

Applying motivation theories to compensation

[Business](#), [Management](#)



Question 6. 1

There are several reasons why wages vary even though two people might be in the same occupation. Firstly, Pat may hold professional certification or have advanced education than Chris. Secondly, Pat may have in-demand skills or higher experience than Chris. Thirdly, different positions, Pat may be more superior to Chris. Fourthly, different education levels, Pat might have probably graduated with a higher degree than Chris. Fifthly, the gender different, Chris is a male while Pat is a female and most probable the employer is more biased to women. The sixth reason could be due to different company loyalty; Pat might have work longer for the company than Chris. The seventh reason could be due to difference in the level of responsibility; Pat's job has greater responsibility than that of Chris. The eighth reason might relate to success and performance; Pat could be more successful or performs highly than Chris. Ninthly, Pat might have job that involve more complex tasks than those of Chris's.

Other reasons include; Relationship: Pat and the boss might have blood relationship thus giving her more benefit. Race: Chris might be in minority group and their boss normally discriminates against them. Also, Pat might know about the company's negative side so she is paid more to keep her mouth shut. Finally, Pat might be helping in marketing the company thus gaining more customers. She therefore deserves a referral fee.

Question 6. 3

Equity theory is relevant to most of the above reasons. Equity theory explains relational satisfaction regarding perceptions of fair resource distribution within interpersonal relationships. There should be fair treatment

of employees in the work place based on the ratio of inputs to incomes. Employees with advanced education, higher experience, more superior position, higher degree, greater company loyalty, greater responsibility, greater performance and more complex tasks should be paid more than others. This is because it would support the wisdom of those reasons because job difficulty is a relevant input.

Compensation plan elements such as Piece-Rate and Recognition Awards basically account for the pay differentials. This is because an employee who produces more units or more services should be compensated highly that the other. Also, highly performing employee should be given both tangible and intangible awards to recognize the achievement. This accounts for pay differentials because high performing employees are given more awards.

Reference

DuBrin, A. J. (2013). *Fundamentals of Organizational Behavior: An Applied Perspective*. New York: Pergamon Press Inc.