

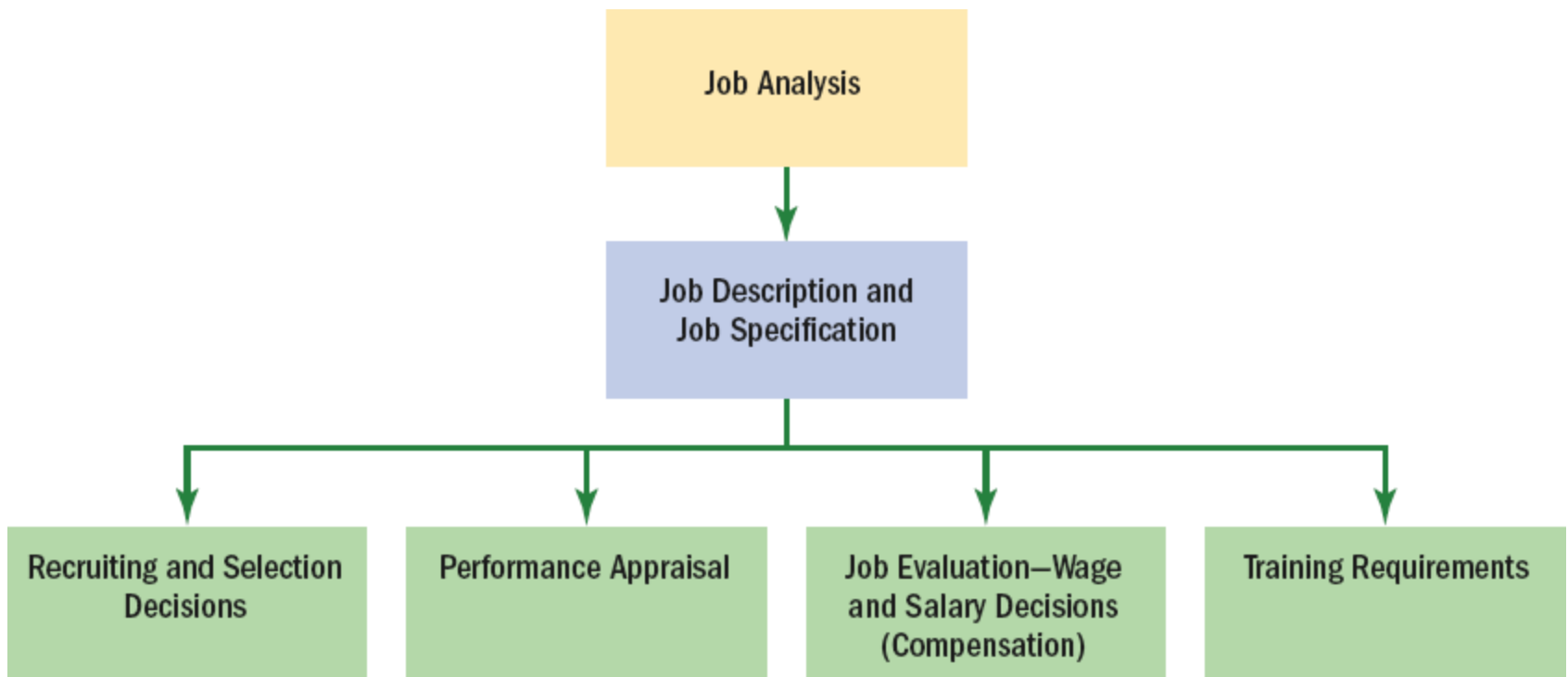
Compensation & Benefits Module



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Uses of Job Analysis Information



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Methods of Collecting Job Analysis Information: The Interview

- Information sources
 - Individual employees
 - Groups of employees
 - Supervisors with knowledge of the job
- Advantages
 - Quick, direct way to find overlooked information.
- Disadvantages
 - Distorted information
- Interview formats
 - Structured (Checklist)
 - Unstructured



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TYPICAL QUESTIONS

- What is the job being performed
- What are the major duties of the job
- What other locations do you work in
- What are the education, skills, certification/ licensing requirements
- What activities do you participate
- What are the jobs responsibilities/ duties
- What are the basic accountabilities/ performance stds
- What are your responsibilities
- What are your working conditions
- What are the jobs physical, emotional or mental demands
- What are the health and safety conditions

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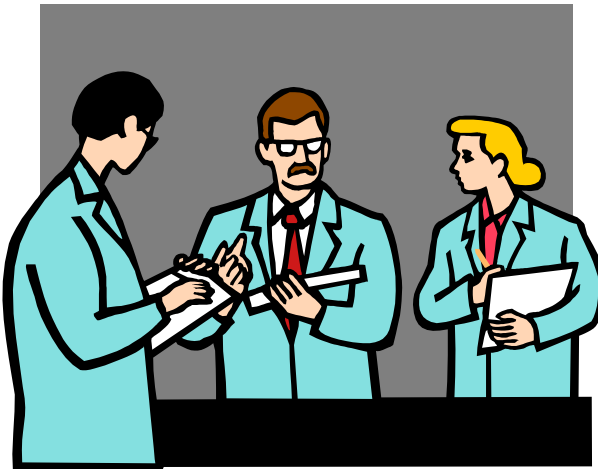
Methods of Collecting Job Analysis Information: Questionnaires

- Information source
 - Have employees fill out questionnaires to describe their job-related duties and responsibilities.
- Questionnaire formats
 - Structured checklists
 - Opened-ended questions
- Advantages
 - Quick and efficient way to gather information from large numbers of employees
- Disadvantages
 - Expense and time consumed in preparing and testing the questionnaire

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Methods of Collecting Job Analysis Information: Observation

- Information source
 - Observing and noting the physical activities of employees as they go about their jobs.
- Advantages
 - Provides first-hand information
 - Reduces distortion of information
- Disadvantages
 - Time consuming
 - Difficulty in capturing entire job cycle
 - Of little use if job involves a high level of mental activity.



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Methods of Collecting Job Analysis Information: Participant Diary/Logs

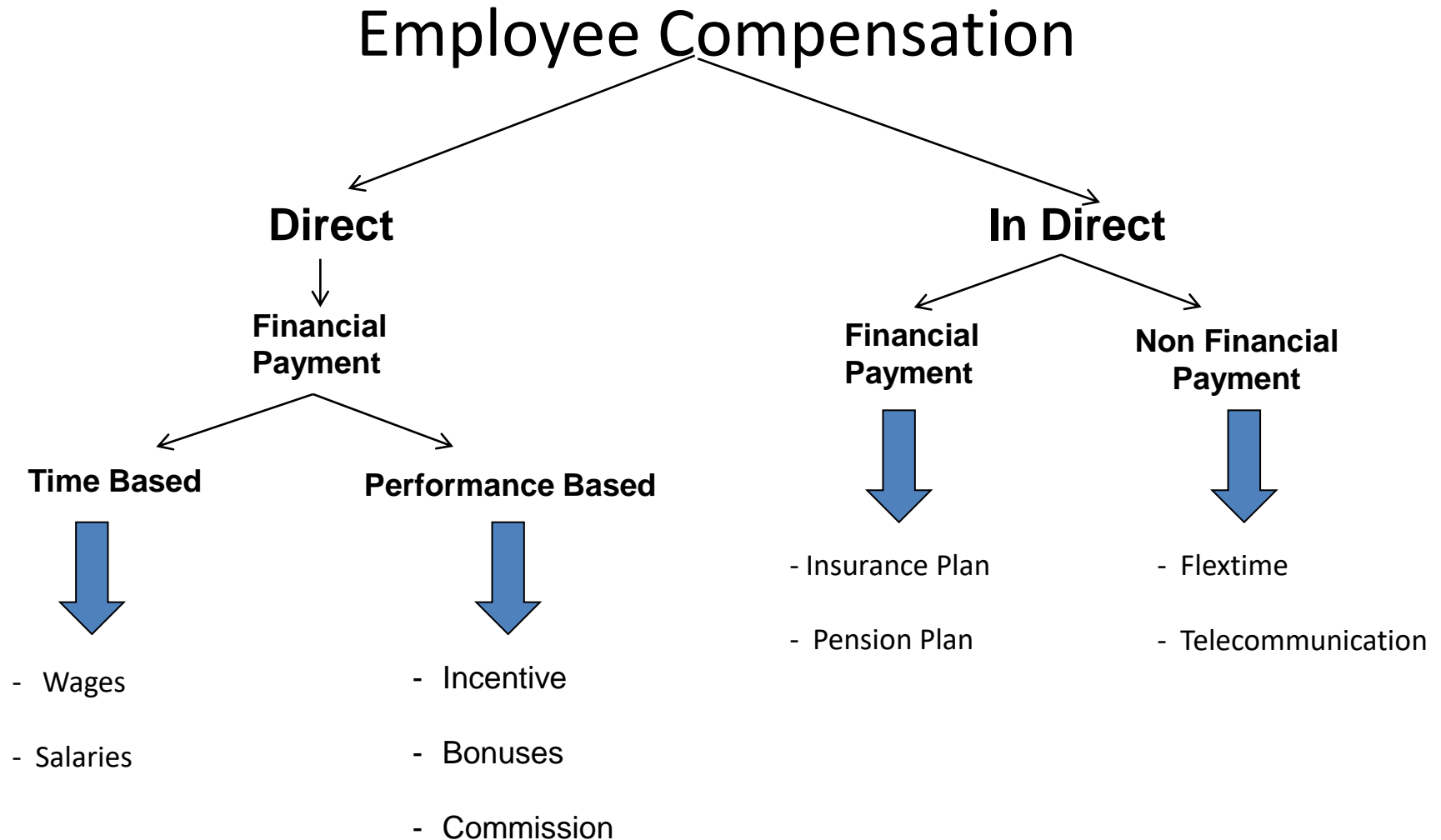
- Information source
 - Workers keep a chronological diary/ log of what they do and the time spent in each activity.
- Advantages
 - Produces a more complete picture of the job
 - Employee participation
- Disadvantages
 - Distortion of information
 - Depends upon employees to accurately recall their activities



Determining Pay Rates

- Employee compensation
 - All forms of pay or rewards going to employees and arising from their employment.
- Direct financial payments
 - Pay in the form of wages, salaries, incentives, commissions, and bonuses.
- Indirect financial payments
 - Pay in the form of financial benefits such as insurance.

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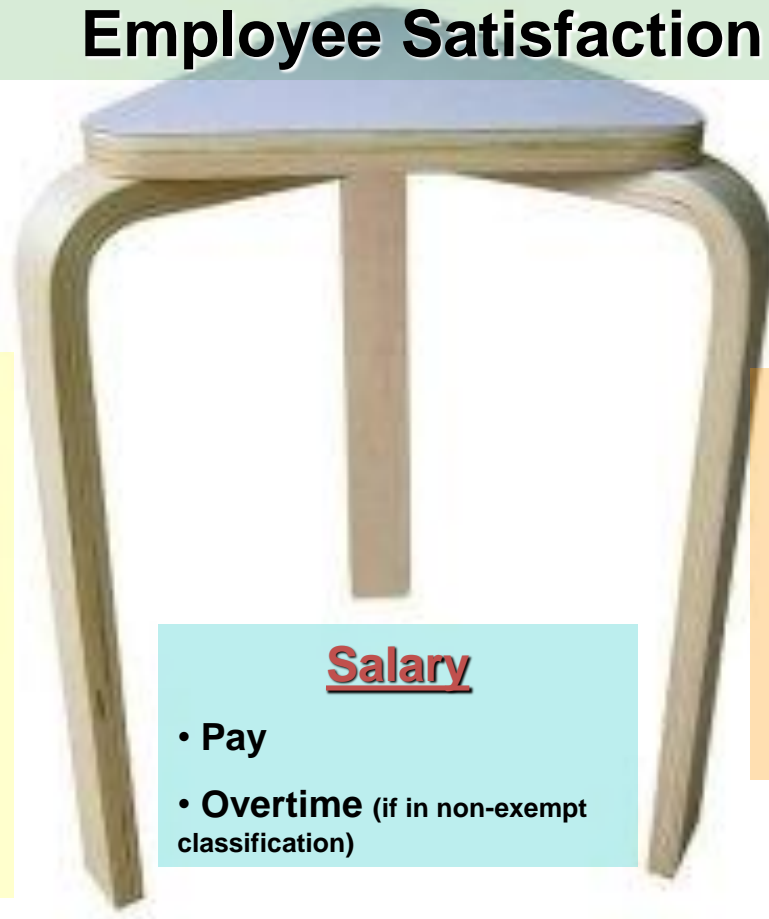
Goals of Compensation Plans

- Employers are able to attract and retain employees who will contribute to the organization's success
- Employees feel they are compensated/rewarded fairly/equitably for their efforts and contributions to an organization's success

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Total Compensation

Employee Satisfaction



Rewards

- Bonus
- Salary Increases
- Promotions
- Equity Offerings
- Awards
- Recognition
- New job assignments

Salary

- Pay
- Overtime (if in non-exempt classification)

Benefits

- Health Plans
- Retirement Plans
- Vacation/ time off
- Paid Training
- Working Hours

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Compensation Policy Issues

- Pay for performance
- Pay for seniority
- Salary increases and promotions
- Overtime and shift pay
- Probationary pay
- Paid and unpaid leaves
- Paid holidays
- Salary compression
- Geographic costs of living differences

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Forms of Equity

- External equity
 - How a job's pay rate in one company compares to the job's pay rate in other companies.
- Internal equity
 - How fair the job's pay rate is, when compared to other jobs within the same company
- Individual equity
 - How fair an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company.
- Procedural equity
 - The perceived fairness of the process and procedures to make decisions regarding the allocation of pay.

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Methods to Address Equity Issues

- Salary surveys
 - To monitor and maintain external equity.
- Job analysis and job evaluation
 - To maintain internal equity,
- Performance appraisal and incentive pay
 - To maintain individual equity.
- Communications, grievance mechanisms, and employees' participation
 - To help ensure that employees view the pay process as transparent and fair.

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Equity	How to Address Equity Issues
External	Salary surveys
Internal	Job analysis and job evaluation
Individual	Performance appraisal and incentive pay
Procedural	Communications and employees' participation

Establish Pay Rates

Establishing Pay Rates

Step 1. The salary survey

Step 2. Job Evaluation

Step 3 . Group Similar Jobs into Pay grade

Step 4. Fine-tune Pay Rates

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Establishing Pay Rates (cont'd)

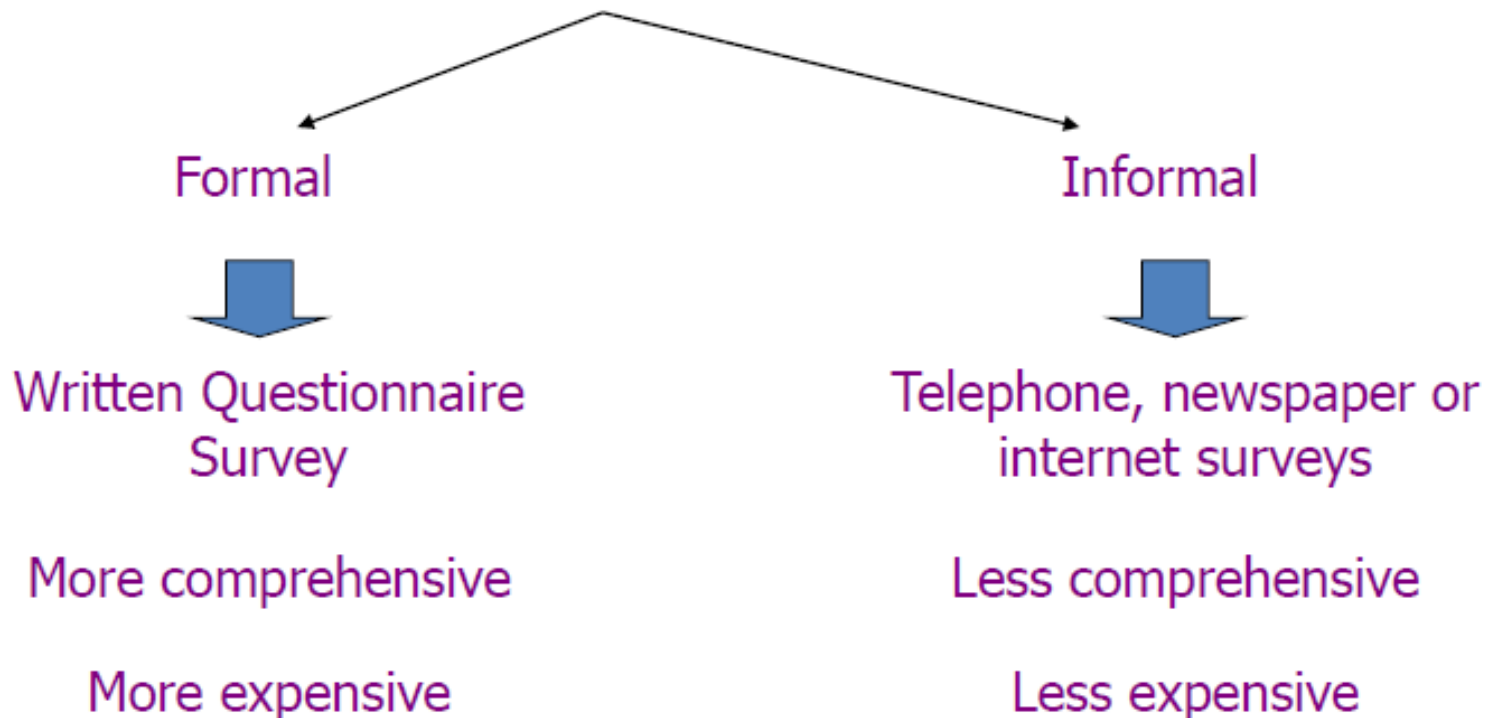
Step 1. The Salary Survey

- We do salary survey in order to:
 - Know what others are paying (prevailing rates)
 - Ensure external equity
 - Set pay rates
- A good salary survey provides specific wage rates for specific jobs.
- The salary survey generally help to avoid the dual hazard of:
 1. Paying too much
 2. Suffering turnover because of uncompetitive pay

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Establishing Pay Rates (cont'd)

Step 1. The Salary Survey



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Establishing Pay Rates (cont'd)

Step 1. The Salary Survey

- **To price a benchmark job**

A job that is used to anchor the employer's pay scale and around which other jobs are (slotted) arranged in order of relative worth (after job evaluation).

- **To price their positions**

Employers price 20% of their positions directly in the market place (not (only in the benchmark jobs) based on what comparable firms are paying for comparable jobs.

- **To collect data on benefits**

Like Insurance, Pension Plan, Vacations

Sources for Salary Surveys

- Professional associations
- Government agencies
- Private consulting and/or executive recruiting companies
 - Hay associates
 - Job Master

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Sponsor	Internet Address	What It Provides	Downside
Salary.com	Salary.com	Salary by job and zip code, plus job and description, for hundreds of jobs	Adapts national averages by applying local cost-of-living differences
Wageweb	www.wageweb.com	Average salaries for more than 150 clerical, professional, and managerial jobs	Charges for breakdowns by industry, location, etc.
U.S. Office of Personnel Management	www.opm.gov/oca/09Tables/index.asp	Salaries and wages for U.S. government jobs, by location	Limited to U.S. government jobs
Job Smart	http://jobstar.org/tools/salary/sal-prof.php	Profession-specific salary surveys	Necessary to review numerous salary surveys for each profession
cnnmoney.com	cnnmoney.com	Input your current salary and city, and this gives you comparable salary in destination city	Based on national averages adapted to cost-of-living differences

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Establishing Pay Rates (cont'd)

- **Step 2. Job evaluation**
 - A systematic comparison done in order to determine the worth of one job relative to another.
- **Compensable factor**
 - A fundamental, compensable element of a job, such as skills, effort, responsibility, and working conditions.

Basic principle: jobs that require more responsibilities and more qualifications and complex duties ? should be paid more highly than jobs with lesser requirements

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Establishing Pay Rates (cont'd)

Step 2. Job evaluation

Two basic approaches to compare several jobs

Intuitive Approach



You decide that one job is more important than another without digging deeper into why

Compensable factors



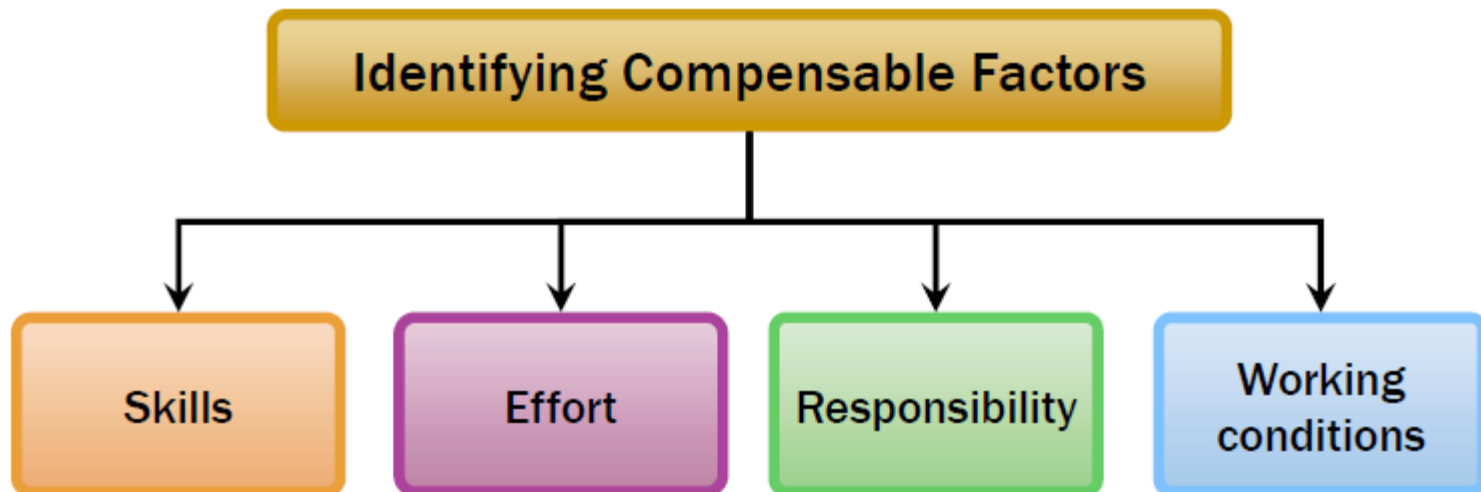
You compare the jobs by focusing on certain basic factors the job have in common

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Establishing Pay Rates (cont'd)

Step 2. Job evaluation

Step 2: Job Evaluation – Compensable Factors



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Establishing Pay Rates (cont'd)

Step 2. Job evaluation

BASIS FOR COMPARISON	SCOPE OF COMPARISON	
	JOB AS A WHOLE (NONQUANTITATIVE)	JOB PARTS OR FACTORS (QUANTITATIVE)
Job vs. job	Job Ranking	Factor Comparison
Job vs. scale	Job Classification	Point Method

Job Evaluation Methods: Ranking

Simplest, non-quantitative job-to-job comparison

- Ranking each job relative to all other jobs, usually based on some overall factor. (i.e. not compensable factors)

- **Steps in job ranking:**

- A. Obtain job information:**

- Job description (duties) but not the job specifications (skills, decision making or problem solving)

- B. Select and group jobs:**

- Usually we rank jobs per department (not the whole organization) and this eliminates the need for direct comparison

- C. Select compensable factors.**

- It's common to use one factor (e.g. job difficulty) and to rank jobs based on that.

Job Evaluation Methods: Ranking

D. Rank jobs:

- Each rater is given a set of cards with a brief job descriptions, and they are asked to rank these cards from lowest to highest.
- They may also use “alternation ranking method” to be more accurate.
- We can then slot additional jobs between those already ranked.

E. Combine ratings:

- The rating committee (or employer) then take averages.

Job Evaluation Methods: Ranking

Pros:

1. Simplest method
2. Easy to explain
3. Takes less time to develop

Cons:

1. Non – quantitative (job in the rank no 4 may be 5 times more valuable than job in the rank no 5)
2. Rely on guesstimates

Uses:

1. Small organizations
2. Per department

Job Evaluation Methods: Classification

Simple, non-quantitative, job-to-predetermined standard comparison.

- Raters categorize jobs into groups of jobs that are of roughly the same value for pay purposes.

Grades are jobs that are similar in difficulty but otherwise different.

–Jobs are grouped by the amount or level of compensable factors they contain.

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Job Evaluation Methods: Classification

Example of A Grade Level Definition

GRADE	NATURE OF ASSIGNMENT	LEVEL OF RESPONSIBILITY
GS-7	Performs specialized duties in a defined functional or program area involving a wide variety of problems or situations; develops information, identifies interrelationships, and takes actions consistent with objectives of the function or program served.	Work is assigned in terms of objectives, priorities, and deadlines; the employee works independently in resolving most conflicts; completed work is evaluated for conformance to policy; guidelines, such as regulations, precedent cases, and policy statements require considerable interpretation and adaptation.

This is a summary chart of the key grade level criteria for the GS-7 level of clerical and assistance work. Do not use this chart alone for classification purposes; additional grade level criteria are in the Web-based chart.

Job Evaluation Methods: Classification

Pros:

1. End up with grouping jobs into classes or grades.
2. Simple method
3. Takes less time

Cons:

1. Difficult to write classes / grades description.
2. Not quantitative

Uses:

1. Governmental Sector

Job Evaluation Methods: Factor Comparison

- Each job is ranked several times—once for each of several compensable factors.
- The rankings for each job are combined into an overall numerical rating for the job.

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Job Evaluation Methods: Factor Comparison

TABLE 11–A1 Ranking Key Jobs by Factors¹

	Mental Requirements	Physical Requirements	Skill Requirements	Responsibility	Working Conditions
Welder	1	4	1	1	2
Crane operator	3	1	3	4	4
Punch press operator	2	3	2	2	3
Security guard	4	2	4	3	1

¹1 is high, 4 is low.

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Job Evaluation Methods: Factor Comparison

TABLE 11–A2 Ranking Key Jobs by Wage Rates¹

	Hourly Wage	Requirements			Responsibility	Working Conditions
		Mental	Physical	Skill		
Welder	\$9.80	4.00 (1)	0.40 (4)	3.00 (1)	2.00 (1)	0.40 (2)
Crane operator	\$5.60	1.40 (3)	2.00 (1)	1.80 (3)	0.20 (4)	0.20 (4)
Punch press operator	\$6.00	1.60 (2)	1.30 (3)	2.00 (2)	0.80 (2)	0.30 (3)
Security guard	\$4.00	1.20 (4)	1.40 (2)	0.40 (4)	0.40 (3)	0.60 (1)

¹1 is high, 4 is low.

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Job Evaluation Methods: Factor Comparison

Value	Mental Requirements	Physical Requirements	Skill Requirements	Responsibility	Working Conditions
0.20				Crane Operator	Crane Operator
0.30					Punch Press Operator
0.40		Welder	Sec. Guard	Sec. Guard	Welder
0.60					Sec. Guard
0.80				Punch Press Operator	
1.00				(Plater)	
1.20	Sec. Guard				
1.30		Punch Press Operator			
1.40	Crane Operator	Sec. Guard	(Inspector)	(Plater)	
1.50		(Inspector)			(Inspector)
1.60	Punch Press Operator				
1.70	(Plater)				
1.80			Crane Operator	(Inspector)	
2.00		Crane Operator	Punch Press Operator	Welder	
2.20		(Plater)			
2.40	(Inspector)				(Plater)
3.00			Welder		
4.00	Welder				

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Job Evaluation Methods: Factor Comparison

Pros:

1. Accurate and systematic
2. Quantitative (ends up with numerical values)
3. Fairly easy to explain

Cons:

1. Complexity
2. Difficult to build one
3. The compensable factors may differ from one organization to another

Uses: Rarely used due to complexity

Job Evaluation Methods: 3. Factor Comparison

Job Evaluation Methods: Point Method

A quantitative job-to-predetermined standard comparison technique that involves:

- Identifying several compensable factors, each with several degrees.
- Identifying the degree to which each compensable factors are present in the job.
- Awarding points for each degree of each factor.
- Calculating a total point value for the job by adding up the corresponding points for each factor.

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Job Evaluation Methods: Point Method

<i>Years of Experiences</i>		Less than 2 year	frm 2 to 5 years	frm 5 to 8 years	frm 8 to 11 years	frm 11 to 15 years	frm 15 to 20	More than 20 years
Level of Education		A	B	C	D	E	F	G
Minimum Education Ability to read & write	1	20	24	30	back power point new-01.png			
Completion of basic education (9years of schooling)	2	30	37	46	55	back power point new-01.png		
Completion of secondary education (12years of schooling)	3	38	46	55	65	75	back power point new-01.png	
Diploma of 2 years after secondary schooling	4	46	55	65	75	85	97	110
Bachelor degree in a discipline related to the job	5	55	65	75	85	97	110	125
Master degree or post-graduates studies	6	65	75	85	97	110	125	140

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Job Evaluation Methods: Point Method

Grade	Cut off Points	
	From	To
12		75
11	76	85
10	86	95
9	96	110
8	111	125
7	126	140
6	141	170
5	171	200
4	201	230
3	231	260
2	261	290
1	291	320

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Job Evaluation Methods: Point Method

Reference Level	Hay Point Range	Examples of Job Titles
6	73 - 84	Messenger/Farash
7	85 - 97	Filing Clerk
8	98 - 113	Data Preparation Operator II
9	114 - 134	Driver, Warehouseman, Clerk/Typist, Bank Teller
10	135 - 160	Payroll Clerk, Computer Operator, Secretary, Entry Level Production Operator
11	161 - 191	Secretary, Experienced Accounts Clerk, Sr. Computer Operator, Maintenance Technician
12	192 - 227	Executive Secretary, Warehouse Supervisor, Sr. Operator /Technician/Customer Service Representative

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Job Evaluation Methods: Point Method

Pros:

1. Accurate and systematic
2. Quantitative (ends up with numerical values)
3. Fairly easy to explain

Cons:

1. Expensive
2. Difficult to build one – time consuming
3. The compensable factors may differ from one organization to another

Uses: Widely used

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Establishing Pay Rates (cont'd)

- Step 3. Group Similar Jobs into Pay Grades
 - A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.
 - Point method: the pay grade consists of jobs falling within a range of points.
 - Ranking method: the grade consists of all jobs that fall within two or three ranks.
 - Classification method: automatically categorizes jobs into classes or grades.

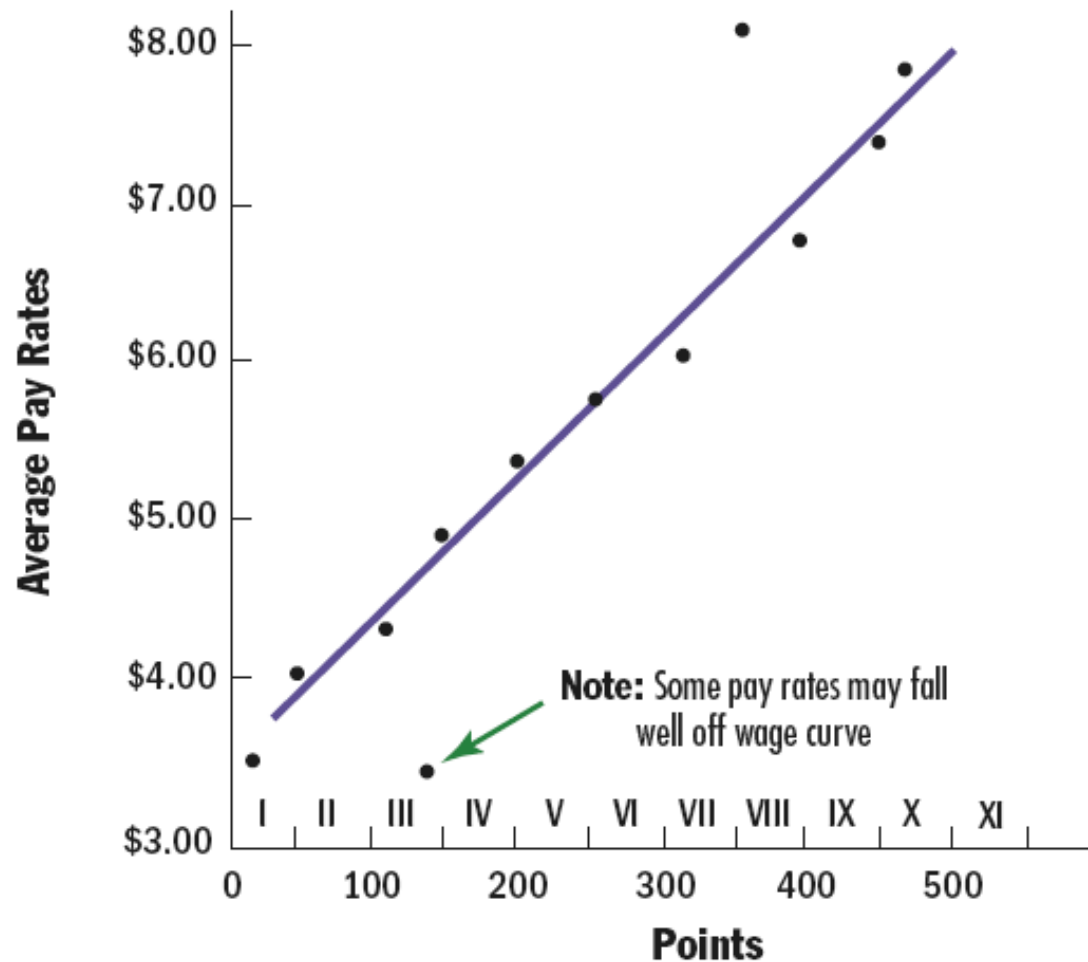
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Establishing Pay Rates (cont'd)

- Step 4. Price Each Pay Grade
 - Wage Curve
 - Shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation.
 - Shows the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.

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Plotting a Wage Curve

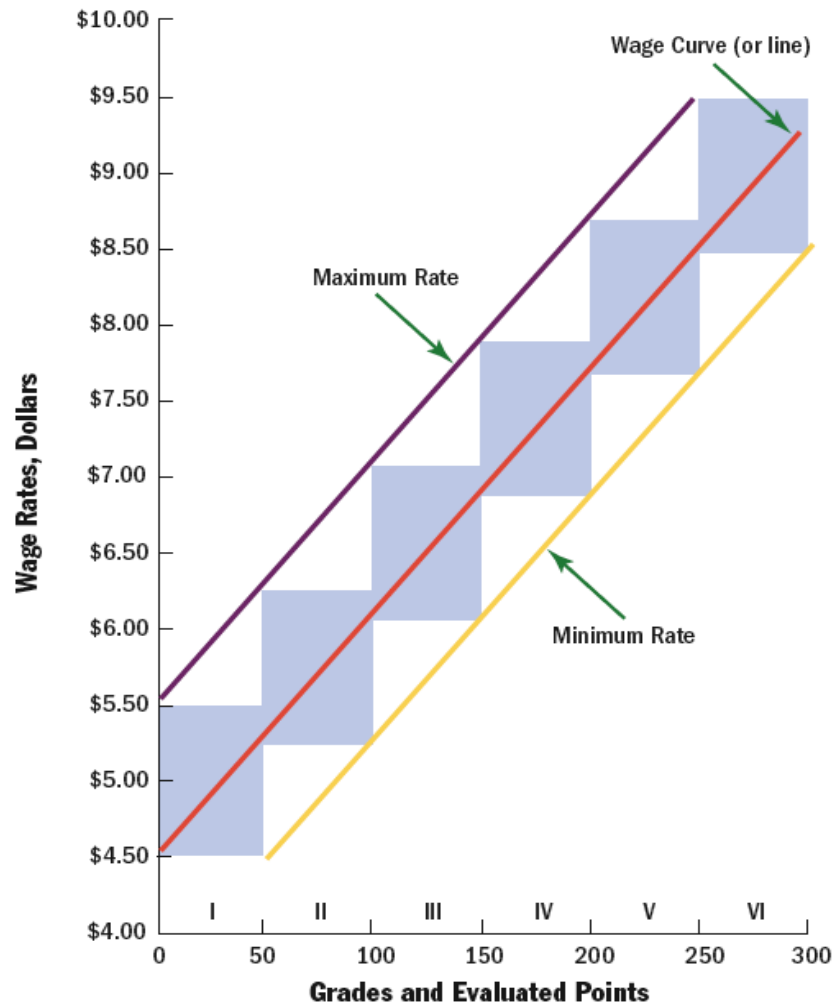


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Establishing Pay Rates (cont'd)

- Step 5. Fine-tune pay rates
 - Developing pay ranges
 - Flexibility in meeting external job market rates
 - Easier for employees to move into higher pay grades
 - Allows for rewarding performance differences and seniority
 - Correcting out-of-line rates
 - Raising underpaid jobs to the minimum of the rate range for their pay grade.
 - Freezing rates or cutting pay rates for overpaid (“red circle”) jobs to maximum in the pay range for their pay grade.

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Wage Structure

Note: This shows overlapping wage classes and maximum–minimum wage ranges.

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Establishing Pay Rates (cont'd)

- Developing pay ranges (% above and below the wage line)

Grade	Minimum	Midpoint	Maximum	Range spread	Midpoint difference
34	3,519	4,398	5,278	50%	14%
33	3,087	3,858	4,630	50%	14%
32	2,708	3,384	4,061	50%	14%
31	2,375	2,969	3,563	50%	14%
30	2,083	2,604	3,125	50%	

$$\text{Range} = \frac{\text{Max} - \text{Min}}{\text{Min}} \times 100$$

Typical range spreads are:

- Staff (Non-exempt positions) : 40%
- Management (Exempt positions) : 50%
- Executive positions : 60%

Explain How to Price Managerial and Professional Jobs

Pricing Managerial and Professional Jobs

- Compensating managers
 - Base pay: fixed salary, guaranteed bonuses.
 - Short-term incentives: cash or stock bonuses
 - Long-term incentives: stock options
 - Executive benefits and perks: retirement plans, life insurance, and health insurance without a deductible or coinsurance.

What Is Competency-based Pay?

- Competency-based pay
 - Where the company pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title he or she holds.
- Competencies
 - Demonstrable characteristics of a person, including knowledge, skills, and behaviors, that enable performance.

Why Use Competency-Based Pay?

- Traditional pay plans may actually backfire if a high-performance work system is the goal.
- Paying for skills, knowledge, and competencies is more strategic.
- Measurable skills, knowledge, and competencies are the heart of any company's performance management process.

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Other Compensation Trends

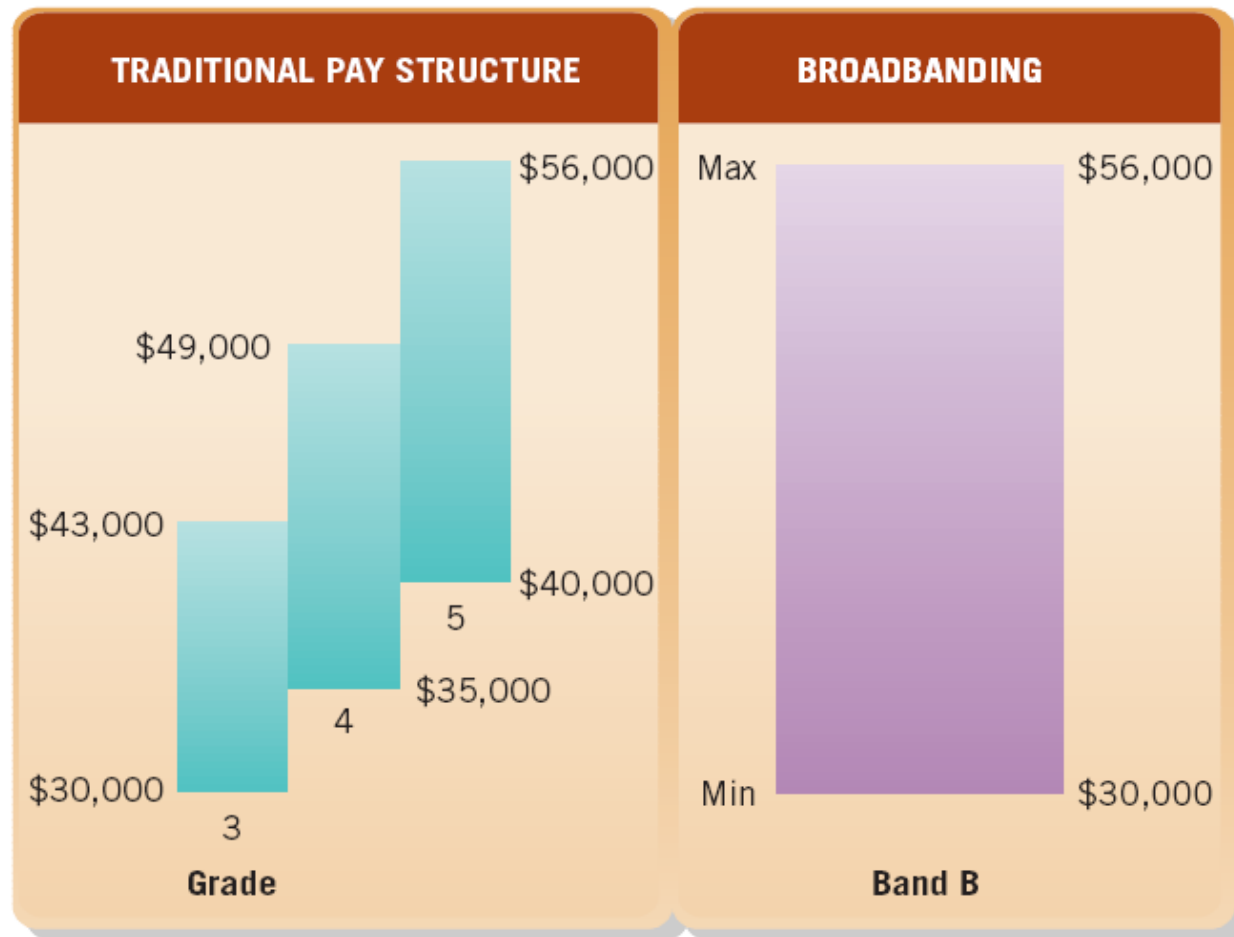
Broadbanding:

When too many grades are established, the compensation & benefits system becomes very complex and increasingly unmanageable.

Broadbanding is a way to combine (consolidate) several grades with narrow pay ranges into one band with a wider salary spread.

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FIGURE 13-6 *Traditional Pay Structure vs. Broadbanding*



Pay for Performance and Financial Incentives

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Explain How You Would Apply Motivation Theories in Formulating an Incentive Plan

Motivation, Performance and Pay

- **Incentives**

- Financial rewards paid to workers whose production exceeds a predetermined standard.

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Three sets of psychological insights

There are three sets of psychological insights that the managers will find useful in devising his/her incentive plan.

These are the concepts of:

- A. Individual differences
- B. Psychological needs and motivation
- C. Employee expectation

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A - Individual Differences

Law of individual differences

- The fact that people differ in personality, abilities, values, and needs.
- Different people react to different incentives in different ways.
- Managers should be aware of employee needs and fine-tune the incentives offered to meets their needs.
- Money is not the only motivator.

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B - Needs and Motivation

- Abraham Maslow's Hierarchy of Needs
 - Five increasingly higher-level needs:
 - physiological (food, water, sex)
 - security (a safe environment)
 - social (relationships with others)
 - self-esteem (a sense of personal worth)
 - self-actualization (becoming the desired self)
 - Lower level needs must be satisfied before higher level needs can be addressed or become of interest to the individual.

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Needs and Motivation

- Herzberg's Hygiene–Motivator theory
 - Hygienes (extrinsic job factors)
 - Inadequate working conditions, salary, and incentive pay can cause dissatisfaction and prevent satisfaction.
 - Motivators (intrinsic job factors)
 - Job enrichment (challenging job, feedback and recognition) addresses higher-level (achievement, self-actualization) needs.
 - The best way to motivate someone is to organize the job so that doing it helps satisfy the person's higher-level needs.

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Needs and Motivation

- Edward Deci
 - Intrinsically motivated behaviors are motivated by the underlying need for competence and self-determination.
 - Offering an extrinsic reward for an intrinsically-motivated act can conflict with the acting individual's internal sense of responsibility.
 - Some behaviors are best motivated by job challenge and recognition, others by financial rewards.

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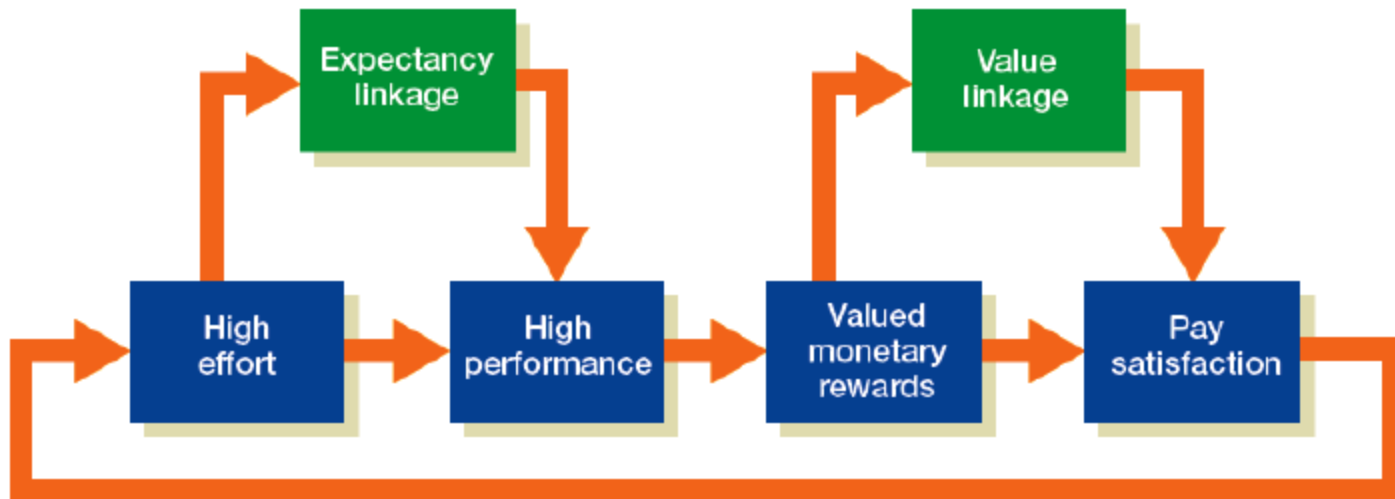
Instrumentality and Rewards

- Vroom's Expectancy Theory
 - A person's motivation to exert some level of effort is a function of three things:
 - **Expectancy:** that effort will lead to performance.
 - **Instrumentality:** the connection between performance and the appropriate reward.
 - **Valence:** the value the person places on the reward.
 - Motivation = $E \times I \times V$
 - If any factor (E, I, or V) is zero, then there is no motivation to work toward the reward.
 - Employee confidence building and training, accurate appraisals, and knowledge of workers' desired rewards can increase employee motivation.

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C – Employee Expectation

Figure 9-2 Pay-for-Performance and Expectancy Theory (Vroom's Theory)



Types of Incentive Plans (cont'd)

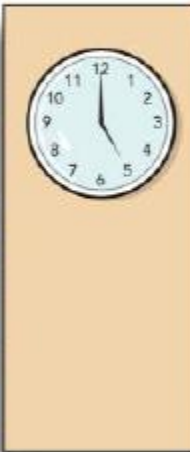
- Pay-for-performance plans
 - Individual incentive/recognition programs
 - Sales compensation programs
 - Team/group-based variable pay programs
 - Organization wide incentive programs
 - Executive incentive compensation programs

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Main Incentives for Individual Employees



Piecework Rates
(Straight or Differential)



Standard
Hours Plan



Merit
Pay



Performance
Bonus



Sales
Commissions

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Individual Incentive Plans

A- Piecework Plans

- The worker is paid a sum (called a *piece rate*) for each unit he or she produces.
- **Straight piecework:** A fixed sum is paid for each unit the worker produces under an established piece rate standard. An incentive may be paid for exceeding the piece rate standard.
- **Standard hour plan:** The worker gets a premium equal to the percent by which his or her work performance exceeds the established standard..

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Individual Incentive Plans (cont'd)

- Pro and cons of piecework
 - Easily understandable, equitable, and powerful incentives
 - Employee resistance to changes in standards or work processes affecting output
 - Quality problems caused by an overriding output focus
 - Possibility of violating minimum wage standards
 - Employee dissatisfaction when incentives either cannot be earned due to external factors or are withdrawn due to a lack of need for output

Individual Incentive Plans (cont'd)

B- Merit pay

- A permanent cumulative salary increase the firm awards to an individual employee based on his or her individual performance.
- Merit pay options
 - Annual lump-sum merit raises that do *not* make the raise part of an employee's base salary.
 - Merit awards tied to both individual and organizational performance.

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Computing the Piece Rate

$$\frac{60 \text{ minutes (per hour)}}{12 \text{ minutes (standard time per unit)}} = 5 \text{ units per hour}$$

$$\frac{\$7.50 \text{ (hourly rate)}}{5 \text{ units (per hour)}} = \$1.50 \text{ per unit}$$

(more production - same time)

Computing the Standard Hour

Suppose the standard time for tuning up an engine is 2 hours.

If the mechanic finishes the tune-up in 1 ½ hours, he'll earn

2 hours' worth of pay in 1 ½ hours. (same production - less time)

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Individual Incentive Plans (cont'd)

C - Incentives for professional employees

- Professional employees are those whose work involves the application of learned knowledge to the solution of the employer's problems.
 - Lawyers, doctors, economists, and engineers.

Possible incentives

- Bonuses, stock options and grants, profit sharing
- Better vacations, more flexible work hours
- improved pension plans
- Equipment for home offices

Individual Incentive Plans (cont'd)

D- Recognition-based awards

- Recognition has a positive impact on performance, either alone or in conjunction with financial rewards.
 - Combining financial rewards with nonfinancial ones produced performance improvement in service firms almost twice the effect of using each reward alone.
- Day-to-day recognition from supervisors, peers, and team members is important.

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Individual Incentive Plans (cont'd)

E- Online award programs

- Programs offered by online incentives firms that improve and expedite the awards process.
 - Broader range of awards
 - More immediate rewards

F- Information technology and incentives

- Enterprise incentive management (EIM)
 - Software that automates the planning, calculation, modeling and management of incentive compensation plans, enabling companies to align their employees with corporate strategy and goals.

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Incentives for Salespeople

- Salary plan
 - Straight salaries
 - Best for: prospecting (finding new clients), account servicing, training customer's salesforce, or participating in national and local trade shows.
- Commission plan
 - Pay is only a percentage of sales
 - Keeps sales costs proportionate to sales revenues.
 - May cause a neglect of nonselling duties.
 - Can create wide variation in salesperson's income.
 - Likelihood of sales success may linked to external factors rather than to salesperson's performance.
 - Can increase turnover of salespeople.

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Incentives for Salespeople

- Combination plan
 - Pay is a combination of salary and commissions, usually with a sizable salary component.
 - Plan gives salespeople a floor (safety net) to their earnings.
 - Salary component covers company-specified service activities.
 - Plans tend to become complicated, and misunderstandings can result.

Specialized Combination Plans

- Commission-plus-drawing-account plan
 - Commissions are paid but a draw on future earnings helps the salesperson to get through low sales periods.
- Commission-plus-bonus plan
 - Pay is mostly based on commissions.
 - Small bonuses are paid for directed activities like selling slow-moving items.

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Team/Group Variable Pay Incentive Plans

- Team or group incentive plan
 - A plan in which a production standard is set for a specific work group, and its members are paid incentives if the group exceeds the production standard.

Compensation & Benefits Module

Set individual work standards

A- Set work standards for each team member and then calculate each member's output.

B- Members are paid based on one of three formulas:

- All members receive the same pay earned by the highest producer.
- All members receive the same pay earned by the lowest producer.
- All members receive same pay equal to the average pay earned by the group (most common)

Why Incentive Plans Fail

- Performance pay can't replace good management.
- You get what you pay for.
- “Pay is not a motivator.”
- Rewards punish.
- Rewards rupture relationships.
- Rewards can have unintended consequences.
- Rewards may undermine responsiveness.
- Rewards undermine intrinsic motivation.

Benefits and Services

Benefits

- Benefits
 - Indirect financial and nonfinancial payments employees receive for continuing their employment with the company.
- **The Chief Objectives of Benefits Programs**
- Improve employee work satisfaction
- Meet employee health and security requirements
- Reduce turnover
- Maintain a favorable competitive position

Compensation & Benefits Module

Types of Employee Benefits

- Pay for time not worked
- Insurance benefits
- Retirement benefits
- Services



Compensation & Benefits Module

I. Pay for Time not Worked



1. **Unemployment Insurance**
2. **Vacations & Holidays**
3. **Sick Leave**
4. **Parental Leave (FMLA)**
5. **Severance Pay**
6. **Supplemental Unemployment Benefits (SUB)**

Compensation & Benefits Module

I. Pay for Time Not Worked

1. Unemployment insurance (Obligatory by law)

- Provides for benefits if a person is unable to work through no fault of his or her own.
- Not provided for people that are dismissed due to poor performance.

Compensation & Benefits Module

I. Pay for Time Not Worked

Unemployment insurance (Egyptian Labor Law)

- Officially known as the Emergency Subsidy Fund Law No. 156 of 2002, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing.
- The Fund's resources come from a 1 % deduction from the base salaries of the employee in firms with over 30 workers, a government contribution, and other donations.

Compensation & Benefits Module

I. Pay for Time Not Worked

2. Vacations and holidays (Obligatory by law)

- Annual Leaves depends upon the years of service.
- 21 days for those spending 1 full year in service.
- 30 days after completing 10 years of service with one or more employer or over 50 years of age.
- In all cases, annual leave will be increased by 7 days for the workers engaged in hard, dangerous, unpleasant works or remote areas.

Compensation & Benefits Module

I. Pay for Time Not Worked

➤ 2. Vacations and holidays (Obligatory by law)

– Public Holidays (14 days)

➤ وبذلك تصبح أيام الأجازات الرسمية التي يحصل عليها العامل بأجر كامل كل عام، على النحو التالي:

- 1- اليوم الأول من شهر محرم (عيد رأس السنة الهجرية).
- 2- اليوم الثاني عشر من شهر ربيع الأول (المولد النبوي الشريف).
- 3- اليومان الأول والثاني من شهر شوال (عيد الفطر).
- 4- الأيام التاسع والعاشر والحادي عشر من شهر ذي الحجة (الوقوف بعرفات وأول وثاني أيام عيد الأضحى).
- 5- اليوم السابع من يناير (عيد الميلاد المجيد).
- 6- اليوم الخامس والعشرون من يناير (عيد الشرطة).
- 7- يوم شم النسيم.
- 8- اليوم الخامس والعشرون من أبريل (عيد تحرير سيناء).
- 9- اليوم الأول من مايو (عيد العمال).
- 10- اليوم الثالث والعشرون من شهر يوليو (عيد الثورة).
- 11- اليوم السادس من شهر أكتوبر (عيد القوات المسلحة).



Compensation & Benefits Module

I. Pay for Time Not Worked

➤ 3. Sick leave (Obligatory by law)

- Provides pay to an employee when he or she is out of work because of illness.
 - Costs for misuse of sick leave
 - Pooled paid leave plans



Compensation & Benefits Module

I. Pay for Time Not Worked

4. Parental leave (Obligatory by US law)

–The Family Medical Leave Act of 1993 (FMLA)

- Employers of 50 or more employees must provide 12 weeks of unpaid leave for birth or care for a sick spouse or a parent.
- Up to 12 weeks of unpaid leave within a one-year period
- Employees must take unused paid leave first.
- Employees on leave retain their health benefits.
- Employees have the right to return to their job or equivalent position.

Compensation & Benefits Module

I. Pay for Time Not Worked

Maternity leave (Egyptian Labor Law)

- 90 days fully paid
- After 10 months service with the same employer
- 1 hour breast-feeding for 24 months
- Twice during service (3 times based on ministerial decree)

Pilgrimage (Egyptian Labor Law)

- Up to one month fully paid
- One time eligibility
- After 5 years of service with the same employer

Compensation & Benefits Module

I. Pay for Time Not Worked

5. Severance pay

– A one-time payment when terminating an employee.

Reasons for granting severance pay:

- Acts as a humanitarian gesture and good public relations.
- Mirrors employee's two week quit notice.
- Avoids litigation (legal action) from angry former employees.
- Reassures employees who stay on after the employer downsizes its workforce of employer's good intentions.

– In US is usually 1 week severance pay for each year worked, given as lump sum.

Compensation & Benefits Module

I. Pay for Time Not Worked

➤ 6. Supplemental unemployment benefits (SUB)

- Payments that supplement the employee's unemployment compensation.
- The employer makes contributions to a reserve fund from which SUB payments are made to employees for the time the employee is out of work due to:
 - layoffs
 - reduced workweeks
 - relocations



Insurance Benefits



1. **Workers' Compensation**
2. *Hospitalization, health, and disability insurance*
3. *Life insurance*

Compensation & Benefits Module

II. Insurance Benefits

➤ 1. Workers' compensation (Obligatory by law)

- Provides income and medical benefits to work-related accident victims or their dependents, regardless of fault.
 - Death or disability: a cash benefit based on earnings per week of employment.
 - Specific loss injuries: statutory (legal) list of losses
- Controlling worker compensation costs
 - Screen out accident-prone workers.
 - Make the workplace safer.
 - Thoroughly investigate accident claims.
 - Use case management to return injured employees to work as soon as possible.



II. Insurance Benefits

➤ 1. Workers' compensation (Obligatory by law)

هي الإصابة التي وقعت أثناء تأدية العمل أو بسببه نتيجة حادث أو مرض مهني وتعتبر الإصابة الناتجة عن الإجهاد والإرهاق إصابة عمل طبقا لقرار وزير التأمينات لسنة 1977 وتعديلاته 136 لسنة 1980 و 36 و 161 لسنة 1982 إصابة العمل تحتسب لكل حادث يقع للمؤمن عليه خلال فترة ذهابه لمباشرة عمله أو عودته منه بشرط أن يكون الذهاب والإياب في المسار الطبيعي والروتين اليومي

Compensation & Benefits Module

II. Insurance Benefits

➤ 2. Hospitalization, health, and disability insurance

– Provide for loss of income protection and group-rate coverage of basic and major medical expenses for off-the-job accidents and illnesses.

- Accidental death and dis-memberment
- Disability insurance



Retirement Benefits

1. **Social Security**
2. Pension Plans
3. Retirement Plans
(Pension alternatives)



Compensation & Benefits Module

III. Retirement Benefits

➤ 1. Social Security (Obligatory by law)

- Paid by both the employee and the employer on the employee's wages

Provides 3 types of benefits:

- **Retirement benefits**: provide income for people retired at age of (62) or thereafter and are insured under social security act.
- **Survivor's or death benefits**: provide monthly payments to employee's dependents regardless of the employee's age at death.
- **Disability payments**: provide monthly payments to totally disabled employees and (their dependents)



Compensation & Benefits Module

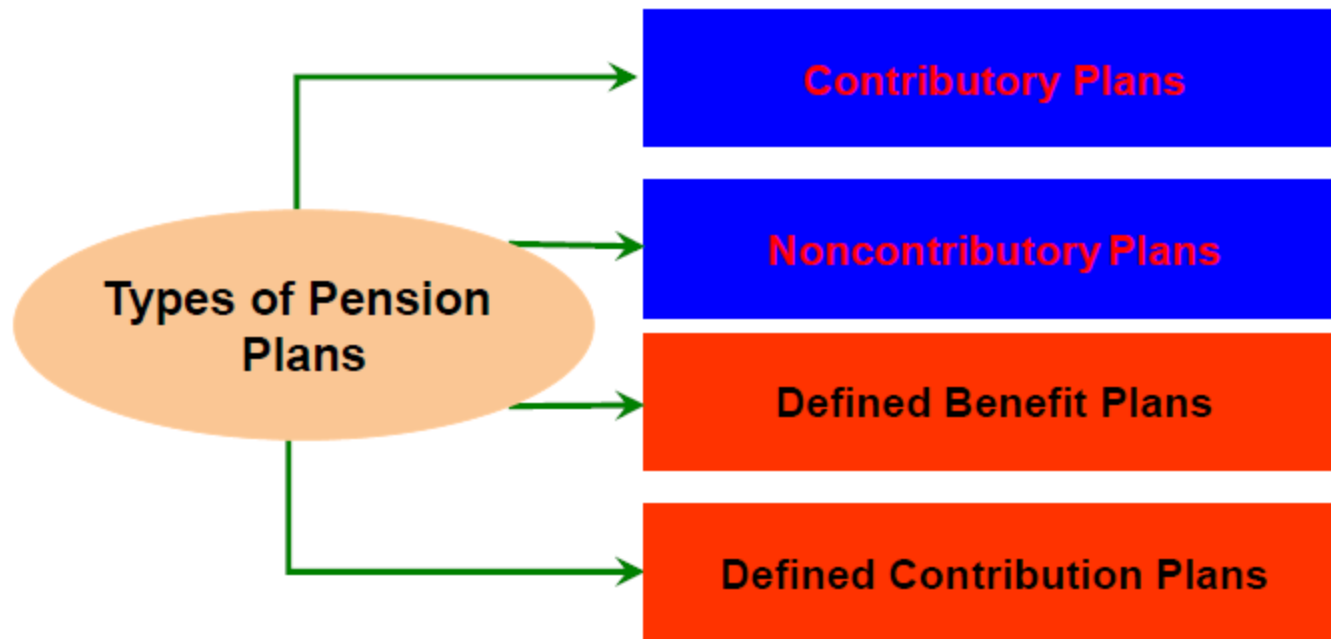
III. Retirement Benefits

2. Pension Plans

- Plans that provide a fixed sum when employees reach retirement age or when they can no longer work due to disability.
- Half of full time workers participate in pension plan
- **Pension Plans classified as:**
 - 1) Contributory vs. Non Contributory
 - 2) Defined benefit vs. defined contribution

Compensation & Benefits Module

III. Retirement Benefits



III. Retirement Benefits

- **Types of pension plans**
 - **Contributory Plans:** employees contribute to the plan.
 - **Noncontributory plans:** employer makes all contributions to the plan.

Compensation & Benefits Module

• Types of Pension Plans (Summary)

➤ **Contributory plan**

- Contributions to a plan are made jointly by employees and employers.

➤ **Noncontributory plan**

- Contributions to a plan are made solely by the employer.

➤ **Defined-benefit plan**

- The amount an employee is to receive upon retirement is specifically set forth.

➤ **Defined-contribution plan**

- The amount an employer contributes to the pension fund is specified.