HUMAN RESOURCE MANAGEMENT

TCS 3131

Level iii Semester l

Faculty of Technology

University of Ruhuna

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Bcom (Special) 1st Class Honours (SEUSL), MSC In Management (USJP)(reading)

CHAPTER 10

EMPLOYEE COMPENSATION

Learning Outcomes………

- Understand the forms of employee compensation.

- Learn on basic factors of determining pay rates.

- Aware the steps in establishing pay rates

Compensation Philosophy

- Basic goals:

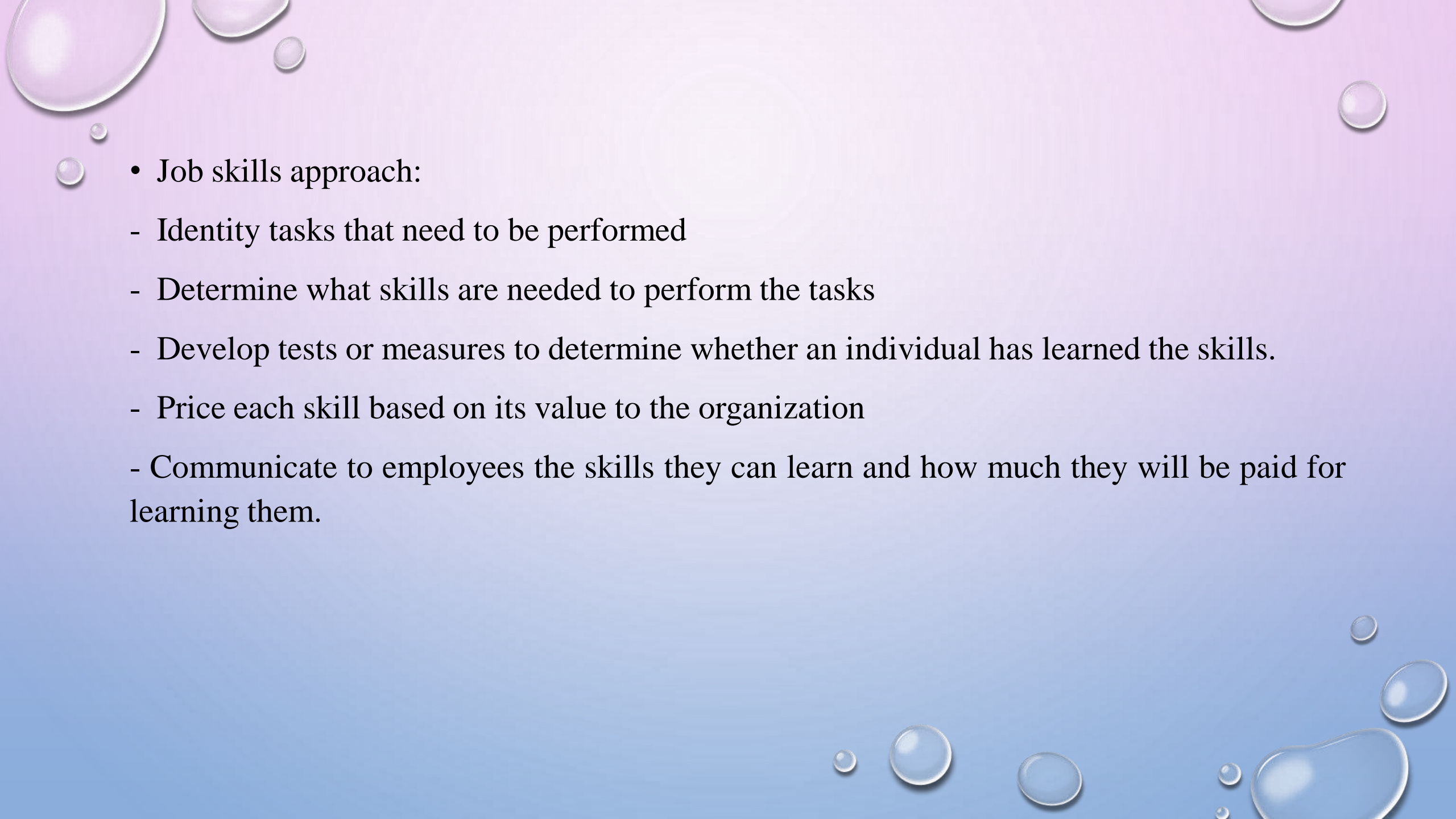   to attract, retain and motivate the best employees.

Employee Compensation

• All forms of pay of rewards going to employees and arising from their employment.

• Direct financial payments: wages, salaries, incentives, commissions and bonuses indirect payments: employer-paid insurance and vacations.
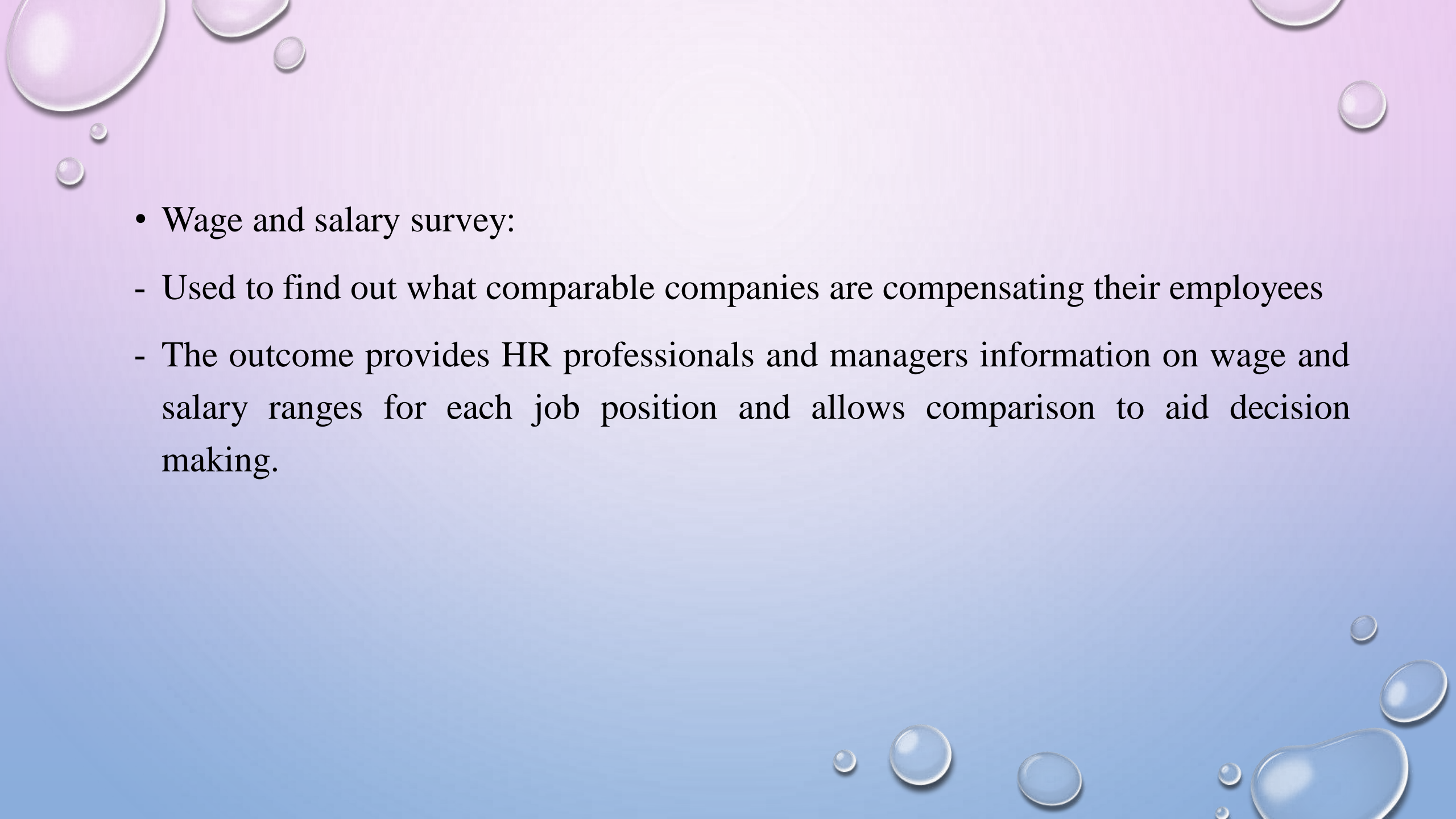
Developing a Compensation Plan

- Job analysis descriptions and specifications:

-Gathers information on specific tasks, duties and responsibilities

- Job classifications and Titles:

- Jobs are classified in to groupings.

- Job skills approach:

- Identity tasks that need to be performed

- Determine what skills are needed to perform the tasks

- Develop tests or measures to determine whether an individual has learned the skills.

- Price each skill based on its value to the organization

- Communicate to employees the skills they can learn and how much they will be paid for learning them.

- Points factor method:

Key jobs are examined by taking important factors in to consideration.

- A team, including HR and department managers, develop a list of skills, knowledge, effort, responsibility, job conditions, problem solving and accountability for the key jobs.

- Wage and salary survey:

- Used to find out what comparable companies are compensating their employees

- The outcome provides HR professionals and managers information on wage and salary ranges for each job position and allows comparison to aid decision making.

Determinants of Pay Rates

• Legal consideration– employment laws –minimum wages, overtime rates, living costs, taxes

• Union influences- labor unions – legal protection granted employees to organize, bargain collectively and engage concentrated activities.

• Competitive strategy and corporate policy – compensation policies of the organization – basis for salary increase, promotion and demotion policies, probationary pay and leave

• Equity and its impact – internal and external equity- salary among employees and the market rates

Establishing Pay Rates

- Conduct the salary survey

- Determine the worth of each job

- Group similar jobs into pay grades

- Price each pay grade – wage curve

- Finetune pay rates

Conduct the salary survey

- A survey aimed at determining prevailing wage rates
- Formal written questionnaire, telephone survey, newspaper ads
- Useful to ensure external equity

Determine The Worth of Each Job

- Job evaluation – determine the worth of one job relative to another

- Determine the worth of one job relative to another – greater qualifications, more responsibilities

- Compensable factors – factors that establish how the jobs compare to one another, that determine the pay for those job

Group Similar Jobs Into Pay Grades

- Could assign pay rates to each individual job.

- Not practical for larger organizations with number of jobs.

- Group jobs into pay groups.

Price Each Pay Grade – Wage Curve

- Wage curve- shows the pay rates currently paid for jobs in each pay grades relative to the points assigned to each job/ job grade by the job evaluation.

- Purpose: show the relationship between the value of the job as determined by one of the job evaluation methods

- The current average pay rates for a job grade

Finetune Pay Rates

- Developing pay ranges :most employers do not pay just one rate for all jobs but pay different rates for jobs in a particular grade.

- Correcting out-of-line rates : the average pay for the job which is too high or low need to be adjusted.

Compensation Goals

- Legal, ethical and morale

- Pay equity

- To recruit and retain best employees

- Controlling labor costs

- Rewarding superior performance

- To establish a pay system that employees consider fair and equitable.

THANK YOU