

Compensation Management

“As far as Compensation is concerned it is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.”

Applications of Compensation Management

- Compensation used in recruit and retain qualified employees.
- Compensation can be used to increase or maintain satisfaction of employee.
- Compensation used in reward and encourage high performance.
- Compensation can achieve internal and external equity.
- Compensation reduce turnover and encourage company loyalty.
- Compensation management may achieve internal and external equity.

Nature and Purpose of compensation management....

- The compensation management establish and maintain an equitable reward system.
- The compensation management used an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized and conflicts minimized.
- The compensation management is concerned with the financial aspects of needs, motivation and rewards.

Nature and Purpose of compensation management

- Through compensation management managers analyze and interpret the needs of their employees so that reward can be individually designed to satisfy these needs.
- The compensation management involves job evaluation, wage & salary survey, profit sharing & control of pay costs.

Components of compensation management

The components of a compensation system include various things:

- Job Descriptions
- Job Analysis
- Job Evaluation
- Salary
- Pay Grades

Types of Compensation....

- Base Pay
- Commissions
- Overtime Pay
- Bonuses, Profit Sharing, Merit Pay
- Stock Options
- Travel/Meal/Housing Allowance

Types of Compensation

Compensation or rewards (incentives) can be classified into two

1. Direct compensation and
2. Indirect compensation.

Methods of Compensation...

1. Wages: Wages refers to the earnings of employees whose pay is calculated on an hourly basis.
2. Salaries: Salary refers to the earnings of employees whose pay is calculated on a weekly, bi-weekly, semi-monthly, or monthly basis.
3. Commissions: Commissions are usually computed on a certain percentage or commission rate.

Methods of Compensation...

4. Piece-Rate Plan: Employee paid on a piece-rate plan receive a certain amount for each item produced.
5. Combination Plan: Some organizations pay sales people both a salary and a commission. combination plan provides some regular income and an incentive.
6. Draws: A draw is an advance given to a salesperson that will be collected when future sales transactions are closed.