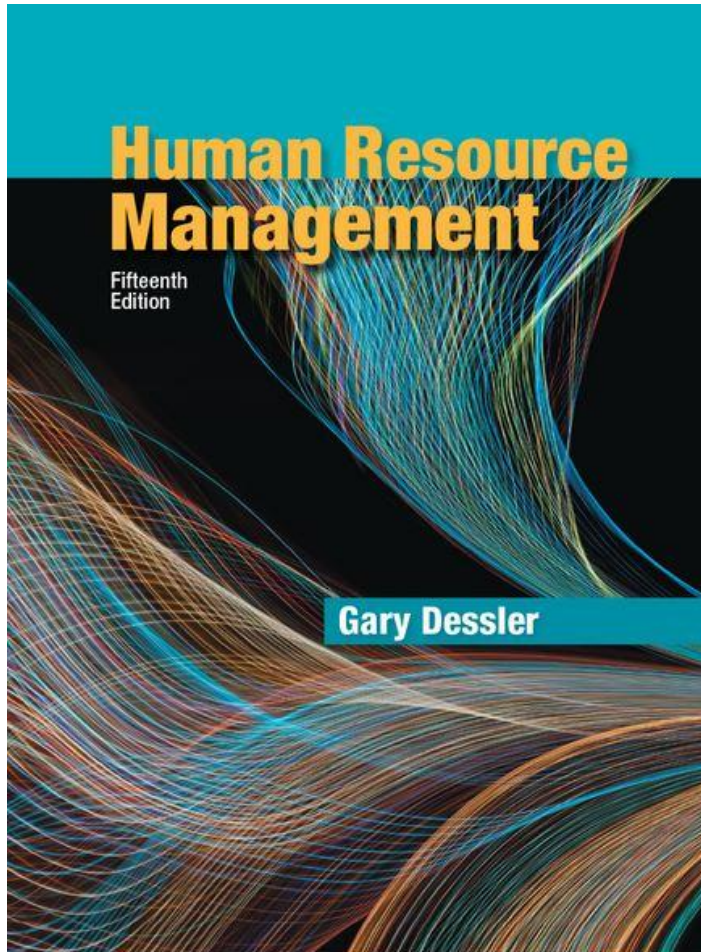


# Human Resource Management

Fifteenth Edition



## Chapter 11

### Establishing Strategic Pay Plans

# Learning Objectives (1 of 2)

- 11-1. List the basic factors determining pay rates.
- 11-2. Define and give an example of how to conduct a job evaluation.
- 11-3. Explain in detail how to establish a market-competitive pay plan.



# Learning Objectives (2 of 2)

- 11-4. Explain how to price managerial and professional jobs.
- 11-5. Explain the difference between competency-based and traditional pay.
- 11-6. Describe the importance of total rewards for improving employee engagement

**I.**  
**List the basic factors  
determining pay rates.**

# Basic Factors in Determining Pay Rates

## Employee Compensation

1. Direct
2. Indirect



# Aligning Total Rewards with Strategy

- **Aligned Reward Strategy** - is creating a compensation package that produces the employee behaviors the firm needs to achieve its competitive strategy.

# Equity and its Impact on Pay Rates (1 of 2)

- **Equity Theory of Motivation** - is once a person perceives an inequity a tension or drive will develop that motivates him or her to reduce the tension and perceived inequity.

# Equity and its Impact on Pay Rates (2 of 2)

## Type of Equity

1. External
2. Internal
3. Individual
4. Procedural

EQUITY

# Legal Considerations in Compensation

- Davis-Bacon Act (1931)
- Walsh-Healey Public Contract Act (1936)
- Title VII of the 1964 Civil Rights Act



# Other Important Legal Considerations in Compensation

- Fair Labor Standards Act (1938)
- Exempt / Nonexempt
- Equal Pay Act (1963)
- Employee Retirement Income Security Act (1974)
  - Vesting & Portability Rights
  - Fiduciary Standards

# Other Legislation Affecting Compensation

- Age Discrimination in Employment Act
- American with Disabilities Act (1990)
- Family and Medical Leave Act
- Executive Orders
- Worker's Compensation Laws
- Social Security Act of 1935
- Garnishment Law



# Know Your Employment Law (1 of 2)

## The Workday

Let's take a look...

# Know Your Employment Law (2 of 2)

## The Independent Contractor

Let's take a look...

# Independent Contractors

## Figure 11-3 Independent Contractor

Source: Reproduced with permission from the publisher BLR—Business & Legal Resources (www.HR.BLR.com)

### Independent Contractor

Managers are to use the following checklist to classify individuals as independent contractors. If more than three questions are answered "yes," the manager will confer with human resources regarding the classification. (EE = Employees, IC = Independent Contractors)

Factors which show control :

	Yes/EE	No/IC	N/A
1. Worker must comply with instructions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Worker is trained by person hired.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Worker's services are integrated in business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Worker must personally render services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Worker cannot hire or fire assistants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Work relationship is continuous or indefinite.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Work hours are present.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Worker must devote full time to this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Work is done on the employer's premises.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Worker cannot control order or sequence.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Worker submits oral or written reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Worker is paid at specific intervals.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Worker's business expenses are reimbursed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Worker is provided with tools or materials.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Worker has no significant investment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Worker has no opportunity for profit/loss.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Worker is not engaged by many different firms.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Worker does not offer services to public.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Worker may be discharged by employer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Worker can terminate without liability.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

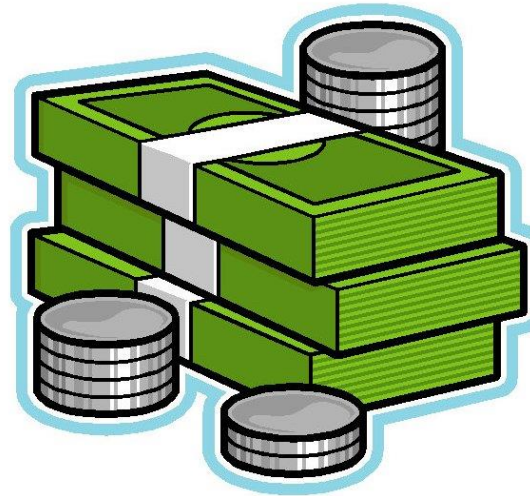
# Union Influences on Compensation Decisions

- Wagner Act
- NLRB



# Pay Polices

- Seniority-based
- Performance
- Other pay policies
- Geography



# Improving Performance: The Strategic Context

## Wegmans Food Markets

Let's talk about it...

# Improving Performance: HR Practices Around The Globe (1 of 2)

## Compensating Expatriate Employees

Let's talk about it...

## **II. Define and give an example of how to conduct a job evaluation.**

# Job Evaluation Methods

- Market-Base
- Job Evaluation



# Compensable Factors

- **Compensable Factors** - a fundamental, compensable element of a job, such as skill, effort, responsibility, and working conditions.

# Preparing for the Job Evaluation

1. Identify the Need
2. Get Employees Cooperation
3. Choose Evaluation Committee
4. Perform the Evaluation

# Job Evaluation Methods: Ranking (1 of 2)

1. Obtain job information
2. Select and group jobs
3. Select compensable factors
4. Rank jobs
5. Combine ratings
6. Compare current pay with what others are paying based on salary surveys
7. Assign a new pay scale

# Job Evaluation Methods: Ranking (2 of 2)

**Table 11-2 Job Ranking at Jackson Hospital**

Ranking Order	Our Current Annual Pay Scale	What Others Pay: Salary Survey Pay	Our Final Assigned Pay
1. Office manager	\$43,000	\$45,000	\$44,000
2. Chief nurse	42,500	43,000	42,750
3. Bookkeeper	34,000	36,000	35,000
4. Nurse	32,500	33,000	32,750
5. Cook	31,000	32,000	31,500
6. Nurse's aide	28,500	30,500	29,500
7. Orderly	25,500	27,000	27,000

*Note:* After ranking, it becomes possible to slot additional jobs (based on overall job difficulty, for instance) between those already ranked and to assign each an appropriate wage rate.

# Job Evaluation Methods: Job Classification

**Figure 11-4 Example of a Grade Definition**

<b>Grade</b>	<b>Nature of Assignment</b>	<b>Level of Responsibility</b>
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.

*Source:* From “Grade Level Guide for Clerical and Assistance Work” from U.S. Office of Personnel Management, June 1989.

# Job Evaluation Methods: Point Method

- **Point Method** - a job evaluation method in which a number of compensable factors are identified and then the degree to which each of these factors is present on the job is determined .

# Computerized Job Evaluations



**III.**

**Explain in detail how to  
establish a market-competitive  
pay plan.**

# How to Create a Market-Competitive Pay Plan

1. Choose Benchmark Jobs
2. Select Compensable Factors
3. Assign Weights to Compensable Factors
4. Convert Percentages to Points for Each Factor

# Creating a Market-Competitive Pay Plan (1 of 3)

5. Define Each Factor's Degrees
6. Determine For Each Factor Its Factor Degrees' Points
7. Review Job Descriptions and Job Specifications
8. Evaluate the Jobs

# Creating a Market-Competitive Pay Plan (2 of 3)

9. Draw the Current (Internal) Wage Curve
10. Conduct a Market Analysis: Salary Survey
11. Draw the Market (External) Wage Curve
12. Compare and Adjust Current and Market Rates for Jobs

# Creating a Market-Competitive Pay Plan (3 of 3)

13. Develop Pay Grades
14. Establish Rate Ranges
15. Address Remaining Job
16. Correct Out-of-Line Rates
  - Underpaid / Red circle

# Improving Performance: HR Tools for Line Managers and Small Businesses

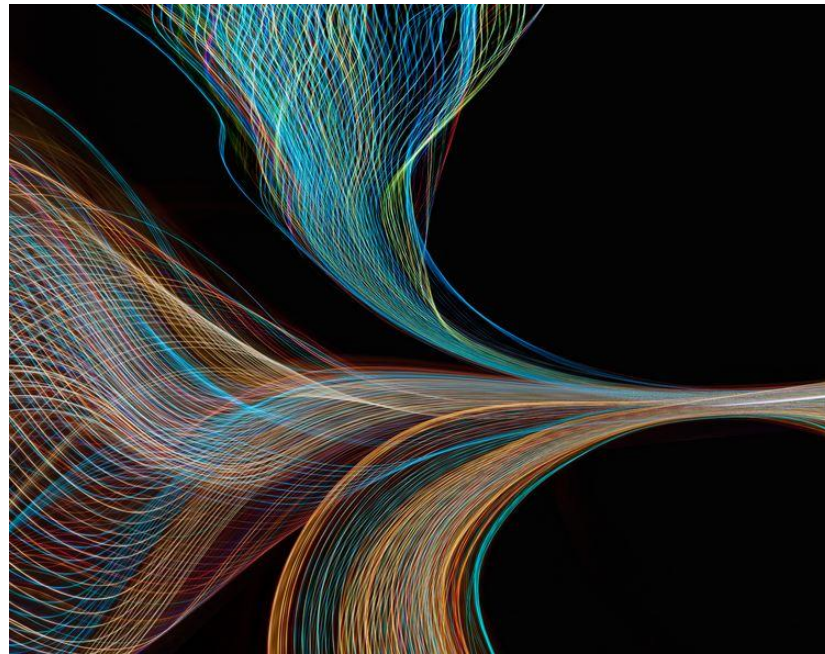
## Developing a Workable Pay Plan

Let's talk about it...

# IV.

**Explain how to price managerial  
and professional jobs.**

# Pricing Managerial and Professional Jobs



# What Determines Executive Pay

1. Job Complexity
2. The Employer's Ability to Pay
3. The Executive's Human Capital

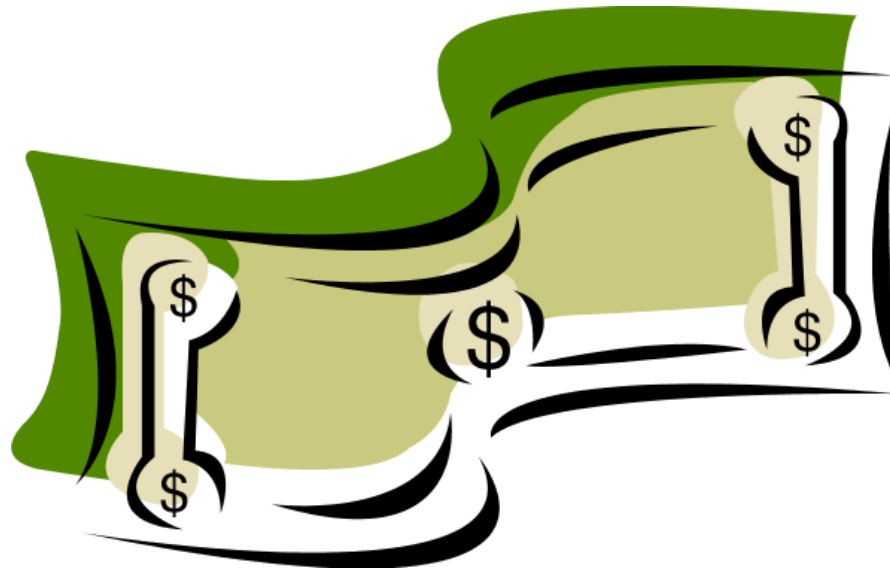


# Compensating Executives

1. Base Pay
2. Short-term Incentives
3. Long-term incentives
4. Executive Benefits and Perks



# Compensating Professional Employees



# Improving Performance Through HRIS: Payroll Administration

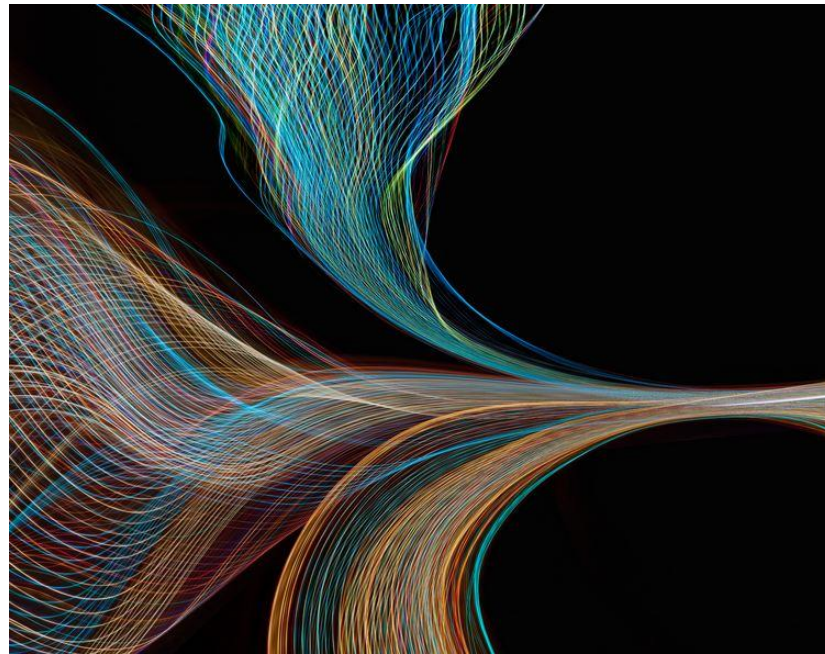
## Developing a Workable Pay Plan

Let's take a look...

**V.**

**Explain the difference between  
competency-based and  
traditional pay.**

# Contemporary Topics in Compensation



# Competency-Base Pay

1. Defines Skills
2. Choose Method
3. Training system
4. Formal Testing
5. Design Work



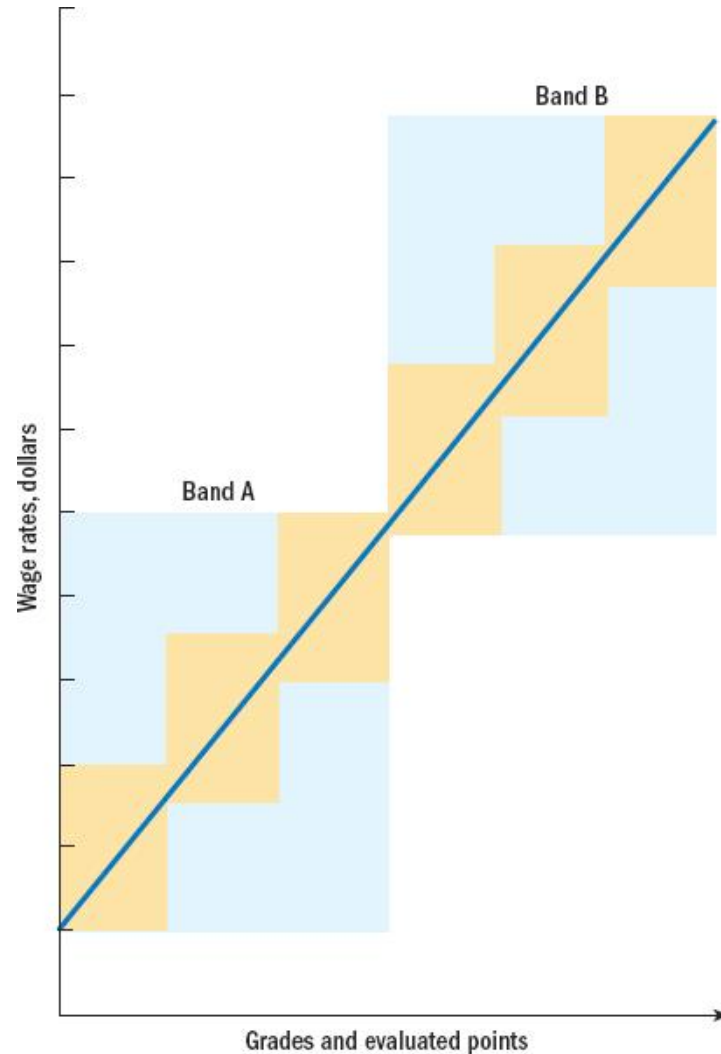
# Improving Performance: HR Practices Around The Globe (2 of 2)

## **JLG's Skilled-Based Pay Program**

Let's talk about it...

# Broadbanding

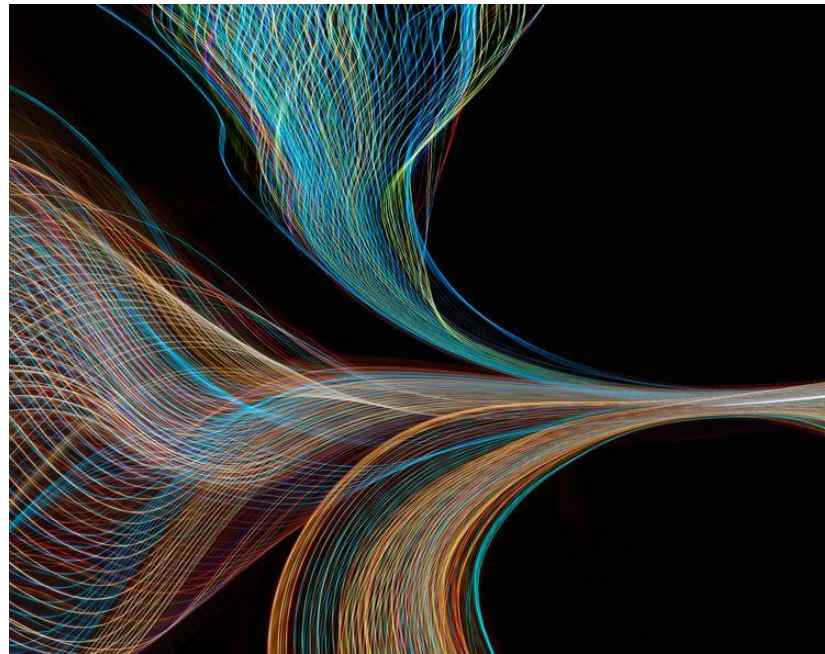
**Figure 11-11 Broadbanded Structure and How It Relates to Traditional Pay Grades and Ranges**



# Comparable Worth



# Diversity Counts The Pay Gap



# Board Oversight of Executive Pay

1. Dodd-Frank Law
2. The Financial Accounting Standards Board
3. The Sarbanes-Oxley Act
4. The Securities and Exchange Commission (SEC)

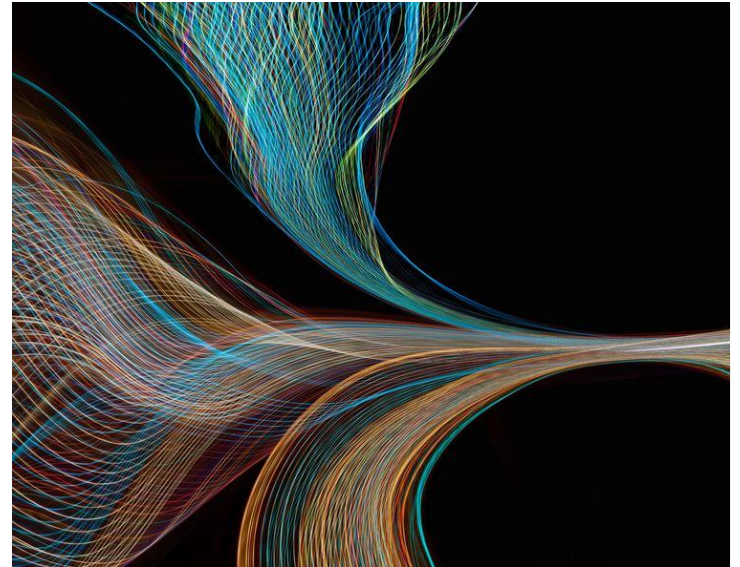


# VI.

**Describe the importance of total rewards for improving employee engagement**

# Employee Engagement Guide For Managers

- Total Reward Programs
- Total Reward and Employee Engagement



# Trends Shaping HR: Digital and Social Media

## Recognition Rewards

Let's take a look...

# Chapter 11 Review

**What you should now know....**

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