

Managing compensation research paper

[Business](#), [Company](#)



Instruction

Introduction

This paper explores the concept of managing compensation within organizations. It is based on the premise that equitable compensation is a great part of theory but experiences challenges when put into practice. Through an interview with a Human Resource Manager of Hawk International Company, the paper will be able to explore the practical part of managing equitable compensation and compare the findings with the theoretical aspect found in literature.

Managing compensation is a critical aspect of human resource management. Employers have to plan in advance to compensate employees who show exemplary work in their organizations since it is likely to motivate others within the organization to be at their best. It also has the potential to improve the relationship between the employer and the employee and to eliminate dissatisfaction from the employee's side. However, implementation of the employee compensation programs have proved challenging for organizations. The concept is basically great in theory but difficult in practice. But a fair system of compensation is inevitable for every organization because it helps to enhance efficiency by increasing the productivity level of employees. Additionally, it helps to improve the process of job evaluation by setting up realistic and achievable standards. The reason for selecting this area of human resource management is to determine simple and flexible ways of practical implementation of equitable compensation programs in organizations.

Hawk international is a finance and construction company involved in oil and

gas projects, infrastructure projects, and fabrication workshops. The company was established in 1992 and has since then been successful in running a numerous projects within the infrastructure, oil, and gas industries. The company has been involved in electrical and instrumentation works, piping, mechanical constructions, civil construction, tank erection, fabrication works, constructions of processing facilities, and construction of petrochemical plants. In addition, the company has also been involved in the construction buildings, offshore marine works, underpasses, bridges, airports, canals, tunnels, and roads. The company is currently the leading construction, procurement, and engineering company in Yemen. It has build a large reputation because of the quality of its works winning numerous awards and being ISO certified in 2007 for quality assurance, health and safety environment.

The company has a mission to motivate its workforce through compensation and ensure that they work hard and feel safe. The main objective for Hawk International in compensating employees is to give them security in case they lose their jobs. It also seeks to empower them to have access to the best medical services. The idea of providing job security is the most important aspect an organization can give to its workers. This will prevent other organization from luring their employees. According to the interview, advancement of employee needs will as well advance the needs of the company. Compensation of employees benefits the organization in its entirety because when employees are happy, performance will rise. Thus, compensation acts as a motivation factor that boosts the morale of employees. The company pays its employees above the market standards.

Even the lowest qualified employees receive wages and salaries above the rate of the market. Workers who show exemplary work are considered for pay rise. Senior management employees are also considered for pay rise. The highly qualified workers are paid even much higher in order to retain them. Due to their competence it is imperative for the company to ensure that they remain loyal.

According to literature materials, most of the organizations usually aim at increasing productivity and profit in addition to reducing cost of production and ensuring employees are happy. Employees are compensated with a basic salary. However, some departments have employees who need compensation in way that increases their morale or rather motivates them because their primary role helps to increase sales and revenue in an organization. One such department is the sales department. If this workforce is motivated, they are able to increase the number of sales. As a result, an organization needs to develop a different compensation plan that focuses on rewarded such a department. In the case of Hawk International Company, the professional and competent workers are the group of workforce that needs to be retained and motivated towards the goals of the company. Being in the construction and infrastructure industry, many companies seek to employ highly qualified workers to perform key duties. Therefore, unless the company ensures that its competent workers are paid well, then rival companies can easily attract their employees with good salary packages. The HR manager for Hawk International Company said that being in the field of construction he has encountered a lot of situations where he has to compensate employees in various ways. Injuries are predicted to happen in

the course of duty. The company therefore is required to compensate for the injuries by paying for hospital bills and other expenses. Additionally, when laying off employees, the company has a policy whereby it compensates the laid off employees by paying them their salaries and a one month compensation. According to literature, there are four main types of compensation. They include wage or earnings, functional impairment, annuity, and supplementary benefit. The compensation described by the HR manager of Hawk, International Company falls under the category of functional impairment where the company is entitled to pay employees for physical or functional disabilities. This form of compensation is normally based on estimation of clinical impairment, and the age of an employee. The HR manager noted that except for wage or earning compensation, the remaining types of compensations are difficult to offer. He also noted that it is difficult to define the organization chart of the department and determining the job description of all employees' responsibility in each department. According to the manager, there are times that he faces difficulties in compensation management. In order to solve such difficult problems, he normally engages the top management for solutions. He would discuss with them and ask them to suggest the way forward for the company.

As mentioned earlier in the paper, proper implantation of compensations and benefit programs has the potential to enhance the process of job evaluation. Every position in the company has a job description. According to the manager, every position in the company has a description which includes the tasks that should be implemented, the time period of implementation, and

the resources that are available for implementing each task. During the process of recruitment, new employees are interviewed according to the position's qualifications.

Hawk international has a way of compensating its employees depending on the job itself. The company has both qualified and unqualified employees. The qualified employees are paid according to the rate of the global market. This is because the company realizes that this group of employees can compete for similar jobs in any part of the world. The company therefore has to pay equally as other employees in the global market in order to retain them. However, for the unqualified employees, their potential to attract jobs in other markets is low. As a result, the company compensates them based on the local rates.

Another major concern about compensation is the adjustment of wages and salaries according to market reviews. This implies that the wages of employees have to reflect the changes in the economy. For instance, when inflation rises and employee purchase power is decreased, it is the duty of the company to ensure that the wages rates are adjusted to protect the purchase power of employees. At Hawk International Company, wages are adjusted on a quarterly basis according to the direction of the cost of living. This means that if the cost of living increases, the wages are adjusted to address the increase and if the cost of living reduces, the company also makes appropriate adjustments. Basically, the company pays its employees a quarter of their cost of living. The low positioned workers are assumed to have low cost of living considering their family and social responsibilities while the high positioned workers have a high cost of living according to

their responsibilities.

With regards to equality in compensation, the company schedules regular wage surveys to determine the external equity of jobs. The company holds regular management conferences which focus on surveying the various job positions. In the conferences, the management takes time to listen and resolve issues affecting employees. This is one of the ways in which the company manages to motivate its employees. Numerous studies have been conducted on ways companies can use to motivate their workforce. Effective communication between management and employees is one of the most practical ways of motivating workers. Communication helps to reduce tension and builds a strong relationship between the workers and management. In addition, Hawk International Company motivates employees with the compensation.

Equity in compensation also has gender concerns. For a long time, women have never enjoyed equal compensation as their male counterparts. The disparity has always been on both basic wages and other benefits such as incentives and rewards. This implies that in addition to being paid lower than men, their bonuses would also be lower than that of men. Despite having equal qualification and competency level, women have been always been discriminated upon when it comes to compensation. However, Hawk International Company has policies that ensure all employees are paid for performance equally without discrimination. Paying workers depends on a position. Lower positions such as truck drivers are compensated on hourly basis however employees and managers are compensated on the bases of piece work. Both male and female workers are compensated based on their

positions and not their gender. According to the HR interview, when it comes to payment the company does not discriminate people based on their gender identity. It pays employees based on their qualifications thus it pays both men and women equally. The company takes note of the fact that women can sometimes be less motivated. As a result, they have ways of encouraging women at work. For instance, they encourage women into the labor force by giving the opportunity to female university students to do research about the company. If they are competent and would like to work at the company they are welcomed. Even at the recruitment level, no one is discriminated. This is an impressive characteristic for the company taking note of the fact that it is located in Yemen, a Muslim nation. Most Islamic nations still have a long way to go in creating gender parity in work environment.

Compensation plans should be aimed at helping workers cooperate rather than compete. This has been case for most compensations plans within organizations. The competitive environment it creates is reduces equity in compensation rather than insuring that all employees are satisfied. From the interview with the HR manager, one thing that became apparent was that employees can sometime be jealous. This should be a concern for organizations because jealousy can harm productivity instead of enhancing it. According to the manager, jealousy has best been addressed at the company by monitoring employees and ensuring that work ethics is maintained at all times.

Conclusion

In conclusion, compensation of employees is an important aspect of human resource management. This is because employees have to be motivated to be at their best. Employers have to plan in advance to compensate employees who show exemplary work in their organizations since it is likely to motivate others within the organization to be at their best. It also has the potential to improve the relationship between the employer and the employee and to eliminate dissatisfaction from the employee's side. However, implementation of the employee compensation programs have proved challenging for organizations. The concept is basically great in theory but difficult in practice because of the challenges involved.

Annex:

List of interview questions

- As an HR Manager, what tasks does your job include?
- How many employees are there in total?
- Please give examples of different types of compensations that you have encountered.
- What kind of compensation is difficult for you to offer? What do you do when facing difficulties in the job?
- Do the positions in your company have job descriptions? (Page 139)
- Do you compare your wages rate to local or global market? (Rate of Pay)

Slide 7

- How do you prefer to set the salary: based on benchmarking or based on reviews? Do you follow the wages secrecy policy in your company?
- Do you use escalator clauses?

- Do you conduct a job wage survey? (Where you determine the external equity of jobs)
- What are the ways of motivating your employees?
- How do you deal with jealousy in the workplace?
- In what way do you encourage women at work?
- Which parts of your job do you like the most, least, find most challenging?

Can the HR manager affect the employee's ability to work?

- How do you link the compensation of employees to the main objective of the company?
- How do you train employees?
- How do you evaluate the jobs of the employees?
- How do you evaluate the Managerial positions?
- How do you pay your employees?
- Do you pay women equally?
- How do you help employees adjust to the cost of living?
- What are the Characteristics of key jobs?
- How is the company divided in terms of Wages?
- Do you pay all of the expenses when someone is injured?

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