

Compensation (human resources)



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Introduction When we hear of the term “ compensation” we normally think of the money we get during payday simply we called salary. At the time the employee is employed, salary is being known and the rest of the compensation package followed. Thus, it is the right of the employee to know the exact definition of compensation and the components of the total compensation package.

Compensation: Definition

Compensation is given to an employee as a replacement for the performed services or as reparation. It can be direct, indirect and non-monetary compensation (Fogleman, 2001). Direct compensation is simply the salary of an employee while indirect compensation is more different for it includes legal obligation programs such as health insurance, retirement programs, paid leave or housing. Benefits and rewards receive by the employee from the employer is the non-monetary compensation. According to Tatum (2010), in order for employees to be more productive and motivated, business should provide more detailed incentive – the total compensation package. The package should be well designed to attract, retain, and motivate competent workers in the organization.

Total Compensation Package: Components

To decide on what component to be included in the compensation package is far more complicated than just deciding on the payment of employees. The expectations of the employees on what would their compensation package consist of, would be a pressure for the organization. The components of the total compensation package include total compensation (base pay and incentives), benefits, work-life balance and training, career and personal growth (Construction Business Owner, 2007). These components are needed

for an organization to survive into today's tough business environment.

Base pay and incentives are usually the largest component and the most common of a compensation package. These are important being the introduction of employment to assure that employees have comfort in their lifestyle. Salary would be based on the role of the worker on how the role is being delivered while incentive usually refers to the payment for performance.

Workers would be more motivated in improving the performance to attain additional pay such as bonuses or commissions.

Benefits are the second component that typically provides: medical benefits, dental plan, paid time off, holidays, social security and many others (Construction Business Owner, 2007). Giving benefits to their employees are adopted by over 80 percent companies today. This component is important to attract employees who are looking for long-term and stable jobs that would surely build loyalty in the organization. Another component of compensation package is the work-life balance that would help in retaining employees in the organization. There are various organizations that did not offer very attractive salaries, but by providing flexibility and considering work-life balance among its employees will regain the loyalty and long-term employment. The last core component is training, career and personal growth which give focus on training and development programs of the organization. The component is relevant to ensure that the employees have learned in their selected career with the organization. Along with this component is the evaluation process to make certain that the employment is properly aligned.

Conclusion

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By implementing and maintaining a competitive compensation package, the organization would remain competitive. It should continue looking for new ideas if they want their employees to be motivated. Reward those innovative employees, offer them bonuses to stay longer and give promotions for doing challenging tasks. The future of the organization could be them.

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