

Answer the following  
questions



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Compensation What is your definition of compensation? Which meaning of compensation seems most appropriate from an employee's view: return, reward, or entitlement?

In the context of organisational compensation for its workforce, Compensation involves financial and non-financial benefits, which an organization is able to and willing to offer to its employees in exchange of for employee contribution (Cascio 1998). Employee should most appropriately view compensation as a reward for the effort contributed towards organisational objectives and operations. While most employees view compensation as an entitlement, modern methods of compensation, which do away with fixed salaries and high base salaries in place of performance based compensation, diminish the claims on compensation as an entitlement.

2. Discuss the factors that influence internal pay structures. Based on your own experience, which ones do you think are the most important? Why? Criteria, which allows for different pay structures include skills, efforts, responsibility levels and working conditions. These factors form the broader categories of pay levels. In deciding upon internal pay structures several other key factors also have to be considered. These include, whether the remuneration will be Job or Person Based; the degree of importance placed on performance and how its linked to remuneration; organisation's position in the labour market (i. e. Pay Master or Low Payer) how important will internal and external equity be; degree of importance of hierarchy in pay; how flexible will the remuneration mix be, and what level of significance does seniority and job security holds (Lawler 2000). In addition to these, in determining pay levels an organisation must consider external and internal

relativities, the worth of the person or the team to the organisation and the collective bargaining arrangements (Armstrong). Based on experience, the skills and degree of importance placed upon performance in administering pay structures are the most important. In today's competitive business environment, organisations need the best performance from the human capital in order to achieve a competitive edge. Therefore, skills, competencies and performance should be the main factors of importance influencing pay structures.

3. Discuss the major decisions involved in job analysis.

Job Analysis resulting in Job Descriptions and Person Specifications. These facilitates the recruitment and selection process as well as training and performance appraisal functions Job Analysis involves the systematic gathering of information about jobs and analysing this information using subjective, rational or statistical analysis methods. One of the major decisions involved in a job analysis process would include, which method to use for information gathering on jobs. Secondly, how to analyse these collected data should be decided. While a host of techniques are available for job analysis, they fall in to three main categories of Job-oriented, Content-oriented and Attribute- based techniques. For analysing different type of work, a mixture of these analysis techniques may be needed. Whether job analysis will be done by a single person or a group of people, as a committee is also a decision to be made. Choosing a method, which suits the organisation's requirements and deciding whether a single or multiple techniques are to be used in the process, are important decisions. Objectives of the Job Analysis process which may include establishing clear job descriptions and person specifications to aid effective recruiting or

establishing a high level of internal equity in pay structures should also be considered.

4. What are the advantages and disadvantages of using more than one job evaluation plan in any single organization.

Job evaluations involves the systematic procedures to determine the relative worth of the job to the organisation and can be based on several different approaches such as job ranking, job grading or point systems (Armstrong & Murlis 1988). Advantage of using more than one job evaluation plan within an organisation includes, the reduced errors and subjectivity associated with some plans such as ranking and grading. Use of multiple plans will also increase the perceived equity of the process. The obvious disadvantages of using multiple plans include the higher administration workload, associated cost increases and the confusing aspects of administering two plans.

5. Explain why rewards, other than money, can influence employee behavior.

Need based motivational theories as Maslow's Hierarchy of needs and Herzberg's two factor theory may indicate that pay strategies have to combine money and other rewards to suit different groups of employees with different motivational needs. As the need theories stress, people have basic needs which money is capable of fulfilling and then there are upper level needs which needs to be catered to with other rewards than money. Thus, rewards other than money plays an important role in catering to the upper level motivational needs of employees. For example, the dominating physiological needs may lead to greater importance placed on cash remunerations among the factory workers. In contrast the senior level management may be more appreciative of status symbols as entertainment

accounts and company paid vehicles while salary remains a prerequisite. Herzberg's two factor theory which defines hygiene factors and motivators at work place indicate that certain component of a reward system will be perceived as prerequisites which needs to be in place to keep employees from becoming dissatisfied. The motivator factors if present will lead to satisfaction and motivation. Base pay components of a remuneration system can be seem as a hygiene factor while performance incentives can be seem as motivators. Foreign travel, career development and training program access and employee stock option plans are examples of how employees can be rewarded with other means than money.

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