

Compensation & Benefits

Remuneration is generally understood to mean payment of wages or salary to an employee for work performed by that employee.

Wages: Generally paid on an hourly basis. Can change depending on the number of hours worked and whether overtime or penalty rates are included.

Salary: An annual amount commonly paid either fortnightly or monthly. In most instances, the rate of pay does not change even if hours worked in a particular week vary.

Compensation & Benefits Strategy

How an organisation pays and rewards its people has a big impact on its ability to attract the best people, ensure that they are challenged and motivated and whether or not they will stay with your organisation.

One of the first steps in making this happen is to develop a compensation & benefits strategy. The objective of a compensation strategy is to support the overall organisation strategy, the HR strategy and the desired organisational culture.

Determining Wage & Salary Levels

The most fundamental stage in the overall management of wages and/or salaries is to ascertain what is an appropriate rate or amount to pay employees, and to ensure that this process is fair and objective.

Some things to consider when developing salary or wage scales are:

- Any modern award, enterprise agreement or individual agreement condition that may apply
- Market competitiveness
- Fairness and objectivity
- Market availability of relevant skill sets
- Whether or not an organisation wants to link pay to performance



Developing a Strategy

It is important to have a strategy which outlines the approach your organisation takes when remunerating employees. By doing this, you are ensuring the return on your organisation's remuneration investment is improved as the link to the organisational strategy and objectives is better defined.

Design Issues

A successful strategy will ensure that you are able to recruit the right people, with the right mix of skills, to ensure that your organisation can meet its business objectives. To do this your remuneration strategy must balance four conflicting forces:

- Your organisation's needs and values
- The needs and aspirations of your employees
- The internal relativities between positions and roles
- The external market value of the positions and skills needed

What are the common design issues which should be considered?

- Designing the system to focus on the organisation's specific goals
- Creating performance measures that actually measure the desired performance
- Supporting new products, quality, teamwork etc
- Matching pay to performance
- Linkage to employees learning and development

Keeping in mind the following may help with the design of a remuneration strategy:

- Motivating employees to improve their performance continually and to strive to achieve the organisation's strategic business objectives
- Ensuring equitable treatment of employees
- Attracting and retaining the desired quality and mix of employees
- Reinforcing the organisation's key values and the desired organisational culture
- Driving and reinforcing desired employee behaviour
- Ensuring remuneration is maintained at the desired competitive level
- Controlling remuneration costs
- Complying with legal requirements

Organisations need to consider where they want to position themselves in the salary market, does your organisation want to be highly competitive? or rather, does your organisation want to be in the medium range of the market, but able to offer other non-monetary benefits? Where you position yourself can depend on both internal and external factors. For example:

- Capacity to pay high salaries
- Demand for, and scarcity of, skills now and in the future competitors
- Other pressures e.g. turnover, difficulty in attracting talent etc

Some further questions you will need to consider when developing a remuneration strategy are

- How does your organisation's vision, values and strategy influence your remuneration strategy?
- Where does your organisation want to position itself in relation to the remuneration market?
- How often are remuneration packages reviewed?
- On what basis are salary increases granted?
- What benefits will be available to employees?
- How do you reward and encourage high performance?
- Will your organisation offer performance based or at-risk pay?

Reward & Reconciliation Programs

Recognition and reward plays a vital part is not only defining shared behaviours that build on a healthy culture but are the primary reinforcement tools in the organisation's tool-kit to ensure that the behaviours you want to see are actually the ones that are rewarded, recognised and therefore hopefully repeated.

There are a number of benefits to having a formal reward and recognition program in your organisation. Staff contribution is central to the success of any organisation and having a formal award program based around rewarding the individuals and teams whose contributions and behaviours reflect that of your organisation's core values is a fair and reasonable way to recognise employees.

Recognising the achievements of individual staff members through a formal award demonstrates to your employees that their work is valued by the organisation's leadership group. Feeling valued by an employer is a core need of all employees, and results in increased satisfaction within a workplace, which in turn can contribute to higher productivity and longer tenure.

Often, individual award recipients are "key" personnel and the retention of such individuals can be crucial to the success of an organisation.

Drawbacks

If the nature of awards and the selection of award recipients is not easily understood by all employees, the following may result:

- Disappointment of unsuccessful nominees (may results in anger, gossip, undermining of award recipients)
- False information provided in nominations
- Awards develop a negative profile and become undesirable to receive
- Award recipients disliked and not celebrated
- Awards become irrelevant and a waste of time



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