



**COMPENSATION & BENEFIT MANAGEMENT**  
**SCHOOL OF BUSINESS MANAGEMENT**

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**Anurag Group of Institutions**  
**School of Business Management**

Course Name : COMPENSATION & BENEFIT MANAGEMENT  
Course Number : A93005/H  
Course Designation : Core  
Credits : 4

II MBA – I Semester  
(2019-20)

<b>Name of Faculty</b>	<b>Academic Year/Regulation</b>
G. Sreevani	2019-20/R18

## SYLLABUS

Unit – I	<p><b>Introduction to Compensation Management:</b>            Concept of compensation-Exploring and defining the compensation context–System of compensating–compensation dimensions-concept of reward–Role of compensation in Organization- Non financial compensation system–Concept of total reward system-New trends in compensation management–The 3-Pcompensationconcept.</p>
Unit – II	<p><b>Compensation and Employee Behavior:</b>            Bases for Traditional Pay System and Modern Pay System–Establishing Pay Plans–Aligning CompensationStrategywithHRStrategyandBusinessStrategy-SeniorityandLongevitypay- Linking Merit Pay with Competitive Strategy-Incentive Pay-Person focus to Pay–Team Based Pay.</p>
Unit – III	<p><b>Designing Compensation System:</b>            Building internally consistent Compensation System-Creating Internal Equity through Job Analysis and Job Valuation-Building Market Competitive Compensation System-Compensation Surveys– Integrating Internal Job Structure with External Market Pay Rates-Building Pay Structures that Recognize Individual Contributions-Constructing a Pay Structure-Designing Pay for Knowledge Program.</p>
Unit – IV	<p><b>Employee Benefits Management:</b>            Components- Legally required Benefits–Benefits Administration–Employee Benefits and Employee Services–Funding Benefits through VEBA–Costing the Benefits–Components of Discretionary Core FringeCompensation-DesigningandPlanningBenefitProgram– TotallyIntegratedEmployeeBenefit Program</p>
Unit – V	<p><b>Strategic Compensation Challenges:</b>            International Compensation and Competitive Strategies-Executive Compensation Packages– Compensating Executives-Compensating the Flexible Workforce-Contingent Employees and FlexibleWorkSchedules–CompensationforExpatriatesandRepatriates– StrategicIssuesandChoicesin Using Contingent and Flexible Workers.</p>

<b>Reference Books</b>	
1.	Henderson, Richard I. "Compensation Management in a Knowledge Based World", 2007, Pearson Ed.9/E.
2.	Joseph J.Martocchio, "Strategic Compensation", 2006, Pearson Ed Richard I 3/E.
3.	Milkovich&NewMan, "Compensation", 2005, Tata McGraw–Hill, New Delhi.
4.	Dr. KanchanBhatia, "Compensation Management", 2011, Himalaya Publishing House.
5.	Tapomoy Deb, "Compensation Management", 2009, Excel Books, New Delhi.

## **MBA PROGRAM EDUCATIONAL OBJECTIVES (PEO's):**

1. To teach the fundamentals of the key elements of a business organization.
2. To provide a critical perspective on theoretical knowledge and practical approach to various functional areas of management and decision making.
3. To develop analytical skills to identify the link between the management practices in the functional areas of an organization and business environment.
4. To establish and realize a creative research culture among the student community.
5. To provide insights on latest technology, business communication, management concepts and to built team work and leadership skills within them.
6. To inculcate the habit of inquisitiveness and creativeness aimed at self actualization and realization of ethical practices.

## **PROGRAM LEARNING OUTCOMES (PO's)**

The learning outcomes specify the knowledge, skills, values and attitudes students are expected to attain in courses or in a program.

1. ***Business Environment and Domain Knowledge:*** Graduates are able to improve their awareness sand knowledge about functioning of local and global business environment and society.
2. ***Critical thinking, Business Analysis, Problem Solving and Innovative Solutions:*** Graduates are expected to develop skills on analyzing the business data, application of relevant analysis, and problem solving in other functional areas such as marketing, business strategy and human resources.
3. ***Global Exposure and Cross-Cultural Understanding:*** Demonstrate a global outlook with the ability to identify aspects of the global business and Cross Cultural Understanding.
4. ***Social Responsiveness and Ethics:*** Graduates are expected to identify the contemporary social problems, exploring the opportunities for social entrepreneurship, designing business solutions and demonstrate ethical standards in organizational decision making.
5. ***Effective Communication:*** Graduates are expected to develop effective oral and written communication especially in business applications, with the use of appropriate technology.
6. ***Leadership and Teamwork:*** Graduates are expected to collaborate and lead teams across organizational boundaries and demonstrate leadership qualities, maximize the usage of diverse skills of team members in the related context

**Course objective:** Students learn about role of compensation, pay system, pay rates, employee benefits & compensation challenges

**Course outcomes: At the end of the Course students will be able to**

- Interpret the compensation concepts in the context of compensation practice
- Apply the different ways to strengthen the pay-for-performance link.
- Analyze the process of designing for the successful reward system.
- Evaluate the concepts of Payment and employee benefits issues for contingent workers.
- Develop various measures for dealing international compensation.

### MAPPING OF COURSE OUT COMES WITH PO's & PEO's

Course Outcomes	PO's	PEO's
CO1	1,2,3,4,6	1,2,3,5,6
CO2	1,2,4	1,2,6
CO3	1,4,6	2,5
CO4	1,3	3,5
CO5	1,3,6	3,5

•

### Articulation matrix of Course outcomes with PO's

	Program Outcomes						Program Educational objectives					
	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PEO 1	PEO 2	PEO 3	PEO 4	PEO 5	PEO 6
CO1	3	2	1	1	-	1	3	2	1	-	1	1
CO2	3	2	-	1	-	-	3	2	-	-	-	1
CO3	3	-	-	1	-	1	-	1	-	-	1	-
CO4	2	-	1	-	-	-	-	-	1	-	1	-
CO5	2	-	1	-	-	1	-	-	1	-	1	-



<b>Definition</b>	<b>I.</b>	<b>II.</b>	<b>III. Applying</b>	<b>IV. Analyzing</b>	<b>V.</b>	<b>VI.</b>
<b>Bloom's Definition</b>	Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers.	Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating	Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalization	Present and defend opinions by making judgments about information, validity of ideas, or quality of work based	Compile information together in a different way by combining elements in a new
<b>Verbs</b>	<ul style="list-style-type: none"> <li>• Choose</li> <li>• Define</li> <li>• Find</li> <li>• How</li> <li>• Label</li> <li>• List</li> <li>• Match</li> <li>• Name</li> <li>• Omit</li> <li>• Recall</li> <li>• Relate</li> <li>• Select</li> <li>• Show</li> <li>• Spell</li> <li>• Tell</li> <li>• What</li> <li>• When</li> <li>• Where</li> <li>• Which</li> <li>• Who</li> <li>• Why</li> </ul>	<ul style="list-style-type: none"> <li>• Classify</li> <li>• Compare</li> <li>• Contrast</li> <li>• Demonstrate</li> <li>• Explain</li> <li>• Extend</li> <li>• Illustrate</li> <li>• Infer</li> <li>• Interpret</li> <li>• Outline</li> <li>• Relate</li> <li>• Rephrase</li> <li>• Show</li> <li>• Summarize</li> <li>• Translate</li> </ul>	<ul style="list-style-type: none"> <li>• Apply</li> <li>• Build</li> <li>• Choose</li> <li>• Construct</li> <li>• Develop</li> <li>• Experiment with</li> <li>• Identify</li> <li>• Interview</li> <li>• Make use of</li> <li>• Model</li> <li>• Organize</li> <li>• Plan</li> <li>• Select</li> <li>• Solve</li> <li>• Utilize</li> </ul>	<ul style="list-style-type: none"> <li>• Analyze</li> <li>• Assume</li> <li>• Categorize</li> <li>• Classify</li> <li>• Compare</li> <li>• Conclusion</li> <li>• Contrast</li> <li>• Discover</li> <li>• Dissect</li> <li>• Distinguish</li> <li>• Divide</li> <li>• Examine</li> <li>• Function</li> <li>• Inference</li> <li>• Inspect</li> <li>• List</li> <li>• Motive</li> <li>• Relationships</li> <li>• Simplify</li> <li>• Survey</li> <li>• Take part in</li> <li>• Test for</li> <li>• Theme</li> </ul>	<ul style="list-style-type: none"> <li>• Agree</li> <li>• Appraise</li> <li>• Assess</li> <li>• Award</li> <li>• Choose</li> <li>• Compare</li> <li>• Conclude</li> <li>• Criteria</li> <li>• Criticize</li> <li>• Decide</li> <li>• Deduct</li> <li>• Defend</li> <li>• Determine</li> <li>• Disprove</li> <li>• Estimate</li> <li>• Evaluate</li> <li>• Explain</li> <li>• Importance</li> <li>• Influence</li> <li>• Interpret</li> <li>• Judge</li> <li>• Justify</li> <li>• Mark</li> <li>• Measure</li> <li>• Opinion</li> <li>• Perceive</li> <li>• Prioritize</li> <li>• Prove</li> <li>• Rate</li> </ul>	<ul style="list-style-type: none"> <li>• Adapt</li> <li>• Build</li> <li>• Change</li> <li>• Choose</li> <li>• Combine</li> <li>• Compile</li> <li>• Compose</li> <li>• Construct</li> <li>• Create</li> <li>• Delete</li> <li>• Design</li> <li>• Develop</li> <li>• Discuss</li> <li>• Elaborate</li> <li>• Estimate</li> <li>• Formulate</li> <li>• Happen</li> <li>• Imagine</li> <li>• Improve</li> <li>• Invent</li> <li>• Make up</li> <li>• Maximize</li> <li>• Minimize</li> </ul>

## Course Schedule

Distribution of Hours in Unit – Wise

Unit	Topic	Chapters	Total No. of Hours
		Book 1	
I	Introduction to Compensation Management	Henderson, Richard I	10
II	Compensation and Employee Behavior	Dr. Kanchan Bhatia	11
III	Designing Compensation System	Henderson, Richard I	12
IV	Employee Benefits Management	Dipak Kumar Bhattacharyya	12
V	Strategic Compensation Challenges	Dr. KanchanBhatia	10
Total classes for Syllabus coverage			55
Tutorial Classes : 1 per week			

Lecture Plan

S. No.	Topic	No of Lecture Hours	Teaching Learning Process
<b>UNIT-1 Introduction to Compensation Management</b>			
1	Concept of compensation	1	Chalk & Board
2	Exploring and defining the compensation context	1	Chalk & Board
3	System of compensating	1	PPT & Activity
4	Compensation dimensions	1	Discussion
5	Concept of reward–Role of compensation in Organization	1	Role play
6	Non-financial compensation system	1	Assignment
7	Concept of total reward system	1	Chalk & Board
8	New trends in compensation management	1	Assignment
9	The 3-Pcompensationconcept	1	Discussion
10	Case study	1	Discussion
<b>UNIT-2 Compensation and Employee Behavior</b>			
1	Bases for Traditional Pay System and Modern Pay System	1	Chalk & Board
2	Establishing Pay Plans	1	PPT
3	Aligning Compensation Strategy with HR Strategy and Business Strategy	2	Activity- role paly
4.	Seniority and Longevity pay	1	Group presentation
5	Linking Merit Pay with Competitive Strategy	2	Assignment
6	Incentive Pay-Person focus to Pay	1	Discussion
7	Team Based Pay	1	Chalk & Board
8	Case study	1	Discussion
<b>UNIT-3 Designing Compensation System</b>			
1	Building internally consistent Compensation System	1	Chalk & Board

2	Creating Internal Equity through Job Analysis and Job Valuation	2	Activity
3	Building Market Competitive Compensation System	1	Assignment
4	Compensation Surveys	2	Discussion
5	Integrating Internal Job Structure with External Market Pay Rates	2	PPT
6.	Building Pay Structures that Recognize Individual Contributions	1	Activity
7	Constructing a Pay Structure	1	Activity
8	Designing Pay for Knowledge Program	1	PPT
9	Case Study	1	Discussion
<b>Unit-IV Employee Benefits Management</b>			
1	Legally required Benefits	1	Chalk & Board
2	Benefits Administration	1	Assignment
3	Employee Benefits and Employee Services	1	presentations
4	Funding Benefits through VEBA	1	PPT
5	Components of Discretionary Core Fringe Compensation	2	Presentations
6	Designing and Planning Benefit Program	2	Activity
7	Totally Integrated Employee Benefit Program.	2	Discussion
8	Case Study	2	Discussion
<b>Unit-V Strategic Compensation Challenges</b>			
1	International Compensation and Competitive Strategies	2	Chalk & Board
2	Executive Compensation Packages	1	Discussion
3	Compensating Executives	1	Activity
4	Compensating the Flexible Workforce	1	Group presentations
5	Contingent Employees and Flexible Work Schedules	1	Assignment
6	Compensation for Expatriates and Repatriates	1	presentation
7	Strategic Issues and Choices in Using Contingent and Flexible Workers	1	Group presentations
8	Case Study	2	Discussion
<b>Total contact classes for Syllabus coverage : 56</b>			

## Minutes of Course Review Meeting

Details of Meeting No -	
Date of Meeting	
Member's Present	
Signature of Member's	
Remarks	
Details of Meeting No -	
Date of Meeting	
Member's Present	
Signature of Member's	
Remarks	
Details of Meeting No -	
Date of Meeting	
Member's Present	
Signature of Member's	
Remarks	

## **UNIT WISE QUESTIONS:**

### **UNIT-I**

#### **Short questions:**

1. Explain Compensation.(L2,Co1)
2. List out the objectives of compensation. (L1,Co1)
3. Outline the importance of stock option in compensation. (L2,Co1)
4. Explain the importance of perks. (L2,Co1)
5. Discuss deferred income. (L2,Co1)
6. Differentiate Pay for work & performance and Pay for time not worked. (L4,Co1)
7. Explain the purpose of financial compensation. (L2,Co1)
8. Explain the non-financial compensation. (L2,Co1)
9. Discuss work-life balance. (L2,Co1)
10. List out the benefits of compensation. (L1,Co1)
11. Explain the concept of Reward. (L2,Co1)
12. Outline the benefits of Reward system. (L2,Co1)
13. Justify Jury Duty and Educational Assistance. (L5,Co1)
14. Explain the term Spouse income continuation. (L2,Co1)
15. Explain income equivalent payments. (L2,Co1)

#### **Long Question:**

1. Explain the dimensions of compensation system (L2,Co1)
2. Discuss the role of compensation in organization (L2,Co1)
3. Elaborate the concept of 3P compensation (L4,Co1)
4. List out the types of compensation. (L1,Co1)
5. Illustrate the components of compensation (L2,Co1)
6. Explain the role of compensation and rewards in modern organization. (L2,Co1)
7. Outline the elements of total rewards system. (L2,Co1)
8. Explain the recent trends in compensation management. (L2,Co1)
9. Describe the relationship between the compensation and non compensation sub systems of the reward system. (L2,Co1)
10. Discuss some benefits of an employee gain from google company. (L2,Co1)

### **UNIT-2:**

#### **Short questions:**

1. Explain the term employee behavior(L2,Co2)
2. List out the factors of traditional pay system(L1,Co2)
3. Identify the elements of modern pay system. (L3,Co2)
4. Explain the concept of Job analysis. (L2,Co2)
5. List out the factors of Job evaluation. (L1,Co2)
6. Outline the objectives of pay plans(L2,Co2)
7. Explain HR strategy. (L2,Co2)
8. Explain the term longevity pay. (L2,Co2)

9. List the factors of team based pay. (L1Co2)
10. Explain the term Merit Pay. (L2,Co2)
11. Importance of business strategy. (L5,Co2)
12. Explain modern pay. (L2,Co2)

**Long questions:**

1. Differentiate the Traditional Pay System and Modern Pay System (L,Co2)
2. Explain how the modern pay system is different from traditional methods (L2, Co2)
3. Describe the modes of aligning compensation strategy with business strategy (L2, Co2)
4. How to create and establish the pay plans? Explain (L2, Co2)
5. Identify the various types of incentive pay given to an employee(L2,Co2)
6. Describe about the relation between HR strategy and compensation strategy(L2,Co2)
7. Explain the procedure for linking merit pay with competitive strategy(L2,Co2)
8. Describe the important aspects in traditional pay system. (L2,Co2)
9. Outline the bases for traditional pay system (L2,Co2)
10. Analyze how could you integrate compensation strategy with HR strategy? (L4,Co2)

**Unit-3:**

**Short questions:**

1. Explain internal equity. (L2,Co3)
2. Outline the recommendations for designing the effective compensation system. (L2,Co3)
3. Explain job evaluation. (L2,Co3)
4. Identify the importance of job evaluation. (L2,Co3)
5. Explain factor comparison method. (L2,Co3)
6. Outline the importance of job analysis. (L2,Co3)
7. List out the merits and demerits of job evaluation. (L1,Co3)
8. Explain Business strategy. (L2,Co3)
9. Describe market-competitive compensation system. (L2,Co3)
10. Explain compensation surveys. (L2,Co3)
11. List out the External Market pay rates. (L1,Co3)
12. Explain HR strategy. (L2,Co3)

**Long Questions:**

1. Discuss the ways of integrating internal job structure with external market pay rates. (L2,Co3)
2. Explain the methods of designing pay for knowledge program. (L2,Co3)
3. Discuss the process of building market competitive compensation system(L2,Co3)
4. Explain the process of Designing pay for knowledge program. (L2,Co3)
5. Explain the preconditions for building pay structure. (L2,Co3)
6. Evaluate the concept of compensation surveys. (L5,Co3)
7. Explain about setting up of market (competitive) compensation system. (L2,Co3)
8. How do you design pay for knowledge programs? (L1,Co3)
9. How does an external market pay rates influence the internal job structure? (L1,Co3)
10. Discuss about designing of pay structure for knowledge program(L2,Co3)

**Unit-4:**

**Short questions:**

1. Outline the concept of Employee services. (L2,Co4)
2. Explain Legally required benefits. (L2,Co4)
3. Discuss Flexible work schedules. (L2,Co4)
4. Elaborate VEBA(L2,Co4)
5. Explain the concept of Fringe compensation(L2,Co4)
6. Explain Equal pay for equal work. (L2,Co4)
7. Outline the legally required the employer benefits. (L2,Co4)
8. Explain Benefit Administration. (L2,Co4)
9. Classify the organizational fringe benefits. (L2,Co4)
10. Explain retrenchment compensation. (L2,Co4)
11. Outline the Need for extending benefits to employees. (L2,Co4)
12. List out the Types of benefit plans. (L2,Co4)
13. Identify the difficulty of workers. (L2,Co4)
14. Evaluate EAP. (L5,Co4)
15. Explain Job security. (L2,Co4)

**Long questions:**

1. Describe the process of funding benefits through VEBA approach. (L2,Co4)
2. Explain the procedure of Designing and planning benefit program. (L2,Co4)
3. Explain the features of totally integrated employee benefit program. (L2,Co4)
4. Describe the components of discretionary core fringe compensation.(L2,Co4)
5. Enumerate the planning of a benefit program. (L2,Co4)
6. Enumerate the factors influencing the planning of a benefit program. (L2,Co4)
7. Discuss the various employee benefits and employee services (L5, Co4)
8. List out various funding benefits through VEBA (L6, Co4)

**Unit- 5:****Short questions:**

1. Compensating executives(L2,Co5)
2. Contingent employees(L2,Co5)
3. Explain Strategic choice. (L2,Co5)
4. Identify the role of Unskilled employees. (L3,Co5)
5. Explain the concept of Expatriates (L2,Co5)
6. Identify the role of Skilled employees(L3,Co5)
7. Explain flexible work arrangement(L2,Co5)
8. Explain Contingency approach. (L2,Co5)
9. Discuss Organizational culture. (L5,Co5)
10. List out the internal variables of compensation(L1,Co5)
11. Highlight the external variables of compensation. (L2,Co5)
12. Explain executive compensation packages. (L2,Co5)
13. Outline the components of executive compensation(L2,Co5)
14. List out the drawbacks for employers with flexible working hours. (L1,Co5)
15. Explain the benefits to employees with flexible working hours. (L2,Co5)



**Long questions:**

1. Summarize various executive compensation packages. (L2,Co5)
2. Discuss about compensations of expatriates and Repatriates(L5,Co5)
3. Discuss about strategic issues regarding contingent and flexible workers. (L5,Co5)
4. Evaluate the international compensation strategy. (L5,Co5)
5. Briefly explain about international competitive strategies. (L2,Co5)
6. Explain how to provide compensation for the flexible workforce(L2,Co5)
7. Identify the importance of work schedules for contingent employees and flexible employees.  
(L3,Co5)
8. Discuss about international compensation strategies. (L5,Co5)
9. Briefly discuss the contemporary challenges in international compensation management.  
(L5,Co5)
10. Explain the strategic issues and choices in using flexible workers. (L2,Co5)

## Research:

### *What is compensation management?*

Compensation management is the [process](#) of ensuring that an organization's salaries and bonuses remain competitive, appropriate, and equitable. It also involves managing company benefit programs to make sure they meet the needs of the current workforce. Compensation managers are responsible for working with employment data and keeping up with complex benefits administration rules and regulations.

Compensation management plays a large role in HR because it can impact employee retention, the hiring process, company performance, and team engagement. Compensation managers are an important asset to the company's success. If salary, bonuses, and benefits aren't managed properly, employees might find much better comp packages elsewhere, performance and job satisfaction could decline, and several other factors could negatively impact the business.

### **3p compensation system:**

There are **3P approach** of developing a compensation policy centered on the fundamentals of paying for **Position, Person and Performance**. Drawing from external market information and internal policies, this program helps establish guidelines for an equitable grading structure, determine capability requirements and creation of short and long-term incentive plans.

The 3P approach to compensation management supports a company's strategy, mission and objectives. It is highly proactive and fully integrated into a company's management practices and business strategy. The 3P system ensures that human resources management plays a central role in management decision making and the achievement of business goals.

\* Paying for position

\* Paying for person

\* Paying for performance

Because it is so important to employees, the issue of pay deserves to be clearly addressed. In spite of their hesitance, managers are capable of dealing with this sometimes difficult issue in a professional and effective manner. By keeping the following basic points about pay in mind, they can address virtually any pay-related topic with their employees in a professional and productive manner.

### **Traditional and Modern Compensation system.**

- Traditional Compensation:
  - Used to support traditional job hierarchies

- Focuses on duties and tasks
- Rigid in structure; not much room for variations
- Information only shared on a “need-to-know” basis
- Modern Compensation:
  - Structured based on company values and strategic objectives
  - Focuses on employee contributions; used to motivate
  - Agile enough to be updated with changing business needs
  - Transparent; information is shared to clarify expectations

While each company has different needs, many organizations can benefit from moving towards a more modern approach. In specific, all companies should be structuring their compensation plans based on their business strategy. In doing so, you’ll ensure your compensation plan is supporting the outcomes you wish to achieve.

Likewise, many companies can benefit from developing salary ranges. In fact, [The Thriving Small Business](#) deems salary ranges a must-have component for an effective compensation strategy, stating that it helps ensure your pay is competitive enough based on your geographic location, industry, and size.

Finally, greater levels of transparency are increasingly necessary in today’s workforce. To adapt to factors like new regulations and the availability of salary information at employees’ fingertips, organizations seek proactive ways to become transparent about pay. Perhaps more important than disclosing actual figures is making your pay policy public knowledge. According to the [Wall Street Journal](#), having a standard compensation formula helps employees see that “their own pay was determined fairly and what to do to increase their compensation.”

One thing’s for sure: companies collectively are moving towards modernized compensation approaches, and the changes are paying off. By clarifying expectations and pay structures, using flexible salary ranges to support changing business needs, and tying compensation structures to business strategies, organizations can achieve more with compensation planning than they’ve ever done before.

## **Building Internally Consistent Compensation System**

**By Dr. G C Mohanta, BE, MSc (Engg.), MBA, PhD (Mgt.), Professor, Al-Qurmoshi Institute of Business Management, Hyderabad, India**

### ***Equity Theory***

Equity is commonly defined as anything of value earned through providing or investing something of value. Fairness is achieved when the return on equity is equivalent to the investment made. As it relates to compensation, fairness is achieved when pay equates to the value of the work performed. Inequity, on the other hand, occurs when the value of the work performed does not match the value of the compensation received.

Early studies indicate that inequitable treatment directly affects and influences employee behavior and performance. In *Equity Theory Towards a General Theory of Social Interaction* (The Academic Press, 1976), J. Stacy Adams proposed that an employee continuously monitors his or her inputs and outputs on the job, and perceives an equitable situation when the ratio of his or her inputs and outputs are equal, to those of other employees. If this ratio is not equal, the employee may feel angry (as a result of not being paid enough) or guilty (as a result of being paid too much). Either feeling could result in dissatisfaction or discomfort. Fig. 1 is the schematic diagram of Equity Theory.

### ***Internal Equity***

Internal equity exists when an employer pays wages commensurate with the relative internal value of each job. This is established according to the employer's perception of the importance of the work performed.

Before an organization can estimate the importance of each job, however, it must first determine the job-related factors that will be used for setting compensation levels - in short, compensable factors. Here are some typical compensable factors used for lower-level jobs:

- Education required.
- Experience required.
- Physical demands.
- Responsibility for equipment/materials.
- Responsibility for the safety of others.
- Supervisory/managerial responsibility.
- Working conditions.
- Accident or health hazards.
- Public contact.
- Manual dexterity.

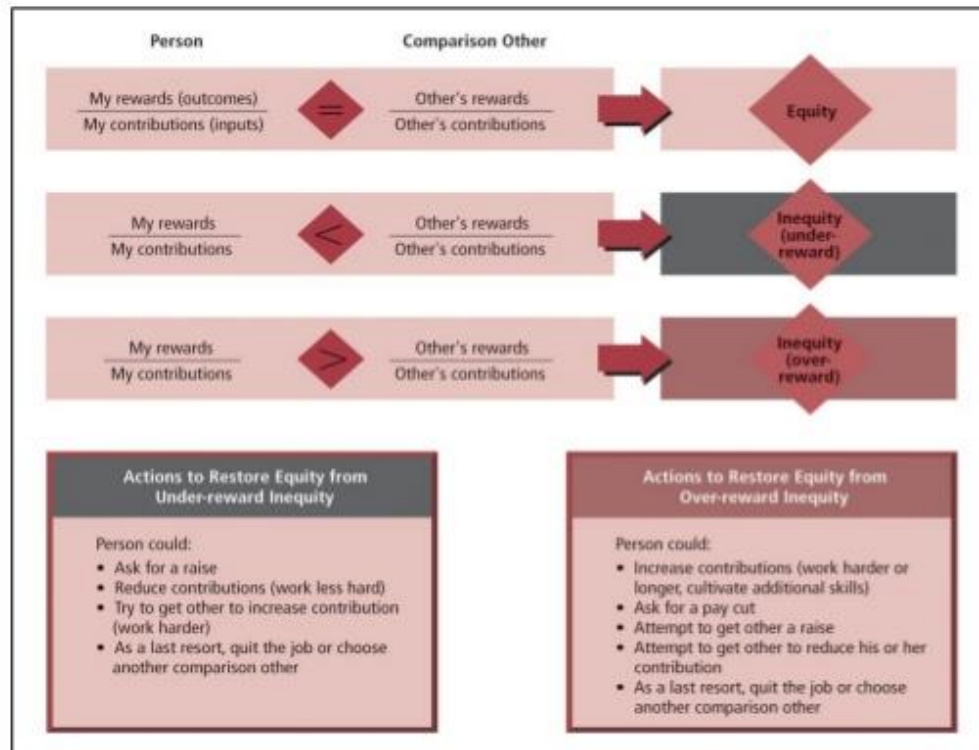
Determining the relative internal value of jobs in a large or complex organization can be a difficult process. Job-evaluation methods are often used to develop a job hierarchy that reflects the relative value of jobs on the basis of skill, effort, responsibility, and working conditions. A number of job-evaluation approaches have been developed. Such approaches include (1) job ranking, (2) classification, (3) point factors and (4) factor comparison.

### **External Equity**

External equity exists when an employer pays a wage rate commensurate with the wages prevailing in external labor markets. Assessing external equity requires measuring these labor markets. There is, however, no single labor market for a particular job. Supply and demand differ substantially among markets, resulting in significant variation in wages across labor markets.

The following factors contribute to these wage differences among markets:

- Geographic location.
- Industry sector.
- Union status.
- Organization size.
- Product competition.
- Company prestige.
- Education and experience level of available work force.
- Licensing or certification requirements called for by the job.



**Fig.1: Schematic Diagram of Equity Theory**

### **Individual Equity**

Individual equity exists when an employer compensates individuals who are in similar jobs on the basis of variations in individual performance, i.e. pay for performance. Excellent performers would receive more compensation than average performers.

***Personal Equity***

Personal equity involves no direct comparison of one individual's compensation with another's. Personal equity exists when an employer pays a wage rate that satisfies an employee's own perception of his or her worth. The standards applied by each person relate to that particular individual's previous experiences and his or her knowledge of the market value of similar jobs.

**Creating Internal Equity through Job Analysis and Job Evaluation**

**Job Evaluation**

Job evaluation is the process of determining and quantifying the value of jobs. It is the systematic scoring and comparison of jobs along organizationally determined dimensions of job worth, such as, in the effort, responsibility, complexity, importance, skills and the working conditions of a job.

Job evaluation is a tool to compare jobs consistently and classify them into appropriate pay ranges. The worth of each job within the organization is determined through the Job Evaluation process (job analysis, job descriptions, & job evaluations). This establishes the relative worth of a job in relation to the value of other jobs in the workplace. The process can ensure that an organization's pay system is equitable, understandable, legally defensible, and externally competitive. Job evaluations can be used to help to attract desirable job candidates and retain high performance employees due to fair and equitable pay scales.

## **Case Study:**

### **Case: 1-Salary inequities at Acme Manufacturing**

Joe Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small eastern Arkansas town. It had approximately 250 employees and was the largest employer in the community. Black was the member of the family that owned Acme, but he had never worked for the company prior to becoming the president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of this problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors. However, there were no similar supervisory jobs in which there were both male and female job incumbents. When asked, the Hr director said she thought the female supervisors may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster, that a modified ranking method of job evaluation should be used, and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees.

Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local EEOC office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had four choices relative to the female supervisors:

1. To do nothing.
2. To gradually increase the female supervisors salaries.
3. To increase their salaries immediately.
4. To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do.

**Questions:**

1. What would you do if you were Black?
2. How do you think the company got into a situation like this in the first place?
3. Why would you suggest Black pursue the alternative you suggested?

**Case Study:2- Compensation Issue**

**Background on the case study:** This case study of one of the top telecommunication companies in the Philippines' compensation and benefits problem. It is about the issue of many of the said company's engineers resigns and left the said company to work abroad and sometimes locally to look for higher salaries and career growth. Their term for this is "they went to look for greener pastures". Because of this, one of the critical challenges the said telecommunication company's human resource department is how to be able to mitigate employee attrition. This is very critical because the telecommunication industry is a highly technological and competitive industry which greatly depends on the skills and competence of its technical employees for the greater advancement of the said company.

A perfect example of the degree of the said issue can be seen that when one of the groups of telecommunication company's engineering team almost lost all of their employees. Their total headcount before the said attrition was 10 but when the employees left, only 2 was left behind. This paralyzes the job function of the said team. The said problem can also be seen by the culture of engineers of the said telecommunication company wherein they just make the said telecommunication company as a training ground wherein they just acquire the needed skills, and when they got the said skills they left the company.

**Analysis of the problem**

One of the challenges that the management of the said telecommunication company is facing is how can they match the package being offered overseas to its engineers. To be fair with them, this is a very daunting task. The offered rate for 1 engineer overseas was already equivalent to 10 engineers here in the Philippines. So if ever they will match this, the company's performance and profitability will be greatly affected.

But on further analysis of this issue, we can see that compensation is not the only factor an engineer considers when he left the said telecommunication company. From the survey of the engineers who left, the top reason is that they have misunderstandings and conflict with their bosses and the lack of career advancement. A prime reason is that even if they want to transfer from another



department, they cannot do it even if the other boss on the said department already agrees because it still needs approval from their existing bosses.

### **Proposed solution**

It would not be advisable if the management of the said telecommunication company will match the offer being made overseas. This will greatly affect its financial health and this might also endanger all of their employees job security. And to think that their engineers also weigh the pros and cons of leaving The Philippines in search of greener pastures. They have to leave their families in the process and will also endure a lot of culture differences from their destination country. So here are my proposals instead that they can do in order to match the offer being given to their engineers abroad.

One of the proposal that I would like to recommend to remedy this issue is to have the employees flexibility to find the right department and boss that they can properly work with. The said telecommunication company must give their engineers the freedom to choose where they really want to be. This will make their engineers more secure that they are on the right career path.

Also, they must give their employees a good career ladder to climb so as not to bore their engineers and make sure that their efforts are being recognize. By doing this their engineers will feel that their efforts are not put in vain and subsequently they will be proud of themselves and of their company.

To finish up I would like to that most employees do not leave a company because of money alone. I believe that there are myriad of reasons why they left. So if you lack on one area, you can still compensate for it on other fields. It's the accumulation of benefits that they can get on their specific job that matters.

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### **Case 3: Employee Benefits Case Study: A/C Manufacturing Company**

**Challenge:** An air conditioning manufacturing company in the Texas Hill Country was accustomed to providing expert care to its customers, but the company's owners struggled to provide the same quality care to their nearly 30 employees. Despite having a young, healthy workforce, the company could only afford a health care plan that saddled its employees with a \$6,000 annual deductible. It is no wonder so few employees actually subscribed to the plan.

#### **Solution**

When the A/C manufacturer engaged G&A Partners, a Texas-based Professional Employer Organization (PEO) and Human Resources Outsourcer (HRO), they got more than a proven HR service provider. Through an agreement with Cigna, the nationally renowned health service company, G&A was able to offer the company premium health benefits at far lower rates than the company could secure on its own.

#### **Outcome**

After a thorough assessment of their employees' health care demographics, the manufacturing company earned an A rating, making them eligible for the lowest rates available under G&A and Cigna's master health insurance plan. Now the company is able to offer three health plan options to their employees, so workers can select the plan that best fits their lifestyle and budget. With so much flexibility (and affordability), it's no surprise employee participation in the company's health plans is way up, which has further reduced the company's overall health care cost. (Ironically, within days of subscribing to the new plan, an employee was involved in a serious accident. Thankfully, the employee was able to make a full recovery and his out-of-pocket expense for the hospitalization was a fraction of what he would have paid under the company's old plan.)

#### **Case 4: Employee benefits case study: Korec**

Keen to reassure staff worried by redundancies, Korec overhauled its pensions offering and communication strategy to raise awareness of the benefit and its value.

#### **HOW IT WORKS**

Tough times in the construction industry forced Korec to cut staff in 2008. The company laid off a third of its precision measurement instrument technicians and salespeople, leaving 80 employees. Remaining staff were worried about their future, so Korec decided to review its pension offer. It hired benefit communication specialist Second Sight to raise awareness of the existing non-contributory scheme - with Korec paying 4% of salary - and to tackle the fact that only 22% of staff paid anything in, with an average contribution of just 1.5%. Salary sacrifice was set up to help them put more into their pensions, while the overall package was explained through group presentations and one-to-one meetings.

#### **WHO BENEFITS**

From February 2009 all 80 employees qualified to add cash through salary sacrifice into their pension, enhancing the amount being paid in. As an incentive, Korec paid 10% of the 12.8% of the employer NI saved through salary sacrifice into individuals' pension schemes. Most importantly, employees have benefited from individual savings advice, where Second Sight pension experts helped everyone review their pension history and set out retirement goals. The exercise encouraged them to see the importance of paying into a pension. Efforts were made to reach everyone, with field-based people in remote parts of Wales or the North East, for example, invited to talk to the pensions advisers on the phone if necessary.

#### **WHAT IT DELIVERS**

Korec staff have been reassured that their company has their interests at heart, despite trading through a harsh recession. They have also been educated about the importance of paying into a pension and planning for the future. Many had not heard of salary sacrifice before, but following the individual meetings, a massive 82% of members opted to save through this method, adding a few hundred pounds to their pension pot a year. By July 2009 Korec calculated 88% of members placed greater value on their employee benefits than they had before. A massive 84% of those in

the pension are now making a contribution, compared with only 18% before. Over the same period the average contribution rose from 1.5 % to 5.7%.

### **THE HR VIEW**

David Hodkinson, finance director for Korec, says: "After a redundancy period of almost a year, we wanted our remaining staff to feel a sense of security within Korec, so introducing salary sacrifice was a great way to say 'here's some good news for you - an added benefit for being with us!'. He feels it was important that staff knew their hard work was being valued "especially in this tough economic climate", and says the efforts made by the company to communicate the pension package better have paid off. "So many more employees at Korec now make a contribution to their pension whereas before it was a worrying minority." The general feedback has been that employees saw the benefit of salary sacrifice and felt more appreciated. "As a management exercise, it hasn't been costly or too complicated to implement as SecondSight has facilitated the whole process," says Hodkinson. "We've had to put aside time to slot in all the meetings, and do some communication work, but for a fantastic return in terms of pension take-up and employees' perception of the company."

### **THE EMPLOYEE VIEW**

David Bennett, a strategic accounts manager at Korec, hadn't heard of salary sacrifice before, but opted in to enhance his pension provision based on advice given at his individual meeting. "Everyone feels vulnerable in their job in the current climate, particularly in sales-based companies like this, so it was good to see Korec taking a lead on introducing something that shows they're committed to us," says Bennett. "In sales you know that if targets aren't being hit it's problematic, so everyone is working extra hard to justify their job. That means anything that shows your efforts are being recognised is appreciated." Most of those working in Korec's technical workshops, selling GPS measurement systems and surveying equipment, tend to be young and male, with other life issues taking priority over pension-planning. "I've got a young family, so finding time to organise a pension is difficult," says Bennett. "The professional help I had from the adviser - including very efficient follow-ups to sort out the paperwork after the meeting - has got things moving."

## **Case 5: Fringe Benefit Group Solves Spam Issues and Gives Sales Team a Smarter Way to Manage Customer Relationships**

### **PROBLEM:**

Lack of a centralized lead and customer management system provided no visibility into the Fringe Benefit Group sales pipeline for the company's management team and due to sales and marketing using the company's Exchange server to send volume e-mails, corporate e-mails were being blocked.

***SOLUTION:***

Fringe Benefit Group chose Smart Touch® CRM to help it gain visibility into the sales pipeline and enable its sales team with a smarter way to manage customer relationships and centralized lead management to eliminate further spam issues.

***RESULTS:***

Fringe Benefit Group was the first company to offer benefit plans for prevailing wage workers, and focus exclusively on this market. By making the strategic decision to implement SmartTouch CRM, Fringe Benefit was able to gain full visibility into the sales pipeline that also enabled its sales team with vital anytime, anywhere access to the centralized CRM system from the road.

In addition to the deep sales and marketing intelligence available to the sales team that enabled them to more accurately gauge customer interest, the new SmartTouch tools and templates helped the sales team streamline its customer relationship and lead management efforts, ultimately resulting in a 10 percent increase in sales, which can be directly and indirectly attributed to the system.

Plus, the centralized CRM and lead management solution helped Fringe Benefit Group overcome its spam issues and improve deliverability by sending volume e-mails through the SmartTouch solution instead of using the company's Exchange server.

## Activities:

**Unit 1: Compensation system:** Group activity: students have to feel they are HR manager of a company they need to prepare compensation to the employees based on the nature of the business later they have to explain by considering what they designed.

**Unit 2: HR strategy:** Role play Students have to create a situation that it represents the importance of strategy in designing the compensation system. They have to enact it.

**Unit 3: Designing compensation system:** Students are divided into groups and they have built internally consistent towards compensation of any company. And analyse if the employee have any kind of dissatisfaction towards inequity pay.

**Unit 4: Conflict resolution:** Pushy Pairs In pairs, get each person to stand facing each other. They put their arms straight out in front of them to shoulder level and touch palms with the other person. They are going to push as hard as they can against each other so get them to stand in a way that is safe. Once they have pushed and felt what it was like – keep them pushing and then tell them suddenly to stop pushing and feel how much of a relief it is. This is what happens when we are in conflict with someone. each of us trying to ‘push’ their message home. It makes for great discussions and learnings.

**Unit 5: Time Management:** We all have days when our list of tasks is huge and the amount of time we have to complete them just isn't. When time is tight and your agenda is packed, you've got to prioritize tasks and work efficiently! This activity gives students the opportunity to practice just that by presenting them with a long list of tasks to complete in a limited time frame. Make a list of tasks on chart paper, assigning a point value for each job. For example: Do 25 jumping jacks (5 points); make up a nickname for each member of the group (5 points); get every person in the class to sign a piece of paper (15 points); form a conga line and conga from one end of the room to the other (5 points, 10 bonus points if anyone joins you); etc. Make sure you list enough tasks to take up more than 10 minutes. Divide your students into groups of five or six and give them 10 minutes to collect as many points as they can by deciding which tasks to perform. A debriefing session is essential with this game. Guide your students to think about how they made decisions, which group dynamics came into play, and how they determined the value of each task.

# **ANURAG GROUP OF INSTITUTIONS**

## **SCHOOL OF BUSINESS MANAGEMENT**

### **MODEL QUESTION PAPER.**

**Subject: Compensation and Benefit management**

#### **PART-A**

**Answer all the following**

**5\*5M= 25 marks**

1. Outline the benefits of Reward system
2. List out the factors of Traditional pay system
3. Explain Job analysis
4. Explain Employee benefits
5. Explain Compensation for repatriates.

#### **PART – B**

**Answer the following**

**5\*10M= 50 marks**

1. (a) Explain the system of compensation and its role in organization.

OR

(b) What are various non-financial compensation systems? Explain.

2. (a) What are the bases for traditional pay system?

OR

(b) How could you integrate compensation strategy with HR strategy?

3. (a) Explain the steps in building internally consistent compensation system.

OR

(b) How do you construct different types of pay structure? Explain.

4. (a) Explain various components of employee benefits

OR

(b) Explain the significance of totally integrated employee benefit programme.

5. (a) What are various packages available for executive compensation? Explain.

OR

(b) What are the strategic issues in using contingent and flexible workers?

Tutorial Sheet

Unit-I Topics Revised
Topic Name
Unit-I Topics Revised
Topic Name
Unit-III Topics Revised
Topic Name
Unit-IV Topics Revised
Topic Name
Unit-V Topics Revised
Topic Name



## Course Assessment Report

Batch:

Academic Year/Sem:

Course Name:

Course Number:

Course Attainment (75% of Direct + 25% of Indirect) on a scale of 1 to 3.

Remarks and suggestions:

Course Coordinator

Direct Course Assessment Sheet (As per IonCudos)

a) Internal Examination

Course assessment sheet Ass1

Hall Ticket No	S1	S2	TOT
1			
2			
3			

Course assessment sheet Mid1

Hall Ticket No	S1	S2	S3	S4	S5	L1	L2	L3	L4	L5	TOT
1											
2											
3											

Course assessment sheet Ass2

Hall Ticket No	S1	S2	TOT
1			
2			
3			

Course assessment sheet Mid2

Hall Ticket No	S1	S2	S3	S4	S5	L1	L2	L3	L4	L5	TOT
1											
2											
3											

b) External Examination

Hall Ticket No	Total Marks

CSP Rubric			
S.No.	Criteria	LEVEL ( Level: 3-Excellent      Level: 2-Good      Level: 1-Poor)	
1	Oral Communication	3	Student speaks in phase with the given topic confidently using Audio-Visual aids. Vocabulary is good
		2	Student speaking without proper planning, fair usage of Audio-Visual aids. Vocabulary is not good
		1	Student speaks vaguely not in phase with the given topic. No synchronization among the talk and Visual Aids
2	Writing Skills	3	Proper structuring of the document with relevant subtitles, readability of document is high with correct use of grammar. Work is genuine and not published anywhere else
		2	Information is gathered without continuity of topic, sentences were not framed properly. Few topics are copied from other documents
		1	Information gathered was not relevant to the given task, vague collection of sentences. Content is copied from other documents
3	Social and Ethical Awareness	3	Student identifies most potential ethical or societal issues and tries to provide solutions for them discussing with peers
		2	Student identifies the societal and ethical issues but fails to provide any solutions discussing with peers
		1	Student makes no attempt in identifying the societal and ethical issues
4	Content Knowledge	3	Student uses appropriate methods, techniques to model and solve the problem accurately
		2	Student tries to model the problem but fails to solve the problem
		1	Student fails to model the problem and also fails to solve the problem
5	Student Participation	3	Listens carefully to the class and tries to answer questions confidently
		2	Listens carefully to the lecture but doesn't attempt to answer the questions
		1	Student neither listens to the class nor attempts to answer the questions
6	Managerial skills	3	The program structure is well organized with appropriate use of technologies and methodology. Code is easy to read and well documented. Student is able to implement the algorithm producing accurate results
		2	Program structure is well organized with appropriate use of technologies and methodology. Code is quite difficult to read and not properly documented. Student is able to implement the algorithm providing accurate results.
		1	Program structure is not well organized with mistakes in usage of appropriate technologies and methodology. Code is difficult to read and student is not able to execute the program
7	Practical	3	Independently able to write programs to strengthen the concepts covered in theory

		2	Independently able to write programs but not able to strengthen the concepts learned in theory
		1	Not able to write programs and not able to strengthen the concepts learned in theory
8	Understanding of Management	3	Student uses appropriate methods, techniques to model and solve the problem accurately in the context of multidisciplinary projects
		2	Student tries to model the problem but fails to solve the problem in the context of multidisciplinary projects
		1	Student fails to model the problem and also fails to solve the problem in the context of multidisciplinary projects

## Indirect Course Assessment Sheet

Tools:

- a) Case Study

S.No.	Hall Ticket Number	Rubric Assessment
1		
2		
3		

- b) Course End Survey Report

Add-ons (Guest Lecture/Video Lecture/Certification/Training Program/Poster Presentation....  
etc. )

1. Poster Presentation
2. Rank Sheet Certification

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