

Compensation and benefits strategies recommendations essay sample

[Economics](#), [Insurance](#)



Market Evaluation:

When constructing a benefits and compensation strategy, it is important to understand what companies in comparable markets are providing to their employees. For our company, Clayton Commercial Construction, who wants to open up operations in Arizona, it means looking at what other construction companies in and around the state of Arizona are providing as compensation and benefits. Clayton currently employs 650 people in the state of Michigan and is looking to add 130 people (20% increase in headcount) in Arizona. Three comparable construction companies in the state of Arizona are Sundt, Inc., Granite Construction, and Mortenson Construction. All of these companies can be considered mid-sized companies, in the same state and industry as Clayton Construction, so a fair comparison can be made. Sundt, Inc. offers competitive wages, as well as health care, vision care, and prescription coverage through a PPO network.

Other benefits include disability insurance, life insurance and accidental death, and an Employment Assistance Program, which offers confidential counseling and referral service to all employees and their dependents. Additional benefits include a paid time-off (PTO) program and an employment discount program that includes discounts on computer purchases, cell phone purchases, and banking services. Employees can also benefit from participating in a voluntary benefits program that includes dental insurance, auto and home insurance, and pet insurance. Some of these benefits have a waiting period prior to eligibility, and there is also a 20-hour a week minimum requirement to be eligible for most benefits (www.sundt.com, 2013).

Another comparable company is Granite Construction. Like Sundt, Inc., Granite Construction offers medical, dental and vision coverage, but they also offer flexible spending accounts and a competitive 401(k) plan. Paid time off includes vacation, holiday pay, and sick time. Additional benefits include referral bonuses, relocation program assistance and employee discounts (www. graniteconstruction. com, 2013). Finally we take a look at Mortensen Construction, which provides some of the same benefits as the other two companies mentioned above; however, they also reward performance with competitive cash compensation and provide the opportunity for work and life balance. Team members are eligible for most of the company's benefits on the first day of employment if they consistently work at least 25 hours per week (www. mortenson. com, 2013).

When analyzing competitive wages for construction companies in the state of Arizona, www. simplyhired. com tells us that average salaries are around \$58, 000 per year; however, salaries can vary greatly depending on company, location within the state, industry and experience. Looking at average construction salaries compared to other states, www. indeed. com tells us “ average construction salaries for job postings in Tucson, AZ are 19% lower than average construction salaries for job postings nationwide”. The following table below breaks down different construction jobs and their average salaries.

(www. simplyhired. com, 2013)

Compensation Structure:

Every pay structure has their advantages and disadvantages, and companies must consider these when decided what compensation structure to use.

Clayton is in the construction industry so we feel that the most beneficial compensation structure would be a performance-based pay structure. This would be because performance-based pay structures are based on the evaluation of performance, whereas, structures like time-based pay are based on the time spent in a specific position, and skilled-based pay which is based on the skills of an employees, but not necessarily performance (Hausser & Lebing, 1996). Benefits to a performance-based pay would be as follows: Employees see direct correlation between good performance and reward. Rewarding performance will motivate employees to continue their good performance or adjust bad performance.

Correlating performance with pay ensures that rewards are only given to employees who operate at a high level Since this structure encourages employees to perform at the best of their abilities, management will get the most out of its resources. This becomes doubly important in the construction industry where resources, including budgets, materials, and timeframes are limited. A skilled-based pay structure would be less beneficial because it makes it difficult to do market comparisons, and it would also require the company to keep track of all the skills that every employee has. This in turn would increase cost in the long run, complicated and not time effective (Hausser & Lebing, 1996). Time-Based pay structure promotes loyalty to the organization since promotions and increases in pay are based on the length

of times the employee is with the organization, but the disadvantages outweigh the positive. For example, this compensation structure sends a message that performance does not matter, which in turn, will cause top performing employees to seek employment in other companies that will recognize their contributions (Hausser & Lebing, 1996). Position in the Market:

Considering that Clayton has 650 employees and wants to add another 20% in the state of Arizona, and with net income at \$10 million, this would put Clayton as a mid-sized company in the market. The range for mid-size companies is companies that have revenues between 5 million to 1 billion, and between 100 to 5, 000 employees, so Clayton would fall comfortably in that range (www. midmarket. org, 2013).

Total Compensation and Benefits Strategy:

It is important for Clayton to offer a competitive compensation and benefits strategy comparable to other companies in its industry. Taking into consideration an expected net income of \$10, 000, 000 and a growth rate of 3% for the first year, Clayton Construction must structure their compensation and benefits to fit within its budget and properly manage its salary and benefits expense. To help manage these expenses, we advise that Clayton Construction take a conservative approach when constructing their compensation and benefits package. As the company grows, it can then add more benefits and incentives, as well as increased salaries. Clayton should offer salaries within the averages listed in the graph above, which would help employee recruiting and retention. Paid time off should include a mix of

sick/PTO leave that would allow employees to take PTO and sick days from an accrued balance, in addition to the standard holiday pay. On the benefits front, Clayton needs to insure that its employees are healthy.

Employing healthy employees will cut down on sick pay leave and lost profits due to worker time off due to illness. Clayton should offer a basic benefits package that should include healthcare, vision, dental coverage, life insurance and disability coverage with the employee paying part of the premium cost to help keep benefits costs down. 401(k) plans should be offered with the company matching 3%. We think work life balance is an important factor in keeping employees motivated, fresh and happy with their jobs, so it is our recommendation that Clayton offer flexible work schedules. The company is located in Detroit, Michigan, so I think it would be important to include a relocation support program for top executive who might get relocated to Arizona.

Additionally, voluntary employee paid benefits like long-term care, flexible spending accounts, auto and home insurance, should be offered to help employees manage their daily lives more efficiently, thus becoming more productive employees. To ensure that employees are a proper fit for Clayton, and in order to keep costs down, Clayton should institute a mandatory 30-day waiting period before new employees qualify for any of the companies benefits. Also, benefits should only be offered to employees who work an average of 35 hours per week. Finally, as the company grows, Clayton should consider offering education assistance to promote training and education of its employees.

Performance Pay and Merit Increases:

Law Related to Benefits and Pay Program:

Conclusion:

References

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