

# Compensation Management

## Course Objectives

The course is designed to promote understanding of issues related to the compensation or rewarding human resources in the corporate sector, public services and other forms of organisations and to impart skills in designing and analysing and restructuring reward management systems, policies and strategies.

## Syllabus

Compensation Framework and Theories, Wage and Pay systems, Wage Fixation, Expatriate Compensation, Social Security, Retirement Benefits and Design of Pay Structures.

## Expected Outcome

Upon completion of this course, the students will be able to:

1. analyze, integrate, and apply the knowledge to solve compensation related problems in organizations. 2. demonstrate comprehension by constructing a compensation system encompassing; a) internal consistency, b) external competitiveness c) employee contributions, d) organizational benefit systems, e) administration issues and in compliance of market and regulatory requirements

## References

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6. How to build Pay Grades and Salary Ranges, [http://resources.payscale.com/rs/payscale/images/2013- How-to-Build-Pay-Grades-and-Salary-Ranges.pdf](http://resources.payscale.com/rs/payscale/images/2013-How-to-Build-Pay-Grades-and-Salary-Ranges.pdf)

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[http://downloads.eri.com.s3.amazonaws.com/pdf/How\\_to\\_Set\\_Competitive\\_Compensation\\_Structure\\_s.pdf](http://downloads.eri.com.s3.amazonaws.com/pdf/How_to_Set_Competitive_Compensation_Structure_s.pdf)
8. Hendorson , Richard I. Compensation Management : Rewarding Performance in Modern Organization, Prentice Hall, 1988
9. Lance Berger and Dorothy Beger, The Compensation Handbook, Sixth Edition: A State-of-the-Art Guide to Compensation Strategy and Design, McGraw-Hill Professional, 2015
10. A.K. Sharma, Labour Economics, Anmol Publications Pvt. Ltd, 2006
11. K.N. Subramaniam, Wages in India, McGraw-Hill Inc, 1977
12. A.I. Fonseca, Wage Issues in a Developing Economy : An Indian Experience, Oxford University Press, 1964
13. B.D. Singh, Compensation and Reward Management, Excel Books, 2012
14. Richard I. Henderson, Compensation Management in a Knowledge Based World, Pearson
15. Ten Steps For Building A Salary Structure, <http://internationalhrforum.com/2010/07/29/ten-steps-for-building-a-salary-structure/>

## COURSE PLAN

### 1 Compensation Framework and Theories

Conceptual Framework of Compensation Management: Meaning of wage , Minimum wage , Fair wage , Living wage , Money wage, Take home pay , Difference between wage and pay , Concept and Components of Wages; Components of compensation; Theories of wages: Subsistence theory, Wage Fund Theory, Marginal Productivity theory, Residual claimant theory, Bargaining theory.

### 2 Wage and Pay systems

Principles of wage and salary administration, Job Evaluation - meaning , principles, methods, limitations, importance , Systems of payment : Time rate system , piece rate system , Incentive payments. Fringe benefits, Fringe benefits tax (FBT); Cost to the company (CTC) – calculation and computing.

### First Internal Examination

3 Wage Fixation Criteria of wage fixation. Methods of Payment, Broad- banding, Performance based pay systems , Knowledge based pay system, market based pay system, Incentive based pay system, Types of incentive plans; Executive compensation; Wage Policy in India, Methods of wage determination in India, The Pay Commission, Wage Boards and Tribunals: Structure, Scope and functions, Role of Collective bargaining in wage determination, The Rate of Minimum Wages Act; Emerging trends of compensation management in IT industries.

#### 4 Expatriate Compensation

Expatriate assignment approaches - Fringe benefits, Career management of expatriates, Job pricing, Expatriate reward models, Cost-of-living data, expatulator and calculations, Taxation and the expatriate, Repatriation and reintegration; Expatriate management systems; success factors. Second Internal Examination

#### 5 (a) Social Security and Retirement Benefits

Social Security, definition, concept, approaches, Employees' Provident Fund Scheme, Employees' Deposit Linked Insurance Scheme, Employees' Pension Scheme, Pension Fund, Payment of gratuity, Participatory/Contributory Pension; Employee State Insurance Corporation (ESIC).

5 (b) Design of Pay structures Pay structures – concept, measuring the Market; Pay Mechanics (Structure Design) - Pay mechanics; Number of grades - career bands, broad grades and narrow bands; Pay ranges - formulas and guidance on best practice; Pay slopes - formulas and guidance on best practice; Pay overlap - formulas and guidance on best practice; Smoothing the pay curve - techniques and guidance on best practice; Positioning Staff in the Pay Scale - Options for employees below minimum of pay scale, Options for employees above maximum of pay scale, Market premiums - guidance on types of premium and when they are necessary; Reviewing the Pay Scale - Reviewing the pay structure, Timing and frequency, Measuring current position, Measuring market movement and inflation, Other external factors, Other internal factors.

Final Examination