

Free essay about pay structures

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When creating pay structures, it is important to come up with compensations that attract and motivate employees. Systems should be put in place to value work done by each in order to give fair compensation (Hoque, 2013). Pay for top executives comprises of basic salary, bonuses, share options and any other benefit a company may offer. Different pay structures will be used when creating pay for top executives and pay for human resource professionals or sales professionals (Armstrong, 2014). In the former case, market pricing will apply while, in the latter, job-based evaluation will be used. Pay for top executives should be structured to compensate long-term performance and reduce a risk to the business. Payment of large amounts of annual bonuses should be discouraged as it encourages the top executives to make business decisions that are not profitable in the long term. Other than basic salary, compensation packages for top executives should thus be tied to performance of the business over a fairly considerable period like three to five years. This will ensure that the business decisions they make are not risky and results of their decisions will have been seen by the time compensation is made.

In order to come up with a pay structure for human resource professionals or sales professionals, Job analysis, Evaluation, Pay policy Identification and Pay survey analysis have to be carried out (Armstrong, 2014). According to Equity Theory, employees evaluate fairness by making comparison between what they earn and what others are paid within the organization. This affects employee attitudes and retention. The comparison also leads to criticism of high pay of top executives compared to that of lesser paid professionals. However, top executives are critical for success and market competitiveness

of their organizations and their compensation account for a small proportion of labor costs hence they should be highly remunerated compared to other professionals (Hallock, 2012). In conclusion, fairly high remuneration is important for talent management of top executives, the compensation should be able to attract, motivate and retain the talent.

References

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