


Human Resource Management

Reward
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(slides adapted from Wiley Lecturer Resource)

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Objectives

- Understand the need to link remuneration policies and practices with an organisation's strategic business objectives
- Identify the key objectives of employee remuneration
- Explain the components of a systematic remuneration program
- Understand the mechanics of common job evaluation systems
- Understand current issues in executive remuneration
- Explain how to link pay to performance


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Remuneration


- **Remuneration**
 - What employees receive in exchange for their work. Includes pay and benefits (total remuneration) or just pay (cash remuneration)
- **Strategic remuneration**
 - Involves remuneration practices being aligned with the achievement of the organisation's strategic business objectives

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 A formal remuneration policy should


- Reflect the organisation's **strategic business objectives** and **culture**
- Articulate the **objectives** that the organisation wants to achieve **via its remuneration programs**
- Be **communicated** to all employees
- **Provide the foundation** for designing and implementing and benefit programs

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 Remuneration program objectives —
for the organisation


- **Attract and keep** the desired quality and mix of employees
- Ensure **equitable** treatment
- **Motivate** employees to improve their performance
- **Reinforce** the organisation's **key values** and **desired culture**
- Drive and reinforce desired **employee behaviour**
- Ensure remuneration is maintained at the desired competitive level
- **Control** remuneration **costs**
- Ensure optimum **value** for each remuneration dollar spent

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 Remuneration program objectives — for
the employee

- Ensure **equitable treatment**
- Accurately **measure** and appropriately **reward performance** and **contribution** to the achievement of the organisation's strategic business objectives
- Provide **appropriate remuneration** changes based on performance, promotion, transfer or changing conditions
- Provide regular remuneration and performance **reviews**.


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 Components of a systematic remuneration program

Include:


- Job analysis
- Job evaluation
- Pay survey
- Performance evaluation
- Pay for performance

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 Job evaluation

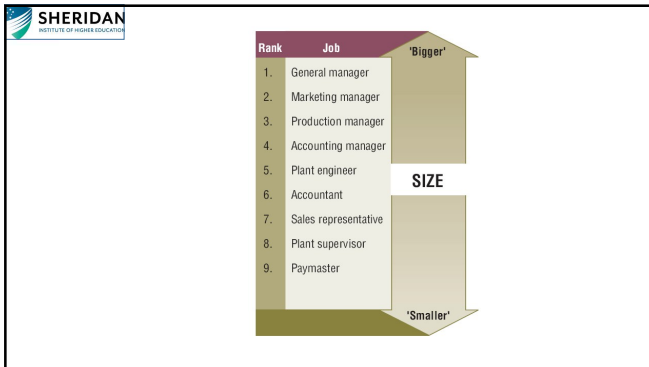
- The systematic determination of the **relative worth** of jobs within an organisation
- It is concerned with 'how big' or 'how small' a job is
- **Aim:** to ensure that jobs of different sizes or relative worth attract the appropriate pay differentials
- **Basis** for establishing the organisation's job hierarchy and associated pay structure

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 Job Evaluation Systems include

- **Job Ranking**
(sizes jobs by putting them in rank order)
- **Grading or Classification**
(sizes jobs against written classifications)
- **The Point System**
(numerical values assigned to job factors)
- **Factor Comparison**
(comparing jobs on a range of factors, then converted to points)

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Sales representative grades: technical sales

Grade 1 Entry-level sales position. Requires a university degree in chemistry or chemical engineering. One or two years of related work experience desirable. Sells company products to assigned accounts.

Grade 2 Requires a university degree in chemistry or chemical engineering plus a good working knowledge of company products and a minimum of two to three years of successful sales experience. Sells company products to assigned and potential accounts. Prepares monthly report and monthly sales forecast.

Grade 3 Requires a university degree in chemistry or chemical engineering, associated with considerable knowledge of the company's products. A minimum of five years of sales experience (with at least two to three years in the company) is required. Sells company products to larger existing and potential accounts. Prepares monthly report and monthly sales forecast.

Grade 4 Requires a university degree in chemistry or chemical engineering associated with in-depth knowledge of the company's products. A minimum of seven to eight years of sales experience is required with at least two years experience of working with major accounts. Must be capable of working with a minimum of supervision and dealing with personnel at the most senior levels. Sells company products to major accounts only. Prepares monthly report and monthly sales forecast.

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Which system should be used?

Example Basis for decision

- Objectives (Why? Satisfy Obj?)
- The size of the organisation
- Corporate culture
- Employee attitudes (fair & equitable?)


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Pay surveys

- The vehicle for **relating** an organisation's pay rates to those of **similar jobs in other organisations**.
- **Benchmark jobs**
 - Jobs that are similar or comparable in content across firms.


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Pay

- **Pay structure**
 - Presents **all pay ranges over the whole spectrum of job sizes**
- **Pay line**
 - **Graphically depicts** the remuneration currently being paid for jobs, related to **job size**

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Pay ranges

- The standard range
- **Broadbanding** (collapses lots of job grades with narrow pay bands into a few grades with broader pay bands)
- **Market posture** (pay above or below market)
- **Selecting a policy pay line** (predicted pay midpoints to ensure its stated market position is achieved and maintained)

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Equitable remuneration

- Pay secrecy
- Pay compression (differences perceived as too small, dissatisfaction, motivation to learn)
- Senior executive pay rates (US CEO 475x avge wage, Aust 23:1)
- Setting pay rates
 - Seniority (length of time)
 - Pay for performance (merit pay)
 - Skill-based pay (skills and knowledge)

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Pay increases

- Merit increases
- Promotional increases
- General adjustments
- Automatic progression
- Blue and red circle pay rates (blue is maintaining pay at a higher grade - red is above max for grade)
- Pay reviews
 - Fix date reviews
 - Anniversary reviews
 - Flexible date reviews

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Objective and policy setting phases

Stage 7 Develop strategic business objectives.
 Stage 2' Develop HRM objectives.
 Stage 3' Develop employee remuneration objectives.

Remuneration administration phases

Stage 4 Job analysis
 Identify, describe and place jobs to create the desired organisational structure, considering:

- job analysis.
- job description
- job specification
- job titles
- performance standards.

Stage 5 Job evaluation
 Establish the internal equity and importance of jobs to the organisation, considering:

- job ranking
- job grading
- point system
- factor comparison.

Stage 6 Pay survey
 Establish the external equity, considering:

- own surveys
- professional association surveys
- consultants' surveys
- employer association surveys
- government surveys.

Stage 7 Job pricing
 Match the job's internal and external worth, considering:

- job evaluation worth (worth within the company)
- labour market worth (what other employers are paying).

Determine competitive market posture.
 Establish pay ranges.

Stage 8 Implementation
 Administer, communicate, monitor and review the remuneration program.

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Summary

- Remuneration is a critical part of SHRM
- Money must match the message
- No system for compensating employees is perfect
- A **systematic approach** to remuneration **reduces the level of subjectivity** and **increases** the likelihood of an organisation **attracting, retaining and motivating suitable employees** and gaining a **competitive advantage**
