

# Compensation and benefits strategies recommendations essay sample

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



This paper will cover the compensation and benefit recommendations we have outlined for Clapton Commercial Construction, this will address the needs for a compensation structure, the company's position in the market, a compensation and benefits strategy, the use of performance incentives and merit pay to recognize and engage employees, and to identify the laws related to the benefits and pay program. Clapton Commercial Construction strategic plan is to provide to the employee a total compensation package. The organization's goal is to attract employees with their compensation structure and base pay. Clapton wants to be comparable to other commercial construction business located in Arizona. Kitchell is the number one commercial construction company in Arizona. (Republic, 2014) Kitchell is 100% owned by its employees which contribute to the loyalty and low turnover rate. (Kitchell, 2015)

Kitchell has a substantial compensation package consisting of a supplemental life insurance options, tuition assistance, vision insurance, 401k, adoption assistance, ten paid holidays, health insurance, profit sharing, employee assistance program, paid time off plans and employee wellness programs. (Kitchell, 2015) Just like its competitor McCarthy Building Company who is rated second in Arizona. (Republic, 2014) McCarthy is 100% percent employee owned with a similar employee compensation package. (McCarthy Building Companies, 2015) To be comparable with other construction companies in Arizona, Clapton should not differ much from the competition. Clapton Commercial Construction is planning to expand their business to Arizona and add 130 employees. With their annual net revenue of \$10, 000, 000 and an expected -3% revenue growth, Clapton Commercial

Construction first needs to set a payroll budget that is less than this amount. They then need to compare the positions with those in competitor businesses and determine the base pay for each position.

I feel the most successful route will be using the internal equity method to create salary ranges for the different positions or grades within the company (Ojimba, 2004). “ A company should also give each grade a spread, so that people can move within their grade as they progress in their jobs” (Ojimba, 2004, Use internal equity method to create salary ranges by pay grade). I recommend the company also assures each pay grade has a significant difference in salary, so with a promotion the employee is compensated for their higher position. It is important to have decided the compensation plan and the boundaries on the salary when hiring your employees so you can be honest with them from the beginning about salary. The employees will be compensated on the position they hold which should be based on their education and experience.

Clapton Commercial Construction is expanding its business to Arizona which is a much different atmosphere than their current location in Detroit, Michigan. Arizona is a popular state for retirement and vacationing. It would be beneficial for the business operators to market to clients looking to build condominiums or vacation homes. Offering construction plans that would benefit the people who enjoy warmer locals and those looking to build vacation homes would put the company in a great position for building business in Arizona. The total compensation and benefits strategy will have the advantages of attracting the right employees for the company that will

stay for a while, and that way there is not a high turnover rate of employees. The compensations and benefits will entail a variety of benefits, which is including pay, company benefits, and rewards for the employees and their families.

These will allow the company to have good employees and not a high turnover and allow the company to increase business to increase their profits. The way the pay scale will work for the company is there is a base pay for everyone. Then if the individual has schooling or experience that would make them more valuable a higher wage could be offered. In addition, if the employee is someone who is willing to work hard and show that they really want to learn and stay with the company it will not take long to move up and increase the pay within the company. The raises will be annual and it will be the same for all employees. Perks and rewards for the employees will vary by the individual performance these will include but are not limited to time off with pay, recognition & appreciation awards, bonuses, and paid vacation by the company. The company will cater lunch in for the employees once per month on employee appreciation day.

This is the company benefits that employees will be getting once they are hired. The health insurance will start the day the employees starts. Along with retirements plans, disability insurance, paid time off for military service and jury duty. In addition, Federal family and medical leave (FLMA), life insurance, paid vacations, holidays, and 403b and 401k, and stock options. These are some of the benefits there are others like tuition reimbursement for continuing education for the employees. The company will also have a

family fun day twice a year for the employees and their families to enjoy each other and have fun. The company will also direct deposit and there will be childcare and a credit union for the employees. The use of performance incentives and merit pay is an effective way to recognize and engage employees. In order to be able to gauge the incentives and merit pay that will be given to each employee it is essential to first become familiar with performance management as a whole.

According to Cascio 2013, Performance management requires willingness and a commitment to focus on improving performance at the level of the individual or team every day. Management must define performance, facilitate performance, and encourage performance. Once performance is defined, facilitated, and encourage it will be easier to evaluate the individual employees and determine their merit pay. The managers will assist in defining performance by ensuring that the employees are aware of what the expectations are and ensuring that they are focused in effectively performing the task at hand. Management will set goals, measure performance, and assess the employees to ensure they are performing at the level they should be. By setting goals, the manager will be able to ensure that the employees are improving their performance and not falling below the expected levels.

Since Clapton Commercials Constructions' employees are team based, it will be necessary for management to set goals that are able to be attained in the group setting and not individually. Once the goals are defined the manager must measure the extent of which the goals have or are being completed.

Once the measures have been taken the manager will assess the employees of the team. The managers will appraise the employees based on his or her performance and the progress of the team toward the goals that were established. The appraisals can be performed anytime necessary to evaluate the effectiveness of the goals that were set forth. The managers will facilitate performance by ensuring that there are no obstacles or roadblocks in the way of the success of the employees, ensuring that the appropriate resources are available for the project, and will be sure that the proper employees are on the job. Ensuring that there are unnecessary obstacles to combat is important to any job in order to get the maximum performance from the employees.

Providing the appropriate resources is also important to ensure employees have enough tools & material to perform the task without wasting time & money. By assigning the proper and equipped employees to a project after careful selection the manager will ensure that the project will be complete effectively and productively. Encouraging Performance If it is decided that incentives will be given it may be beneficial to ask the employees what their interest are rather than incorporating incentives that they will be wasted, give them out in a timely manner, and fairly. Employees will not feel they are being rewarded for their hard work if the reward is something they do not desire or will not use. Establishing a time frame when the rewards may be given out will give the employees more initiative to reach their goals and being fair by establishing rules for the reward process that way each employee has the same level playing field. The first question the

organization has to make a decision on is if you want the incentive to be a temporary increase or a permanent increase?

Performance incentives are temporary bonuses and merit pay is an increase to the base pay for the employee. “ Merit pay can cost companies more in the long term, but is also more effective at motivating employees because the employee’s extra effort produces greater rewards (Thompson, 2015)”.

Performance incentives or merit pay can be linked to the results of a project and reward the employees for achieving results that are tied to a task that is within their control. It is necessary to establish goals that are attainable with hard work and that a clear set of expectations is present. The organization will need to analyze the current measures and recent performance within the organization to establish room for improvement and set the new standards for a performance incentive. Once the incentive type is decided it is recommended that the organization offers the incentives quarterly to continue the endurance of performance for staying on schedule, staying with the cost parameters, putting forth and presenting quality work, and maintaining safety requirements.

A few examples of performance incentives that may be presented to the employees are profit sharing or bonuses. These performance incentives will help identify, motivate, and retain the most valuable employees. There are certain laws that relate to the benefits and pay program in Arizona that Clapton will need to know. “ Under Arizona law, it is mandatory for employers to secure workers’ compensation insurance for their employees. Workers’ compensation is a “ no fault” system in which an injured employee

is entitled to receive benefits for an industrial injury, no matter who caused the job-related accident.” (Arizona, 2015)

Effective January 1, 2015, Arizona adopted a minimum wage of \$8.05 per hour differing from the federal minimum wage rate. (Stanton, 2014). This paper has addressed the need for a compensation structure, the company’s position in the market, a compensation and benefits strategy, the use of performance incentives and merit pay to recognize and engage employees, and to identify the laws related to the benefits and pay program. With these recommendations we believe that the Clapton Commercial Construction company will be well prepared as they move forward.

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