

Ip#4 mgmt 335 essay

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INTRODUCTION

Compensation policy is a systematic approach of giving or receiving money as reparation or payment for work done or a loss incurred, injury, indemnity etc.

TYPES OF COMPENSATION POLICIES

- Piece rate systems
- Straight piece rate – it is also called payment by results. Employees under this system get pay on the basis of work they do, that is per unit of output. The formula used to come up with wage computation is:

$$\text{Wages} = \text{Number of units produced} \times \text{Rate of wage per unit}$$

It is considered suitable

- When the quantity of work done can be measured.
- Where the work is constantly repetitive in nature.
- Where you can be able to fix an acceptable rate.
- Where quality of services and goods can be controlled.
- Where regularity and punctuality can be maintained using time cards.
- Differential piece rate plan- it is where the worker receives increased or decreased wages as his or her production may vary from what is expected for a set period of time.
- Piece rates with guaranteed time rates- it is a system whereby workers are paid based on the time they spend at the work place rather than their output. It is determined by:

Time spent x wage rate per hour/day/week/month.**Advantages of piece rate systems**

- Guarantees fairness, regular hard workers get good rewards while inefficient persons get penalties.
- Minimum supervision, the cost of supervising such people is less as they are paid according to individual performance.
- More work is done in less time thus ensuring increase in productivity.
- Lesser production costs. Lower costs are gotten as a result of increased production due to the reduction in fixed costs and overhead cost per unit of production
- Decrease of loss due to carelessness. The workers handle equipment with care because they know that any breakage results in cuts in their wages.
- There is little or no idle time, this is because workers are not paid idle time.

Disadvantages of piece rate systems

- Insecurity- the system does not give a guarantee of what is the minimum wage of the workers
- Conflict between the workers and the management, if the output is low due to the management, poor quality raw materials, or faulty machinery. Then conflict cannot miss.
- Quality degradation, this happens because workers hurry to do more work as it means more wages for them.
- Hourly systems- this is a policy that determines payment for services or labor to a worker especially remuneration on an hourly basis. The policy defines the number of hours an individual works per week that will constitute

part time and full time status. They can be categorized between part time and full-time hourly employees.

Advantages of hourly systems

- They are eligible for benefits such as health and dental insurance, paid time-off, holidays and retirement plans.
- They get more wages as overtime can be five times more than their regular wage per hour.

Disadvantages of hourly systems

- Job insecurity, as hourly workers earn less when they work fewer hours.
- They have no binding contracts and can be dismissed without cause without taking into consideration how long they have been in employment
- Salaried systems- this is a policy that determines payment for services or labor to a worker who works on a monthly basis.

Advantages of salaried systems

- Has a binding contract and they cannot be dismissed without giving notice.
- They receive full premium insurance benefits that include retirement benefits.
- They also get full quality health plan that does not limit doctor options and patient choices.

Disadvantages of salaried systems

- The Fair Labor Standards Act classifies some workers as exempt meaning they are not protected by laws governing overtime. Salaried employees fall in this bracket.

- You are fixed at the work place for a number of specific hours. This does not allow flexibility of coming and going as one pleases.

COMPARABLE WORTH

It is also known as pay equity, as it is a reform effort to pay job titles the same payment based on how their employer values them regardless of gender. It has been used with the assumption that jobs specific jobs that are only associated with women have been undervalued. This explains how the same jobs held by women, who are of the same levels, and skills are paid quite differently when the male counterparts are doing them.

This can be eliminated by assessing the prevailing economic value of different occupations (jobs). Gender-neutral evaluation systems are used in this case. By conducting such an operation, it is easier for one to compensate employees without violating any federal legislation.

References

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