

The employee compensation system

[Business](#), [Human Resources](#)



Then, the projected level of compensation should be explicitly determined and identified; in conjunction with the resources or funds of the organization. This would enable the decision-makers to gauge the capacities for making the necessary adjustments in pay scale, depending on the results of the wage and salary survey.

It was emphasized that wage and salary surveys are tools which assist in maintaining “ internal and external pay equity for employees” (Chapter 9: Managing Compensation, 2012, p. 34). As such, to conduct employer initiated wage and salary surveys, the following crucial steps and factors need to be considered: (1) the appropriate selection of key jobs to be surveyed; (2) a determination of the relevant labor market; (3) selecting organizations to compare current pay structure with; (4) deciding on the information that needs to be collected: wages, benefits, pay policies, and other pertinent data affecting wages and salaries; (5) effectively compiling and using the information that is collected; and finally, (6) determining the wage structure to be paid based on the payment goals that were originally set (Chapter 9: Managing Compensation, 2012, p. 36).

For instance, there is the National Compensation Survey prepared by the Bureau of Labor Statistics which is an area-based survey and collects information based on geographic location; the number of establishments which are representative of each location; all occupations within the identified establishments that are included in the survey; and finally, the wage and benefits given in each occupation. As disclosed, the relevant items included in the wages information that are to be collected are as follows: “ time-based payments, piece rates, commissions, hazard pay, and other

items directly related to the work being performed. (Likewise), a variety of benefits data are collected, including paid vacations, paid holidays, paid sick leave, shift differentials, and nonproduction bonuses” (Chapter 9: Managing Compensation, 2012, p. 38).

In sum, there are benefits in participating in wage and salary surveys, to wit: “ by participating in salary surveys, you’ll have access to information that will allow you to benchmark your organization’s compensation practices including wages, salaries, bonuses and benefit provisions against other organizations in your region or sector” (HR Council, n. d., p. 1). Thus, the identified factors would assist in designing a most appropriate compensation program which could be useful in the performance appraisal system of one’s organization.