

LGO2222 Human Resource Management in LGO.

Collect and Rearrange By
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Evaluating and Rewarding Employees

Chapter 12.

Determining Pay Rates

- *Employee compensation*
 - All forms of pay or rewards going to employees and arising from their employment.
- *Direct financial payments*
 - Pay in the form of wages, salaries, incentives, commissions, and bonuses.
- *Indirect financial payments*
 - Pay in the form of financial benefits such as insurance.

Overview of Compensation Laws

- *Davis-Bacon Act (1931)*
 - A law that sets wage rates for laborers employed by contractors working for the federal government.
- *Walsh-Healey Public Contract Act (1936)*
 - A law that requires minimum wage and working conditions for employees working on any government contract amounting to more than \$10,000.

Overview of Compensation Laws (cont'd)

- *Title VII of the 1964 Civil Rights Act*
 - This act makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.

Overview of Compensation Laws (cont'd)

- *Fair Labor Standards Act (1938)*
 - This act provides for minimum wages, maximum hours, overtime pay for nonexempt employees after 40 hours worked per week, and child labor protection. The law has been amended many times and covers most employees.
- *Equal Pay Act (1963)*
 - An amendment to the Fair Labor Standards Act designed to require equal pay for women doing the same work as men.

Who Is Exempt? Who Is Not Exempt?

Exempt Professionals

Attorneys
Physicians
Dentists
Pharmacists
Optometrists
Architects
Engineers
Teachers
Certified public accountants
Scientists
Computer systems analysts

Exempt Executives

Corporate officers
Department heads
Superintendents
General managers
Individual who is in sole charge of an "independent establishment" or branch

Exempt Administrators

Executive assistant to the president
Personnel directors
Credit managers
Purchasing agents

Nonexempt

Paralegals
Nonlicensed accountants
Accounting clerks
Newspaper writers
Working foreman/forewoman
Working supervisor
Lead worker
Management trainees
Secretaries
Clerical employees
Inspectors
Statisticians

Overview of Compensation Laws (cont'd)

- *Employee Retirement Income Security Act (ERISA)*
 - The law that provides government protection of pensions for all employees with company pension plans. It also regulates vesting rights (employees who leave before retirement may claim compensation from the pension plan).
- *The Age Discrimination in Employment Act*
 - Prohibits age discrimination against employees who are 40 years of age and older in all aspects of employment, including compensation.

Overview of Compensation Laws (cont'd)

- *The Americans with Disabilities Act*
 - Prohibits discrimination against qualified persons with disabilities in all aspects of employment, including compensation.
- *The Family and Medical Leave Act*
 - Entitles eligible employees, both men and women, to take up to 12 weeks of unpaid, job-protected leave for the birth of a child or for the care of a child, spouse, or parent.

Corporate Policies, Competitive Strategy, and Compensation

- *Aligned reward strategy*
 - The employer's basic task is to create a bundle of rewards—a total reward package—specifically aimed at eliciting the employee behaviors the firm needs to support and achieve its competitive strategy.
 - The HR or compensation manager will write the policies in conjunction with top management, in a manner such that the policies are consistent with the firm's strategic aims.

Developing an Aligned Reward Strategy

Questions to Ask:

1. What are our company's key success factors?
What must our company do to be successful in fulfilling its mission or achieving its desired competitive position?
2. What are the employee behaviors or actions necessary to successfully implement this competitive strategy?
3. What compensation programs should we use to reinforce those behaviors?
What should be the purpose of each program in reinforcing each desired behavior?
4. What measurable requirements should each compensation program meet to be deemed successful in fulfilling its purpose?
5. How well do our current compensation programs match these requirements?

Compensation Policy Issues

- *Pay for performance*
- *Pay for seniority*
- *The pay cycle*
- *Salary increases and promotions*
- *Overtime and shift pay*
- *Probationary pay*
- *Paid and unpaid leaves*
- *Paid holidays*
- *Salary compression*
- *Geographic costs of living differences*

Compensation Policy Issues (cont'd)

- *Salary compression*
 - A salary inequity problem, generally caused by inflation, resulting in longer-term employees in a position earning less than workers entering the firm today.

Equity and Its Impact on Pay Rates

- *The equity theory of motivation*
 - States that if a person perceives an inequity, the person will be motivated to reduce or eliminate the tension and perceived inequity.

Forms of Equity

- *External equity*
 - How a job's pay rate in one company compares to the job's pay rate in other companies.
- *Internal equity*
 - How fair the job's pay rate is, when compared to other jobs within the same company
- *Individual equity*
 - How fair an individual's pay is compared with what his or her co-workers are earning for the same or very similar jobs within the company.
- *Procedural equity*
 - The perceived fairness of the process and procedures to make decisions regarding the allocation of pay.

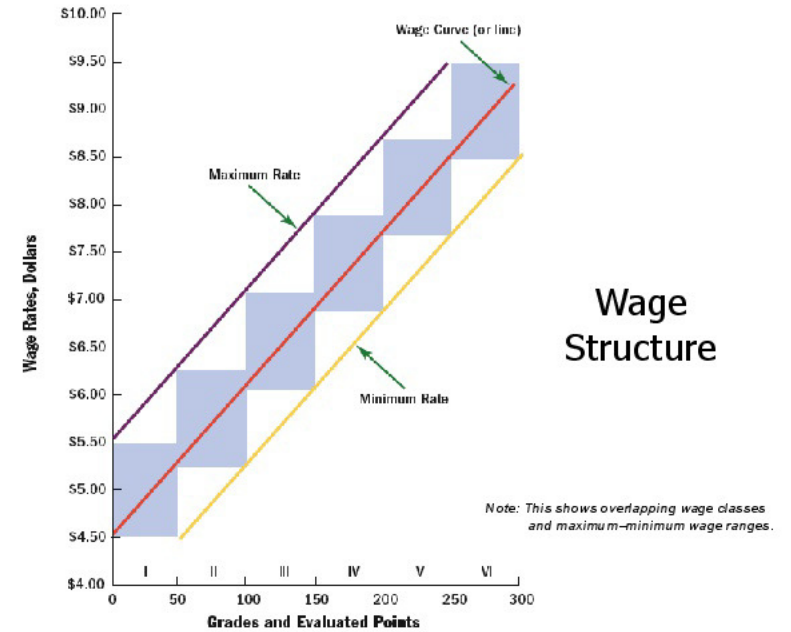
Methods to Address Equity Issues

- *Salary surveys*
 - To monitor and maintain external equity.
- *Job analysis and job evaluation*
 - To maintain internal equity,
- *Performance appraisal and incentive pay*
 - To maintain individual equity.
- *Communications, grievance mechanisms, and employees' participation*
 - To help ensure that employees view the pay process as transparent and fair.

Example of A Grade Level Definition

GRADE	NATURE OF ASSIGNMENT	LEVEL OF RESPONSIBILITY
GS-7	Performs specialized duties in a defined functional or program area involving a wide variety of problems or situations; develops information, identifies interrelationships, and takes actions consistent with objectives of the function or program served.	Work is assigned in terms of objectives, priorities, and deadlines; the employee works independently in resolving most conflicts; completed work is evaluated for conformance to policy; guidelines, such as regulations, precedent cases, and policy statements require considerable interpretation and adaptation.

This is a summary chart of the key grade level criteria for the GS-7 level of clerical and assistance work. Do not use this chart alone for classification purposes; additional grade level criteria are in the Web-based chart.



Compensation Administration Checklist

• Is your plan for salary administration in writing?	Yes No	<input type="checkbox"/> <input type="checkbox"/>
• Do you have stated goals for your plan, such as: —Consistently rewarding performance? —Attracting quality employees? —Reducing turnover?	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
• Does your plan include the following topics? —Annual wage and leave survey? —Expectations for salary schedules? —Exemptions of job classifications? —Premiums, bonus, vacation pay? —Meal and travel expense eligibility? —Temporary positions, part-time positions?	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
• Is there a written analysis for each job in your company?	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
• Does each analysis include a listing of the following job requirements? —Knowledge/skills/experience/personal characteristics? —Do you periodically review and update each job description? —Have you set salary ranges for each job category? —Do you provide regular written performance evaluations for employees? —Are the evaluations used to decide promotions and pay increases? —Do you communicate your job evaluation plans to your employees through: —General supervisor? —Bulletin board/handbook? —Have you developed a written system of merit increases? —Do you have static goals for the system, such as: —Increase productivity/turnover? —Reduce errors/cost? —Do you respond to suggestions from employees about your compensation plans?	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

A good compensation administration program is comprehensive and flexible and ensures optimum performance from employees at all levels. The following checklist may be used to evaluate a company's program. The more questions answered "yes," the more thorough has been the planning for compensation administration.