 - 120	115	95 - 130	115	95 - 130	120	105 - 140	150	130 - 180
NZ - Auckland	115	100 - 130	145	130 - 160	140	120 - 160	140	125 - 160	170	150 - 190
NZ - Wellington	110	90 - 120	130	120 - 150	130	120 - 150	135	125 - 150	160	140 - 180
NZ - Christchurch	100	90 - 110	120	110 - 140	125	115 - 140	130	120 - 140	160	140 - 180

Level	Professional	Management	Currency	Maturing	Performing	Exceeding
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+5% on-call allowance

Hays salary guide 2023



# Why the country matters

- We used to take city/state into account when designing our comp tables, we no longer do (since about 2020 from memory)
- We aim to pay competitively within the talent pools we're hiring from
- The talent pool is different in each country with different competitive pressures
- If we used a single global rate we would have incredibly highly paid people in some regions or low paid people in other regions. Back to the curve we are trying to balance: maximum quantity and quality of talent here for the right reasons.
- Rest of the world is fairly uniform but the US in particular is very expensive and high overhead to operate in, so we think twice before hiring there. Very particular talent or requirement to be in the region for time zone/culture etc.



# Where does inflation/cost of living factor in?

Back in 2014/2015 we used to do a "standard raise" to counter CPI. E.g., about 3%.

After a few years...

- Person A joined 2 years ago and was on \$120K + \$3600 + \$3700 (two raises)
- Person B joined 1 year ago and was on \$120K + \$3600 (one CPI raise)
- Person C joined yesterday and is on \$120K (still the going rate for the role)

All doing the same job, but different pay.

Violates our "same job, same pay" philosophy. Who was being paid at the 75th percentile? How do we square this with our compensation philosophy?



# Where does inflation/cost of living factor in?

Two solutions to that

1. Not do a standard/CPI raise and just watch the benchmarks/continue to participate in the market and see if we feel pressure to increase
2. Do the standard raise but apply it directly to the compensation table
  - a. Given a few years, this takes us away from the 'goldilocks zone' of aiming at 75th/85th percentile, particularly if benchmarks move in the opposite direction

#2 would feel good right now but we will create more problems later. We are sticking with #1.

Remember, inflation can be increasing while demand for a job is falling (in fact that's exactly why reserve banks raise rates in the first place – to take the 'heat' out of the market (by inflicting it on those with a mortgage as the only tool they have))



# How does budget factor in?

Scenario: We are getting signal that our salaries for a job are wrong and we may need to increase them. Can we afford to?

The answer is simple: we can't afford *not* to.

- Risk losing good people
- Risk not being able to hire good people to replace them

A philosophy is only a philosophy when we stick with it when it's not convenient.

We make the changes, and then we revise our budget for the rest of the year to make it work. E.g., by hiring less people than planned if needed.





# Pause



So far we have covered:

- The economic system we operate in and our moral obligations as we see them
- The compensation philosophy we've developed over time
- The job level/maturity framework and the compensation tables we create for them
- How we benchmark them

Is this system making sense to you?

Does it feel fair & equitable?

Are you starting to get an idea of how to navigate it?



Your compensation =

**Salary**

+ [Variable: Bonus/Commission/Allowances]

+ Stock Options

+ Benefits



# Variable Compensation

Bonus/Commission/Allowances

Three main types in Octopus:

- Commissions - sales roles
- Bonuses - generally non-commission sales roles
- On-call allowance - engineering/support roles

All three are:

included in our benchmarking process  
shown in our compensation tables

(+ home office allowance)



# Stock Options

Cash compensation is pay for the work you did today.  
It comes from the budget we use to operate the business.

Stock compensation is for the value you've created over time and to align with our long-term success. It comes from dilution from other shareholders (still a real cost)

We think all roles contribute equally to our long-term success so we don't differentiate on job – stock comp is based solely on the level. E.g.,

L1 = 1000 options

L2 = 2000 options

L3 = 4000 options

L4 = 8000 options ...

No differentiation between R&D, S&M, G&A



# Stock Options

You receive an initial grant plus refresh grants over time.

Although you may start with a grant of 2000 options as an L2, after 5 years you will actually have vested ~2400 options with more on the way.

That's without being promoted. As you progress through levels, we grant the difference between the old and new level.



# How do you think about the value of your options?

Here is a simple shorthand (very rough):

Insight invested in 2021 at a \$500M USD valuation

For Octopus to be a good investment it should deliver 3-5x that in 3-5 years

Assume 100,000,000 total shares at exit

Subtract exercise price per option (\$2.02 or \$2.33 so far)

And taxes etc.

**Of course, assume they could also be worth \$0.**

We IPO/exit for:

\$1bn (2x) = \$10 per option

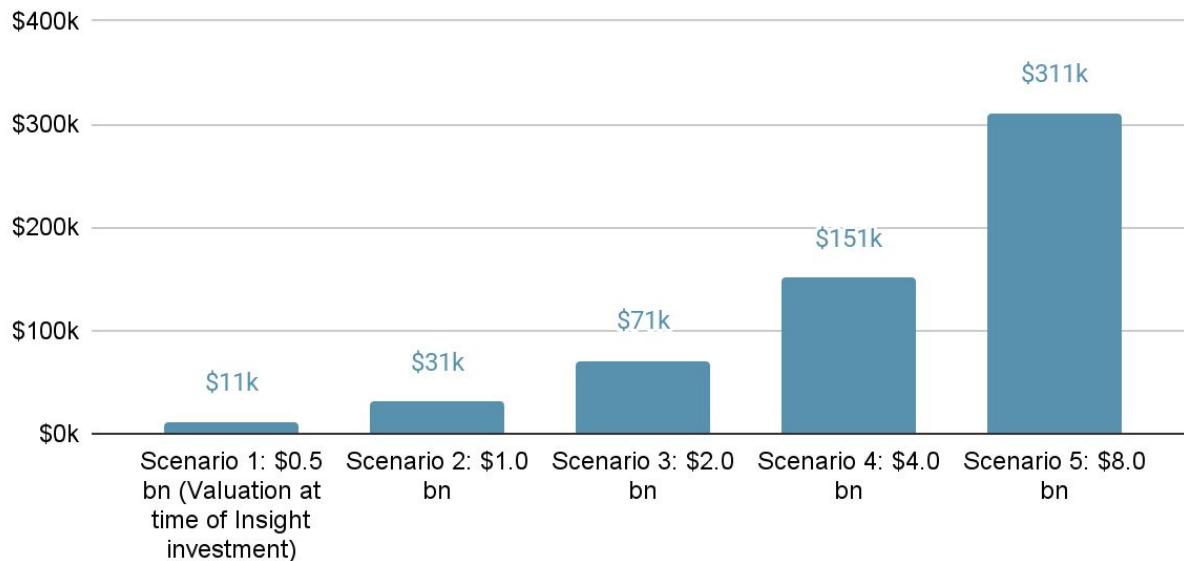
\$1.5bn (3x) = \$15 per option

\$2bn (4x) = \$20 per option

\$2.5bn (5x) = \$25 per option



## Value of options



Potential Valuations of Octopus Deploy

### Assumptions and notes

- Options granted: 4,000
- There are 100m shares and the number does not increase
- Exercise price of the options are \$2.33
- All amounts are in USD
- This does not take into account vesting time frames
- This does not take into account any tax implications

\*The above is all hypothetical, subject to Ts & Cs, and all advice is general in nature (please seek advice from your accountant for your personal circumstances), not legal advice, may contain small parts, may contain traces of peanuts, etc.



# Why does it increase exponentially?

*Generally speaking...*

Folks at the more junior end of careers:

- get less opportunity to make decisions that have multi-year long term impact (increasing the value of their stock)
- likely feel the value of their stock is a function of other people's decisions than their own
- are probably at a point of their career where they would prefer cash

While folks at the more senior end:

- get more and more opportunity to make long-term decisions
- we need them aligned with those decisions being right for our future, not this quarter
- are at a point in their career where cash compensation is less of a priority

The impact of good decision making on our long term value does increase exponentially as people's decision making scope grows.





# Benefits



# What we mean when we say benefits

Our benefits change over time so as you read/watch it may be out of date

We mean things that:

- Have a cost associated (& choice to make)
- Things that are offered the same to most people/large groups of people
- Not through compensation but other means

Examples

- Leave days
- Retirement benefits
- Health benefits (US)



# What benefits should a company offer?

Beyond legal requirements

- Why 25 days of annual leave, and not 10, or 20, or 50, or unlimited?
- Why don't we do a four-day work week?
- Why don't we provide health insurance in every country?
- Australia has 9% 10% 11% retirement funds, why don't we do that elsewhere?
- Why isn't our paid parental leave scheme more generous?
- Why don't we offer gym memberships, or yoga classes, or "mindfulness days"?
- Canva had a goat petting zoo in their office last week (really!), when will we do that?



# How we think about it

1. Will having the benefit attract the right people?
2. Does *not* having it *prevent* us hiring the right people?

If the answer is yes to either (but particularly #2), we consider it.

Regional norms factor into this - in some countries the answer might be yes, in others no

Of course we also consider the cost and our overall moral philosophy  
(mostly me dying on hills)



# Case study 1: 25 days annual leave/vacation

1. Australia/NZ: 20 days legally required and totally normal
2. US: each state different but 10 days common (we started with 20)
3. Expanded to UK
  - a. 20 days minimum, but many companies do 25 or 30
  - b. We started with 20 - keep it consistent
4. As we hired, got increasing signal that only offering 20 was preventing us hiring good people
5. Decided to go to 25 days for the UK
6. Started to see other companies offering special leave like mental health days in Australia/US
  - a. Had a bit of a virtue signalling vibe
  - b. Benefits to the company calling it something special - annual leave has to be paid out!
7. Decided to just offer 25 days worldwide - use the 5 extra days for what you want
8. If we expand to France and 30 days is required to hire and retain people there, will we offer 30 days worldwide? Unlikely



## Case study 2: 4-day work week

Some companies are experimenting with variations of this and we've been asked at a few All Hands whether we would consider it. The short answer is no, but the correct answer is probably "not yet". What would change it?

We aren't missing out on great candidates who say this is a deal-breaker for them. If that changed it would be a sign to reconsider.

If we introduced it now, we would be one of the few companies offering it. This would attract people that really care about 4-day work weeks. But is that the reason we want people to come here?



**OK, OK, I get it.**

But how do I get paid more?




# Your salary will change for two reasons

*The speed at which this happens is up to you*

Maturing	Performing	Exceeding
70K	<del>80K</del> 85K	90K
90K	100K	110K

Maturing	Performing	Exceeding
70K	80K	90K
90K	100K	110K



**1** We revise the compensation table for your role

E.g., through benchmarking leading up to the performance review.

**2** You progress through the compensation table

The Performance Review process is generally where this happens.





# Performance reviews

- If the compensation tables are the system...
- **Performance reviews are the main way you navigate the system**
- We should be doing a good job of recognizing and rewarding growth, without you needing to advocate strongly on your own behalf, but don't always get it right
  - In particular, people can “fall through the cracks” when managers change
  - This cycle the People team will do checks to try to ensure these are picked up
  - ELT and I are always a Slack DM away if you are concerned



# Feedback should be happening continuously

The performance review should be a reflection and culmination of all the feedback over the last 6 months, and an assessment on whether you are in the right part of the table / should be promoted.

- You should be getting feedback about expectations and your performance throughout the year. I care about the quality of the feedback you are getting more than the exact cadence (e.g., doesn't need to be weekly). Is it concrete and actionable?
- That feedback should be a two-way street. What do you need from us to succeed?
- The performance review shouldn't be the only time you get feedback, and it shouldn't be a surprise, though it is often when the feedback crystalizes.



# Our expectations in the review

- We **expect** everyone to do their best work and make their best efforts to be impactful, and to listen to feedback and coaching from their managers
- We **hope** people will be comfortable raising concerns when they feel expectations aren't realistic or clear in what support they need, and we expect that managers create an environment where this happens. People team are here to help this communication.
- We **expect** managers to do a good job recognizing and promoting talent. Department leaders and people team act as a good cross-check here



Example - imagine you are currently here

Maturing	Performing	Exceeding
70K	80K	90K
90K	100K	110K

## Overall

6. Overall, how would you assess your performance in your current role, job level and maturity over the last 6-months?\*

Struggling - Performance is falling a bit short of expectations, and I need support.	Encouraging - I am meeting most expectations of my role, and there is room to improve.	Delivering - I am performing strongly and meeting the expectations of my role and exceeding in some instances.	Exceeding - I am consistently exceeding expectations of my role, I am thriving and am a great example.
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(Assuming your manager agrees)

There is some cross-department calibration

If in Exceeding, expect to be moved to the next cell along (or further) at the conclusion of the cycle.

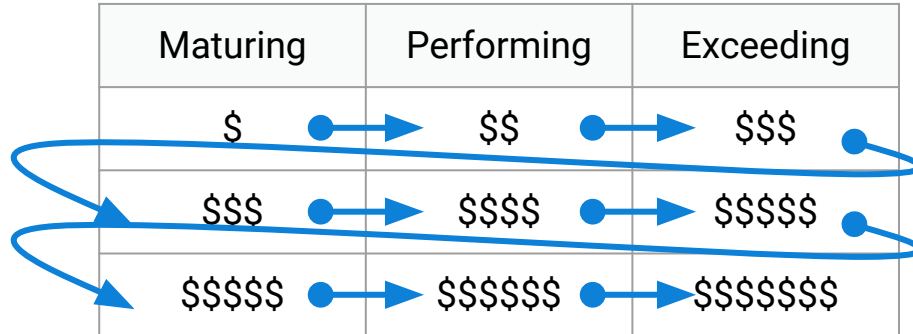
Stay in same cell

Move to next cell



# Over the longer arc

- Giving and receiving feedback, and growing
- Taking on opportunities to lead or try something new
- Living the Octopus values
- Making a true impact for our customers



# DE&I Considerations



# Our system is designed to be equitable

- There is a single \$ value per job - not a range
- Making it transparent now gives you even more confidence you are being paid the same as your peers
- In an ideal world, when we look at the following by gender/ethnicity or other attributes, we would expect proportionality in terms of:
  - Consistency with the compensation tables
  - Similar pace progression through the career frameworks
  - Low and high performance reviews
  - No group being majority stuck in Maturing or being pushed ahead into Exceeding or promoted between levels
- This performance review, People team will be raising the bar by acting as a cross-check for the above.
  - Checking for people who had recent manager changes to ensure they are still getting a useful and fair review
  - Checking for people who haven't received a pay rise in the last 12 months
  - Checking that low and high performance reviews aren't overwhelmingly going to one group

The system can only do so much - it doesn't make up for biases or ultimately whether your manager is investing in you or not (other efforts and initiatives exist to address that). But we are getting to a size where the statistics can give us an idea of where to focus.



# DE&I more broadly

ELT will share and champion an annual DE&I strategy that sets out:

- What we are aspiring to - what we think ideal looks like
- Key goals for 2024 where we want to improve

Likely to focus in 2024 on:

- Building awareness and knowledge of DE&I at all levels
- Actively creating a diverse hiring pool so that the people at Octopus broadly reflect the available talent pool for those roles in the markets we hire in
- Ensuring opportunities to progress are available to all
- Quarterly reporting to give everyone an accurate view of where we're at





## Side note: Gender Pay Gap

Despite this system, Octopus still has a Gender Pay Gap. How is that?

The Gender Pay Gap calculation simply uses the average earnings of women and the average earnings of men **regardless of the job**.

This makes sense from the point of view of driving wider societal change (female-dominated roles are paid less than male dominated roles) and it is being used and reported as part of government initiatives in the UK, Australia and other countries.

It makes less sense when applied to an individual business operating within a job market where (a) some jobs are paid more than others and (b) the talent pool for those jobs skews heavily to one gender. See the start of this presentation for why we don't consider (a) in our power to solve.

For this reason I don't find it a metric that tells us anything about our business or how to improve the experience of women in it.





# How could this be reduced?

I encourage you to try it: you can come up with hundreds of ways to close the gap that are simply unfair or harm the business, but even talking to WGEA I have found none that fully close this gap in a fair, sensible way.

Action	Closes the gap	Issue
Hire more female software engineers	Only if it reaches 50/50	Not in line with broader talent pool so likely to be discriminatory
Hire only males for junior roles	Would drag down average male salary and so close the gap	Not in line with broader talent pool so likely to be discriminatory
Fire the female marketer	Would lift the average female salary and close the gap	Discriminatory
Pay the female software engineer more than the male engineers	Would lift the average female salary and close the gap	Discriminatory
Pay the marketers the same as the software engineers	Closes the gap	Highest paid marketers ever Probably have to fire one to make the budget work
Pay the software engineers what the marketers are paid	Closes the gap	All the software engineers get jobs elsewhere.



# What we see in our data

At the time of writing:

- Women make up 25% of all people at Octopus and 30% of managers
- When we look at individual jobs (same family / level / maturity) across countries there is on average a tiny (<2%) skew in favor of women
  - E.g., all Level 3 software engineers in Performing are paid the same regardless of gender
- When we look by job family regardless of the level/maturity we also see very little gap (1-2%) on average
- We see pay gaps between *Jobs* - software engineers are paid a lot
- Within engineering on their own we don't see a gender pay gap
- Yet because software engineers are paid a lot and are overwhelmingly male, they skew the entire company average male salary up and it looks like a gender pay gap.

Gender pay gap *can* be correlated with e.g., who gets hired and promoted, but we have better, more direct ways to measure that.



**TL;DR**



## In summary

- We have a whole system designed to ensure people doing the same job with the same skill in the same country are paid the same.
- Hopefully this presentation has given you a good understanding of the “why” and “how” behind it
- Visit <https://comp.octopushq.com> and use it to look up your role to see what your career framework looks like
- You get paid more as you move through the compensation table for your career - this usually happens at performance review time. How quickly is up to you.

