

# Strategic Compensation

**Course Author:** Dr. Parbudyal Singh; Professor of Human Resource Management; Director, School of Human Resource Management; York University

**Course Instructor:** Dr. Parbudyal Singh

**Required Text:** Long, Richard J., Singh, Parbudyal (2017) *Strategic Compensation in Canada*, 6<sup>th</sup> Edition, Nelson.

**Brief Description:** This course provides the student with an understanding of the objectives of a compensation program; the process and techniques of wage and salary determination; issues and problems in incentive systems; benefits and services, and the management of these programs.

## **Course Duration 12 – 14 weeks:**

It is expected that students will progress through approximately one unit per week and spend about 3 hours per unit accessing the multimedia with interactive questions, working with self-help quizzes and participating in the discussion boards. Additional time will be required for the readings, midterm paper and final examination.

## **Learning Objectives:**

At the end of this course, students should be able to:

- Understand the strategic planning process and its link to an organization's compensation systems
- Understand the importance of horizontal and vertical "fit" among the compensation systems and practices and other management systems within an organization
- Analyze an organization to determine the most appropriate managerial and compensation strategy for that organization to adopt
- Describe the objectives of a compensation system
- Explain key aspects of compensation strategy
- Explain the key theories that may be used to explain the effects of the compensation system on human behavior in organizations
- Explain the key components of an organization reward system
- Develop appropriate base pay, incentives/performance-based pay and benefits for organizations
- Discuss the empirical research on various aspects of compensation, including the effects of variable pay systems

- Critically evaluate the role and effects of compensation systems
- Identify and explain the key criteria for evaluating the success of a compensation system
- Understand how to implement and manage a strategic compensation system

***Multimedia Course Contents and Readings:***

**Unit 1:** Introduction to strategic compensation

- Module One: An explanation of compensation concepts
- Module Two: The goals and objectives of compensation systems
- Module Three: The context of compensation management

*Readings: Chapter 1*

**Unit 2:** A strategic framework for compensation

- Module One: The concept of fit; contingency theory; organizations as systems; a strategic model
- Module Two: Managerial strategies and reward systems
- Module Three: Trends in managerial and compensation strategies and systems

*Readings: Chapter 2*

**Unit 3:** A behavioural framework for compensation

- Module One: Addressing reward problems appropriately
- Module Two: Attitudes and behaviours associated with reward outcomes
- Module Three: Theoretical explanations of compensation-behaviour relationship

Module Four: Implications/lessons for management

*Readings: Chapter 3*

#### Unit 4: Components of compensation strategy - Overview

- Module One: Compensation components: base pay, performance pay and indirect pay
- Module Two: Base pay methods – job evaluations, market pricing, skill-based pay, competency-based pay; advantages and disadvantages of each method
- Module Three: Applicability of each method in various contexts

*Readings: Chapter 4*

#### Unit 5: Overview of performance pay choices – concepts and context

- Module One: Individual performance pay: piece rates, sales commissions, merit pay and special-purpose incentives
- Module Two: Group performance pay: gain-sharing and goal-sharing plans
- Module Three: Organization performance plans: profit sharing and employee stock options
- Module Four: Applicability of performance pay within specific contexts

*Readings: Chapter 5*

#### Unit 6: Formulating the reward and compensation strategy

- Module One: Constraints on compensation strategy: legislation, labour market, product/service market and financial
- Module Two: A step-by-step process in compensation strategy formulation
- Module Three: Compensation strategy for special employee groups: contingent workers, executives, expatriates and foreign employees

*Readings: Chapter 6*

### Unit 7: A Detailed Examination of Job Evaluations

- Module One: The role of job analysis
- Module Two: Job evaluation methods: ranking, factor comparisons, point method (brief)
- Module Three: Conducting and managing the job evaluation process
- Module Four: Conforming to pay equity requirements

*Readings: Chapter 7*

### Unit 8: A detailed discussion of the point method job evaluation – focus on design

- Module One: A step-by-step explanation of the point method: identifying compensable factors, scaling the factors, weighting the factors, etc.
- Module Two: possible pitfalls of the point method
- Module Three: Determining base pay structure: pay grades and ranges; movement through the range

*Readings: Chapter 8*

### Unit 9: Market evaluation

- Module One: Understanding labour markets; defining the organization's labour market
- Module Two: Sources of compensation data
- Module Three: Conducting compensation surveys
- Module Four: Analyzing and interpreting survey data

*Readings: Chapter 9*

### Unit 10: Evaluating individuals

- Module One: Overview of performance appraisals
- Module Two: Performance management

- Module Three: Linking pay to performance appraisals
- Module Four: Issues in determining an effective merit pay system

*Readings: Chapter 10*

Unit 11: Designing performance pay plans

- Module One: Gain-sharing plans and goal-sharing plans
- Module Two: Profit-sharing plans
- Module Three: Employee stock options
- Module Four: Nonmonetary reward systems

*Readings: Chapter 11*

Unit 12: Designing indirect pay plans

- Module One: Types of employee benefits and services
- Module Two: Fixed versus flexible-benefit systems
- Module Three: Designing the benefit system

*Readings: Chapter 12*

Unit 13: Activating and maintaining an effective compensation system

- Module One: Preparing for implementation and developing the implementation plan
- Module Two: Implementing the compensation system
- Module Three: Communicating and evaluating the compensation system
- Module Four: Monitoring and adapting the system

*Readings: Chapter 13*

**Learning Aids:** Interactive questions within the multimedia lecture streams. Self help quiz attached to each unit of the course.

**Participation:** Discussion board moderated and graded by the instructor. Students are required to post at least 3 substantial submissions (400 words or more) during the course on assigned questions (topical and case study based) that demonstrate knowledge and skills congruent with the Learning Objectives. There will be instructor feedback on all submissions.

There will also be a General Discussion Board moderated by the instructor in which questions can be asked on any course topic.

**Midterm Paper:** A midterm paper of approximately 1500 words to be submitted online approximately 6 weeks after the start of the course. The instructor shall grade and comment on each paper, which shall be returned to the student.

**Final Examination:** Proctored, opened book, online examination consisting of essay question(s). Any part of the entire course content may be examined. Government issued photo identification will be required to verify the student's identity.

***Grade Weightings of Course Components:***

Participation in Discussion Board: Weighting 10%

Midterm Paper: Weighting 35%

Final Examination: Weighting 55%: (It is required to pass the final examination with a grade of at least 65% in order to pass the course, regardless of grades earned in other components.)

***Passing Grade for the Course: 65%***