Chapter 7
Web-based Compensation Planning

Compensation Planning, what is it?
• In the early days, it was…
  – Mainframe computers tracking payroll
• Then, in the 80s and early 90s, it became…
  – PCs automating the tedious HR tasks like job evaluation
    and salary planning
• It is now…

Compensation Planning, what is it?
• A tool for HR, Executives, line managers
• Consists of…
  – Fixed compensation
  – Variable compensation
  – Stock
Fixed Compensation

- Goal: reward knowledge, skills, abilities required to perform a job or role, providing adjustments for geography, inflation, market forces
- Includes: base pay, merit increases, colas, progression/step increases, equity adjustments, promotions, skill premiums, shift differentials, locality premiums

Variable Compensation

- Goal: to tie rewards to business goals and align employee performance to organizational strategy
- Includes: personal incentive plans, commissions, individual/team/org bonuses, performance shares, merit/lump-sum incentives, profit sharing, recognition awards

Stock Compensation

- Includes stock options, appreciation rights, grants, stock purchase, restricted stock
Compensation Planning, real world

• Steps to creating a system
  – Determine manager’s population
  – Determine salary budget
  – Rate employees individually, team, and/or organizationally
  – Determine performance/position matrix
  – Plan new base salaries incorporating fixed compensation components
  – Plan new variable compensation based on org. procedures
    incorporating variable compensation components

• Steps to creating a system, cont’d
  – Review against budget along the way
  – Augment budget if needed, or buy a new Jag with surplus
  – Plan stock compensation awards
  – Approval

• Tie to employee self service pages to communicate employee value to organization
Automation, why?

• Goal: to bring the needed information to those who make pay decisions quickly, accurately, and in useful form.

Automation, what’s it look like?

• Figure 7-1, pp 89. Manager’s workgroup and important data fields.

Automation, real world

• Components of a good automated system
  – Up to date data
  – Organizational chart – who reports to who
  – Security
  – References to other information sources including other programs, definitions, Kbase, and assistance
  – Proper, efficient workflow according to procedures
  – External compensation survey data
Trends

• Decision power shifting from HR to line managers
• Management empowerment and self service
• HR folks becoming more generalist/strategic
• More complex compensation programs
• Movement toward pay for performance
• High performance companies share compensation information with employees

Questions