

Human Resource Management

MBA

Master of Business Administration
University of Wales Trinity Saint David

Instructor - Dr Alice Te

Day 6 – December 7, 2024

Human Resource Management

Seven key topics

Global HRM: Globalization, Strategic Roles

Culture, Law, Ethics, AI

Staff Planning and Recruitment

Training and Development

Performance Management

Compensation and Benefits

Employee Relations



Human Resource Management

Course Components

8-day classes

Nov 2, 10, 16, 23, 30

Dec 7, 14, 22, 2024

Essay (50%)

Submitted by

Jan 6, 2025

Individual Presentation

(50%)

on Dec 22, 2024





Outline of the eight days

- | | | |
|-------------------|---------------|----------------------------------|
| Day three: | Nov 16 | Staff Planning and Recruitment |
| Day four: | Nov 23 | Training and Development |
| Day five: | Nov 30 | Performance Management |
| Day six: | Dec 7 | Compensation and Benefits |
| Day seven: | Dec 14 | Employee Relations |
| Day eight: | Dec 22 | Your Individual Presentations |

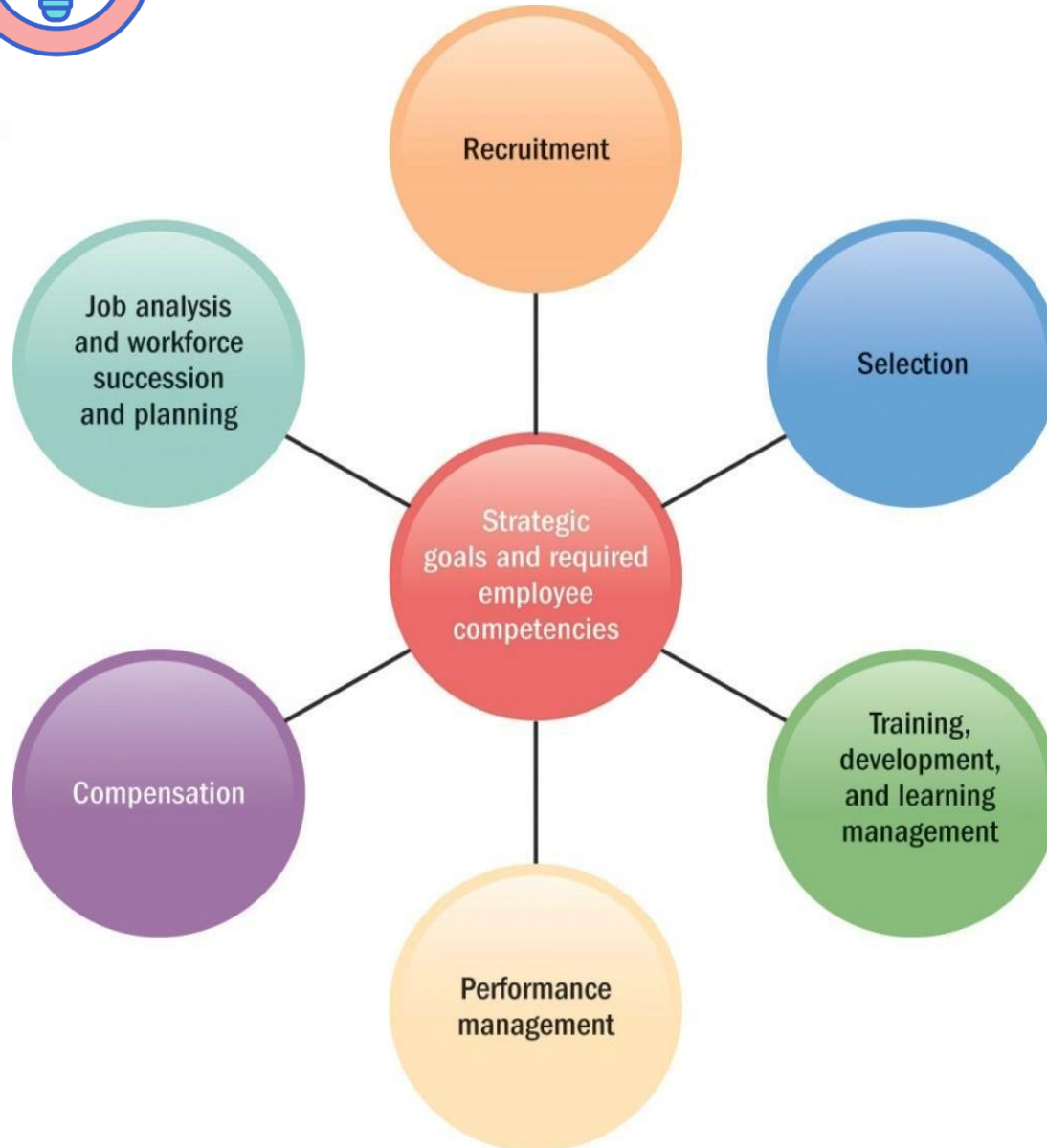
Day 5

Compensation and Benefits





Integrated view of HRM



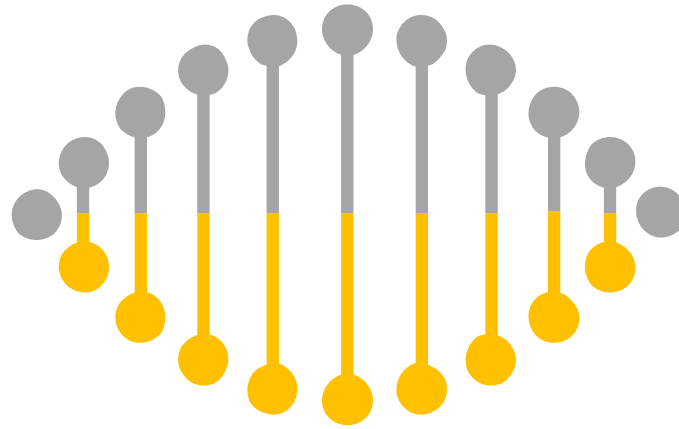
1. **Planning** - Decide what positions to fill
2. **Recruitment** - Build a pool of job candidates
3. **Selection** - Decide to whom to make an offer
4. **Training** - Orient, train, and develop employees
5. **Performance management** - Assess employees work results
6. **Compensation** - Remunerate employees for desirable performance



What to be covered today

1. What is compensation?
2. Importance of effective employee compensation
3. Relationship between compensation and equity
4. “Direct financial” payment and labour ordinance
5. “Indirect financial” payment and benefits
6. Two job ranking methods
7. Compensation and benefits in international context





What is compensation

Define what is compensation



Compensation & Benefits

Compensation	Benefits
⊕ Base pay ▪ Wages ▪ Salaries ⊕ Variable Pay ▪ Commission ▪ Merit pay ▪ Profit sharing	⊕ Health/ medical insurance ⊕ Life/ disability insurance ⊕ Paid time off ⊕ Retirement fund ⊕ Educational assistance ⊕ Employee Assistance Program (work-life balance)

Compensation & Benefits

Compensation Policies consideration

- ✓ Pay for performance
- ✓ Pay for seniority
- ✓ The pay cycle
- ✓ Salary increases and promotions
- ✓ Overtime and shift pay
- ✓ Paid and unpaid leaves
- ✓ Geographic costs of living differences



Employee Compensation

Definition of compensation

ALL forms of pay or rewards provided by companies to employees in related to their employment

Two Major Types of Compensation

1. Financial

- **Direct** financial payments
- **Indirect** financial payments

2. Nonfinancial

Financial type of compensation

1. Direct financial payments

in the form of **base pay** (e.g., daily wages, monthly salaries) and **variable pay** (e.g., commission tied to sales performance)

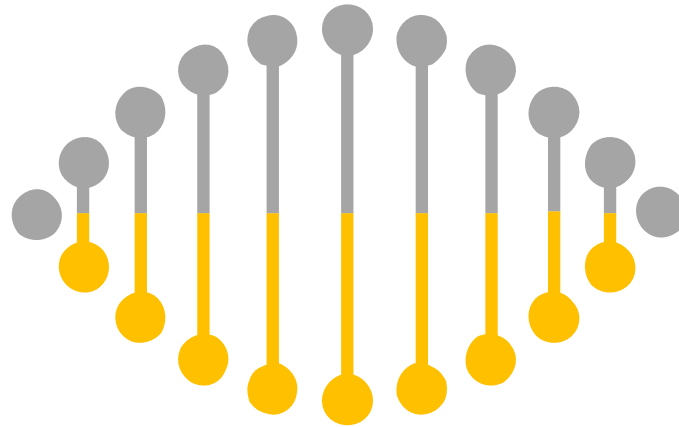
2. Indirect financial payments

- **Non-cash benefits** that are not included in direct financial payment. E.g., medical insurance, paid vacation, education subsidies
- Determined by employers at their **discretion**

Non-financial type of compensation

Significance: improve job satisfaction and commitment to organization

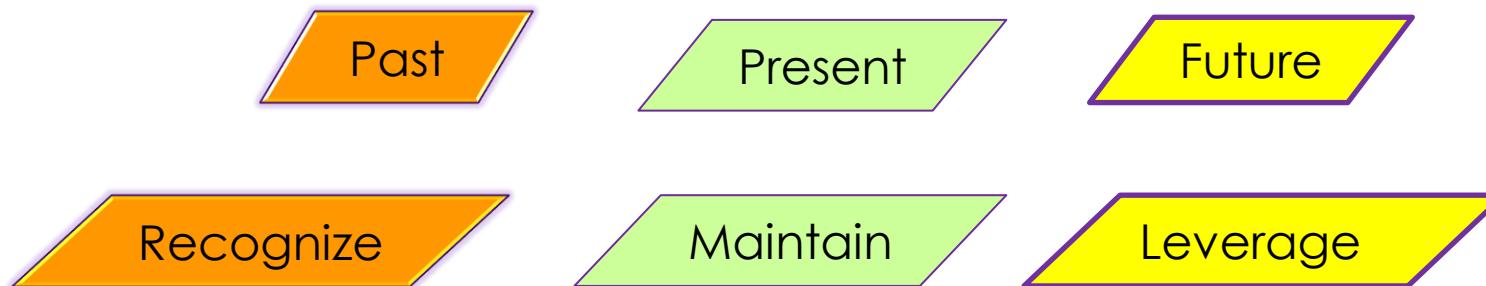
- Recognition programs (e.g., pledge, parking space)
- Empowerment culture (e.g., discretion to make decision)
- Rewarding job design (e.g., challenging assignment and opportunities to grow)
- Flexible work hours to accommodate personal needs (e.g., study leave)



Importance of Effective Employee Compensation

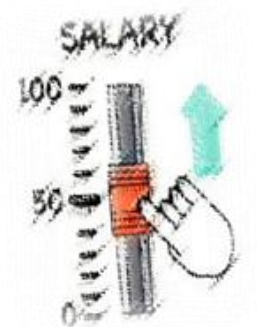
Why Compensation

1. **Recognize** employees **past performance** and reward to their efforts and contributions
2. **Maintain** a positive **drive and steer** employees to desirable behaviours and standards
3. **Leverage** employees' efforts and excel performance for **future success**



Why Compensation

4. Stay **competitive** and attractive in labour market
 - Current staff: satisfactory, reduce unnecessary turnover
 - Potential top talents: attract to join
5. Ensure salary **equity among employees** based on job posts, KSA and attained performance
6. Comply with **legal obligation** to remunerate employees, such as statutory minimum wage



Compensation and Benefits



- C&B – at the **core** of employment relationship
- Comparative and Competitive
 - Attract/Retain - Best talent & Potential qualified expats
 - Facilitate **transfer** - locations & functions
- **Consistent process** :
 - to build reasonable / **fair** relationship for all staff (local / aboard)
- **Balance**
 - **Cost of labour** / Productivity / market dynamics >> healthy bottom line

Basic Principles of Compensation Management



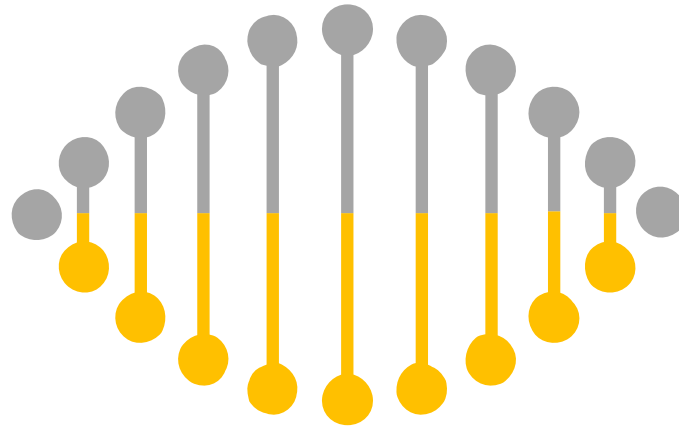
Compensation Policy Issues

- Pay for performance
- Pay for seniority
- The pay cycle
- Salary increases and promotions
- Overtime and shift pay
- Probationary pay
- Paid and unpaid leaves
- Salary compression
- Geographic costs of living differences

Factors to consider when making pay decisions

- Employee's performance (Relative Performance Assessment)
- Salary increment matrix
- Position within salary range (Internal equity)
- Market rates (External competitiveness)





Relationship between Compensation and Equity

Relationship between compensation and equity



Equity and its impact on Pay Rates

- The equity theory of motivation

If an employee feels they are receiving fair payment for their efforts, they are more likely to stay motivated and find satisfaction in their position. This concept is called the equity theory, which you can use to help your team stay motivated.

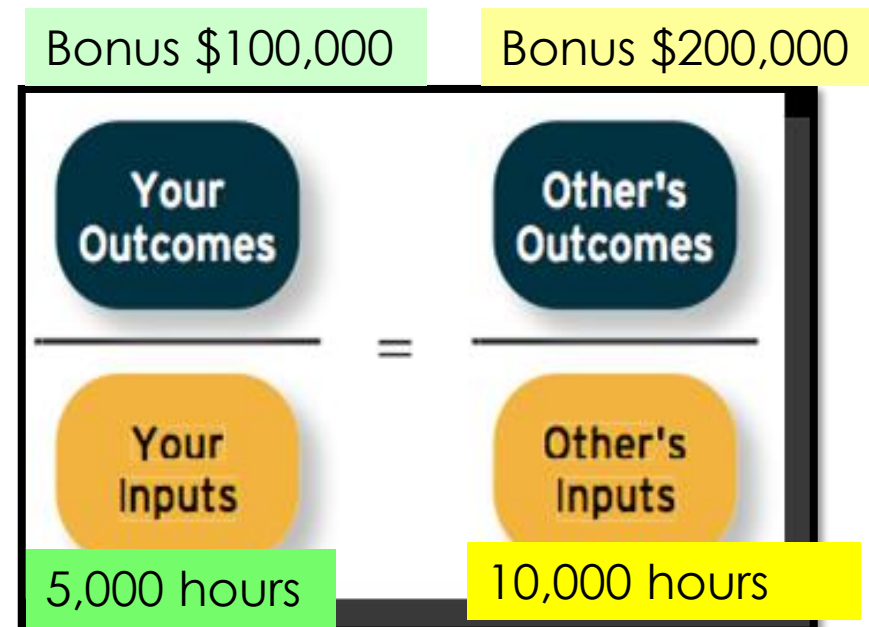
- Internal Vs External Equity

Equity Theory

Employees compare their personal job's **input-outcomes ratio** with other relevant parties, and deduce a sense of fairness

- **Input:** KSA, Commitment, Tolerance, Time spent, Effort
- **Outcomes:** Salary, bonus, praise, reputation, advancement opportunities
- **Relevant parties:** referent
- **Perception:** fair or inequity

Same ratio → equity



Employee's Perception and Responses towards Equity/inequity

Equity theory states that if a person perceives an inequity, a tension or drive will develop that motivates him or her to reduce the tension and perceived inequity

RATIO COMPARISONS	PERCEPTION	SITUATION OF AN EMPLOYEE
$\frac{\text{Individual's outcome}}{\text{Individual's input}} < \frac{\text{Other's outcome}}{\text{Other's input}}$	Inequity	Anger
$\frac{\text{Individual's outcome}}{\text{Individual's input}} = \frac{\text{Other's outcome}}{\text{Other's input}}$	Equity	Satisfied
$\frac{\text{Individual's outcome}}{\text{Individual's input}} > \frac{\text{Other's outcome}}{\text{Other's input}}$	Inequity	Pride, Over confidence and Guilt

Three Forms of Equity / Inequity

1. **External** equity/ inequity

how fair of a job's remuneration (e.g., pay rate) in one company compared to the remuneration of **a similar job in other companies**

E. g., Rose, Administrative Officer in Company A (HK\$15,000/month) VS Administrative Officer in Company B (HK\$20,000/month)

Rose perceives similar experience + working hours → she received less than others → Ratio is not equal → **Inequity**

RATIO COMPARISONS	PERCEPTION	SITUATION OF AN EMPLOYEE
$\frac{\text{Individual's outcome}}{\text{Individual's input}} < \frac{\text{Other's outcome}}{\text{Other's input}}$	Inequity	Anger

External Equity Competitiveness



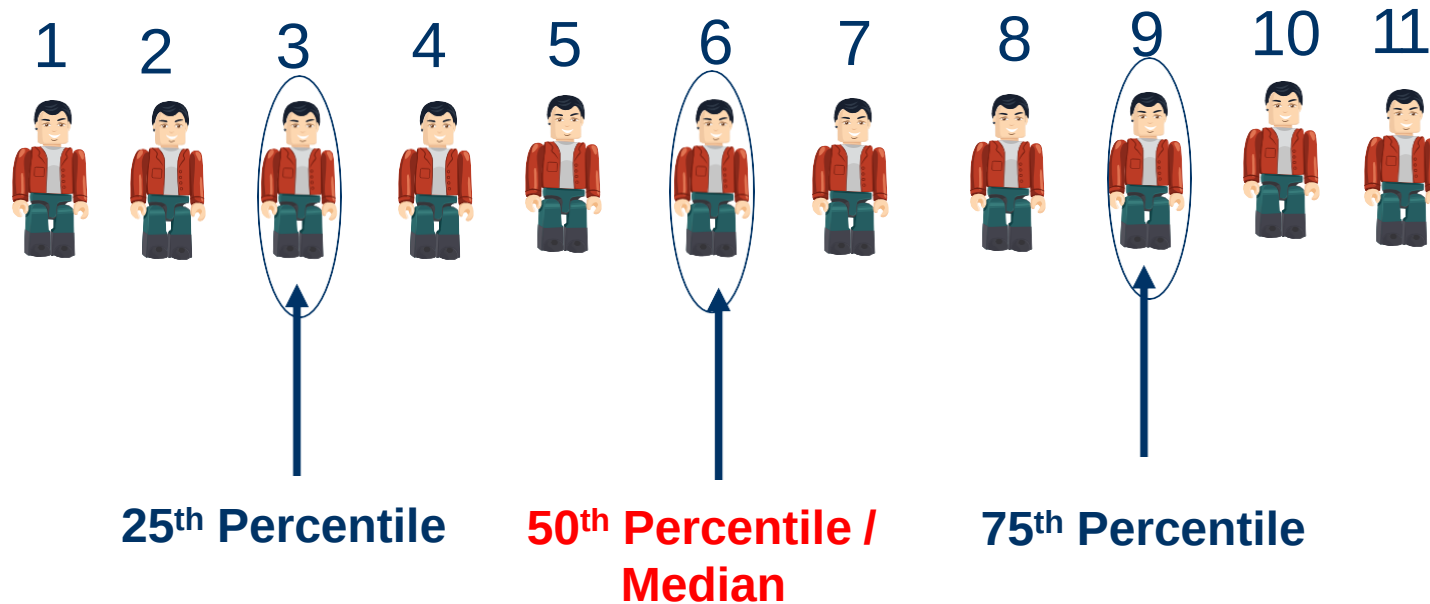
- **Its competitors** Vs Measure a company's pay levels
- **Market pricing** - principle (feel equal or more)
 - Underpaying can lead to **losing talent**
 - **Overpaying** can be very costly – Multiple years offset

Marketing benchmarking

- **Right Job Match** - Title Match, Content Match
- **Right Job Size** - Organisation Size, Job evaluated size
- **Data Accuracy/Reliability** – Companies, Sample size

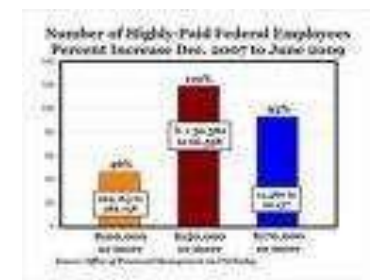
What is the Company salary position ? Median, Mean & Percentiles

Median – arranging a list of values from low to high and then selecting the one in the middle



e.g. TARGET – CORP. compensation policy -> 50th percentile

Compa-Ratio



The **Compa-Ratio** of an employee's salary reflects individual pay positioning Vs Salary Range mid-point

A Compa-Ratio of 1.00 means that the employee is paid market going rate

A Compa-Ratio of less than 1.00 means the employee is paid below market going rate

A Compa-Ratio of more than 1.00 means the employee is paid above market going rate

Compa-Ratio

Calculate External Compa-Ratio:

$\frac{\text{Actual Salary}}{\text{Market Benchmark Reference}}$
$\frac{\$20,000}{\$21,000}$
External compa-ratio = 0.95

COMPANY considers a competitive salary is **90% - 110%**
of the mid point for that position

(Problem — same job pays differently in different industry group)

Three Forms of Equity / Inequity

2. **Internal** equity/ inequity

how fair of a jobs' remuneration (e.g., pay rate) is compared to remuneration of other jobs **within the same company**

e.g., Rose, Administrative Officer in Company A (HK\$25,000 / month) Vs Peter Senior Administrative Officer in Company A (HK\$28,000 / month)

Rose perceives Peter Senior AO has more KSA + more duties → Senior receives more → ratio is equal → **Equity**

RATIO COMPARISONS	PERCEPTION	SITUATION OF AN EMPLOYEE
$\frac{\text{Individual's outcome}}{\text{Individual's input}} = \frac{\text{Other's outcome}}{\text{Other's input}}$	Equity	Satisfied

Internal Equity



- Equity
 - Employees' **perception** of fairness & consistency
 - Employees may increase or decrease their contribution
 - Employees may stay or quit based on their perception
- Internal Equity
 - Relative value of jobs and their pay rates
- Premise on critical data of each job
 - Nature of work (duties & responsibilities)
 - Level of work (skills, efforts, complexity)

Three Forms of Equity / Inequity

3. Individual equity/ inequity

fairness of an individual job's remuneration (e.g., pay rate) as compared with those of **coworkers** with same or very similar jobs within the company

E.g., Rose, Administrative Officer (Team 1) in Company A (HK\$15,000 / month) Vs Administrative Officer (Team 2) in Company A (HK\$15,000 / month)

Rose perceives she has similar KSA + efforts → she has same salary as others → ratio is equal → **Equity**

RATIO COMPARISONS	PERCEPTION	SITUATION OF AN EMPLOYEE
$\frac{\text{Individual's outcome}}{\text{Individual's input}} = \frac{\text{Other's outcome}}{\text{Other's input}}$	Equity	Satisfied

What to Pay For?



Time



Knowledge/Skills



Behaviors



Results

Presence

Capability

Commitment

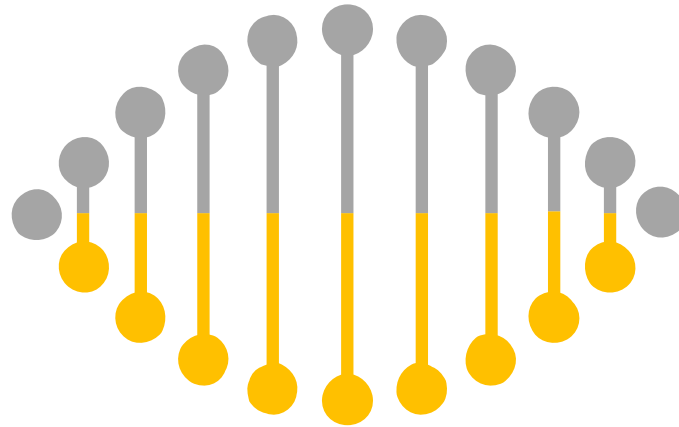
Achievement



SALARY

INCENTIVES
Expect to stay





**“Direct financial” payment and
labour ordinance**



“DIRECT financial” payment and labour ordinance



中華人民共和國香港特別行政區政府

勞工處

Base Pay: Wage

“**WAGES**” means **all remuneration, earnings, allowances, tips and service charges**, however designated or calculated, payable to an employee **in respect of work done or work to be done.**

Allowances including travelling allowances, attendance allowances, commission and overtime pay are within the definition of wages.

工資是指僱主以金錢形式支付僱員作為其所做或將要做的工
作的所有報酬、收入、**津貼**（包括交通津貼、勤工津貼、佣
金、超時工作薪酬）



Base Pay: Wage

Wage **Exclude** (examples):

- value of any accommodation, education, food, fuel, water, light or medical care provided by the employer
僱主提供的居所、教育、食物、燃料、水電或醫療的價值
- employer's contribution to any retirement scheme
僱主為僱員退休計劃的供款





Employment Ordinance – Salary / Wage

What will be the consequences if an employer fails to pay wages on time?

An employer should pay wages to an employee when they become due and not later than 7 days from the end of the wage period. He is liable to prosecution and, upon conviction, to a fine of HK\$350,000 and to imprisonment for three years.

如果僱主不能依時支付工資給僱員，會有甚麼後果？

僱主應該在切實可行範圍內盡快向僱員支付到期的工資，支付日期不得遲於工資期屆滿後七天內。一經定罪：最高可被罰款 35萬元及監禁 3 年。



Employment Ordinance – Minimum Wage

It has come into force since 1 May 2011.

The statutory minimum wage at **\$40.0 per hour** was effective on 1 May 2023.

applicable regardless of age,
contract type, or payment period

Working hours?

Standard working hours 標準工時

the number of hours that employees work on a daily and/or weekly basis
beyond the limit → employers give overtime pay (OT) as compensation

Maximum working hours 最高工時

statutory limits on daily and/or weekly working hours

number of total hours worked reaches the limit, **any work should be stopped**,
regardless of whether overtime pay is compensated

Many places stipulate a cap on overtime hours

There is currently no legislation in
Hong Kong governing maximum
work hours.

Pros and Cons of Hourly Rate

1. Employees can easily understand the system
2. Higher perceived pay fairness with the efforts employees put for the pay
3. Employees may <u>not</u> have strong commitment: given other pay at higher hourly rate, they may leave the company
4. High resistance to downward change in pay rate
5. Hourly pay: slacking for an “extended” working period

Variable Pay

WHAT it is

Also called: **Pay-for-performance plan**

- compensation **tied to** employee's performance and expect to motivate employees to achieve or transcend pre-determined objectives
- Individual based or group based

Importance

1. Steer and drive employees to accomplish or **exceed predefined objectives** through desirable working behavior
2. Promote the sense of belongings and **commitment** to work that contribute company's success

Variable Pay (1) - Commission

A pay system based on a **predefined %** of the selling of a product or service, or total sales profit; commonly applies to salespeople



(A) **Straight Commission**: 100% commission, no base pay

Pros

- Can lower company's fixed remuneration costs
- Effective drive to push good performance

Cons

- Unstable salesperson's income → LOWER job security
- Refuse to do or neglect non-selling duties → e.g., paper work

Variable Pay (1) - Commission

(B) Combined Commission:

FIXED Salary + Commissions

e.g., 30% base salary and 70% incentive

Pros

- Ensure a basic earning and job security to employee
- Utilize workforce by designate all rounded job duties (e.g., keeping customer loyalty + sales)

Cons

- May increase the compensation expense

Variable Pay (2) – Merit Pay

A permanent salary increase, also called “**merit raise**” is awarded to an employee regarding satisfactory or excellent individual job performance

more commonly applies in office employees

E.g.

- Monthly pay in December 2023 = \$21,000
- Performance appraisal report – very satisfactory
→ **10%** increase merit raise effective on 1 Jan 2024
- Monthly pay received on 31 Jan 2024 = \$23,100



Variable Pay (2) – Merit Pay

Merit awards as a lump sum is derived from both individual and organizational performance (tie both items together) using **merit award determination matrix**

1. Agreed merit awards = Product of 10% of annual salary X resultant index {employee performance rating & company performance}
2. Annual salary =\$200,000; Employee rating (good); Company performance (Good)
3. Merit awards = \$200,000 x 0.1 X 0.6
= \$12,000

Variable Pay (2) – Merit Pay

Employee Performance Rating (Weight = .50)	Company Performance (Weight = 0.50)				
	Outstanding	Excellent	Good	Marginal	Unacceptable
Outstanding	1.00	0.90	0.80	0.70	0.00
Excellent	0.90	0.80	0.70	0.60	0.00
Good	0.80	0.70	0.60	0.50	0.00
Marginal	—	—	—	—	—
Unacceptable	—	—	—	—	—

Pros

Employees aim to achieve or exceed the job standard, leading to desirable job performance and outcomes

Cons

Increase the compensation expense as the monthly salary is increase

Variable Pay (3) – Profit Sharing

Group-based incentive

company designates a percentage of profits (annual, quarterly) as **a pool of money** to share with its employees

Current profit-sharing

Cash plan distributed to employee in due date (e.g., year-end)

Deferred profit-sharing

Share is placed in each employee's account under trustee's supervision, to get it upon employee's retirement

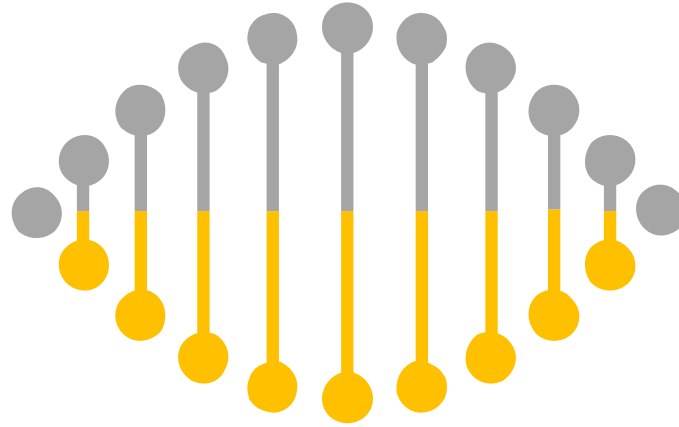
Variable Pay (3) – Profit Sharing

Pros

- Employees are more dedicated to work and as they can get rewards if the company does well
- Strengthen team spirit and coherence as they have a common goal

Cons

- individual employees cannot see and know the impact of their **own** work and actions on the profitability of the company

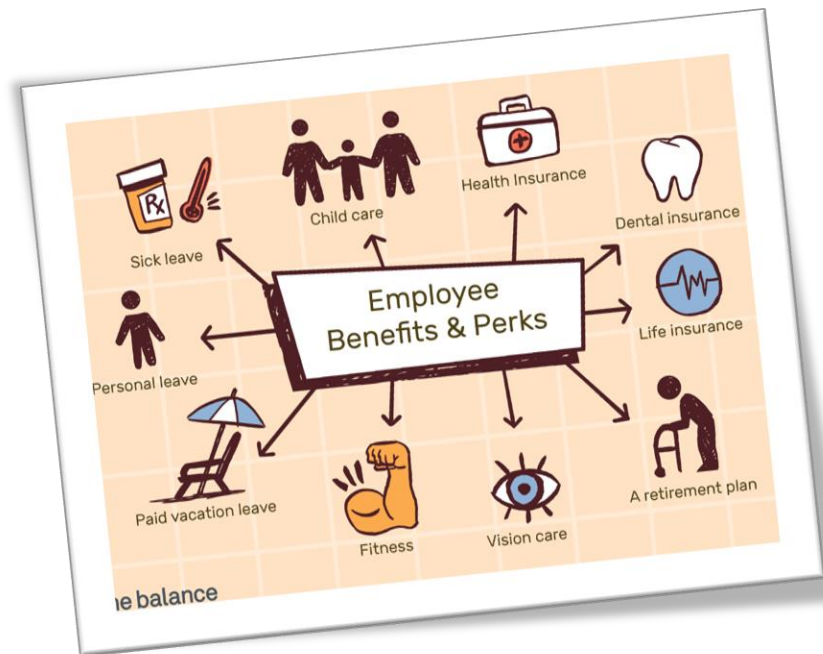


“Indirect financial” Payment and Benefits



INDIRECT financial payment

Legal obligation and benefits



Employment Ordinance, Chapter 57

Employee Protection and Benefits

**Labour Department**
The Government of the Hong Kong Special Administrative Region
of the People's Republic of China

Text Size | 繁 | 簡 |   

Enter search keyword(s) 

Welcome Message | What's New | About Us | Public Services | **Labour Legislation** | LegCo Business | Publications and Media | TV and Radio Announcements | Service Desk | Contact Us



Labour Legislation

[Home](#) > [Labour Legislation](#) > [Overview of Major Labour Legislation](#) > [Employment Ordinance, Chapter 57](#)

Employment Ordinance, Chapter 57

The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong. Since its enactment in 1968, the benefits provided for under the Ordinance have been substantially improved. It now covers a comprehensive range of employment protection and benefits for employees including :

- Wage Protection
- Rest Days
- Holidays with Pay
- Paid Annual Leave
- Sickness Allowance
- Maternity Protection
- Statutory Paternity Leave
- Severance Payment
- Long Service Payment
- Employment Protection
- Termination of Employment Contract
- Protection Against Unfair Dismissal

Major Types

- 1) Pay for time not worked
- 2) Insurance
- 3) Retirement
- 4) Personal Services & Family-Friendly Benefits

Continuous Contract 連續性合約

An employee who has been employed **continuously** by the **same** employer for **four weeks** or more, with at least **18 hours** worked **in each week**, is regarded as being employed under a continuous contract of employment.



僱員為同一僱主連續工作4星期或以上，而每星期最少工作18小時，此僱員便會被視為擁有一份**連續性的僱傭合約**。



Case 1

Shop associate in convenience store

Working hours: Mon to Sat (1:00-5:00pm each day)

- Case 1 = Cannot tell ... as you don't know the duration in the following weeks
- Case 2 = Yes

Case 2

Video editor in an event company (for 6 weeks)

Working hours: Tue to Sunday (10:00am-7:30pm) each week

Employee Benefits

WHAT it means

Also called “**fringe benefits**” or “perks”

- **Indirect** compensation includes non-wage compensation items provided to employees (beyond the scope of normal wages or salaries) at the discretion of employer

Employee Benefits

Importance (Does it matter?)

1. **Increase business appeal**: stand out from other companies as job seekers (prospective candidate) think the company is more generous
2. **Enhance job commitment**: current employees believe company cares their needs, satisfy with working conditions and more dedicated quality performance and increase affiliation
3. **Improve well-being**: ensure employees remain healthy (physical fitness), happy (psychological fitness) that ensure the workforce as engaged and productive

Pay for time not worked

Also called: “supplemental” pay benefit

Typically, one of the most expensive cost borne by the employer

Legally required

E.g. statutory holidays

Voluntary nature (to express goodwill to employees/ attract talented candidates)

E.g. compassionate leave, lunch time



Holiday

Rest day

Definition

A rest day is defined as a continuous period of not less than 24 hours during which an employee is entitled to withhold from working for his employer.

Eligibility

An employee employed under a **continuous contract** is entitled to not less than one rest day in every period of seven days

每 7 天可享有不少於 1 天休息日

Is this practice acceptable?

Any condition in a contract of employment which makes payment of any type of annual bonus or end of year payment conditional on an employee agreeing to work on rest days is **void**.

如僱傭合約內有任何條件，規定僱員必須在休息日工作，才可獲發每年花紅或年終酬金，**均屬無效**。

Holiday

Statutory Holiday 法定假日

- An employee, irrespective of his length of service, is entitled to 14 statutory holidays
不論服務年資的長短，均可享有下列 14 天法定假日
- An employee having been employed under a continuous contract for not less than 3 months is entitled to pay on statutory holidays
- If the statutory holiday falls on a rest day, a holiday should be granted on the day following the rest day which is not a statutory holiday or an alternative holiday or a substituted holiday or a rest day.

The 14 statutory holidays for 2024 are:

- | | | |
|-----|---|----------------------------|
| 1. | The first day of January | 1 January |
| 2. | Lunar New Year's Day | 10 February |
| 3. | The third day of Lunar New Year | 12 February |
| 4. | The fourth day of Lunar New Year | 13 February |
| 5. | Ching Ming Festival | 4 April |
| 6. | Labour Day | 1 May |
| 7. | The Birthday of the Buddha | 15 May |
| 8. | Tuen Ng Festival | 10 June |
| 9. | Hong Kong Special Administrative Region Establishment Day | 1 July |
| 10. | The day following the Chinese Mid-Autumn Festival | 18 September |
| 11. | National Day | 1 October |
| 12. | Chung Yeung Festival | 11 October |
| 13. | Chinese Winter Solstice Festival or Christmas Day (at the option of the employer) | 21 December or 25 December |
| 14. | The first weekday after Christmas Day | 26 December |

Sick Leave

HK practice:

1. Eligibility - employee under a **continuous** contract
2. daily rate of sickness allowance is a sum equivalent to four-fifths of the average daily wages earned by an employee
3. paid sickness days are accumulated at the rate of 2 paid sickness days for each completed month (1st year) and 4 days for each month of the employment thereafter, up to a maximum of 120 days.



Paternity Leave



HK Practice

1. The Employment (Amendment) Ordinance 2014 on statutory paternity leave commenced on 27 February 2015: entitlement of 3 days
2. On 18 January 2019, paternity leave increased to 5 days employed under a continuous contract for not less than 40 weeks immediately before the day of paternity leave

E.g., If the baby was born on 18 Jan 2019 >> 5-day paternity leave

3. Eligibility

- Continuous contract for not less than 40 weeks immediate before the day of paternity leave
- provided the required document to the employer within 12 months after the first day of paternity leave taken

他在緊接放取侍產假的日子前，
根據連續性合約受僱不少於**40** 個星期

Maternity Leave

HK Practice

1. Eligibility

- employed under a continuous contract for not less than 40 weeks immediately before the commencement of scheduled maternity leave;
- given notice of pregnancy and her intention to take maternity leave to the employer

2. Leave

Continuous period of **14** weeks' maternity leave (mandatory)

3. Wage during the maternity leave

four-fifths of the average daily wages



Insurance Benefits

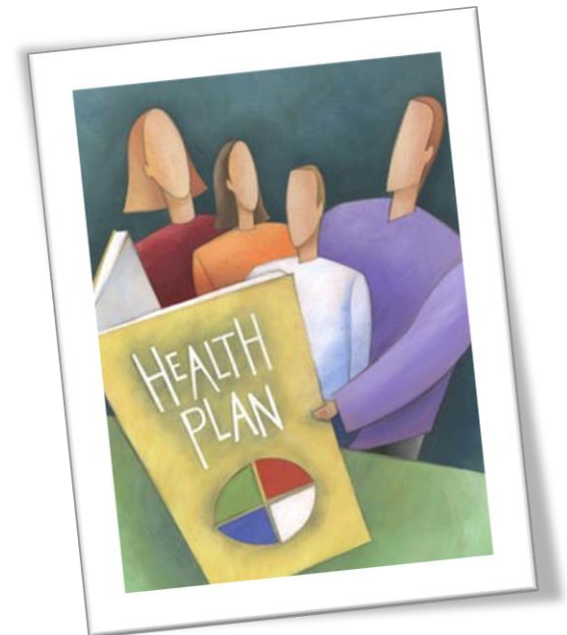
WHAT it is

Provides victims (employees) or their dependants with income and coverage of medical expenses for work-related accidents or illnesses regardless of fault.

Major types

Medical (outpatient, surgery)

Life



Medical

Preferred provider organizations (PPOs)

- Groups of **health care providers** that contract to provide medical care services at reduced fees
- Outpatient or hospitalization
- Employees can select from a list of PPO OR non-PPO providers → may pay all of the service costs or the portion of the costs



Life Insurance

WHAT it is

- Protection to employee's families by paying a specified amount to an employee's beneficiaries upon their employee's death / pass away
- Organisations take part in a low-premium insurance scheme that provides cover for all employees, regardless of health or physical condition.



Retirement Fund

WHAT it is

Provide income to employees and their beneficiaries during their retirement

HK Practice

Mandatory Provident Fund (MPF) is an employment-based retirement protection system **since 2000**.

Mandatory contributions are calculated on the basis of **5%** of an employee's **relevant income**, with the employer matching the employee's contribution.



Relevant Income

Relevant income refers to all monetary payments paid or payable by an employer to an employee, including wages, salary, leave pay, fees, commissions, bonuses, gratuities, perquisites or allowances, but excluding severance payments or long service payments under the Employment Ordinance (Chapter 57, Laws of Hong Kong).

「**有關入息**」是指僱主以金錢形式已支付或須支付予僱員的任何工資、薪金、假期津貼、費用、佣金、花紅、獎金、合約酬金、賞錢或津貼，但不包括《僱傭條例》（香港法例第57章）下的遣散費或長期服務金。

Personal Services & Family-friendly Benefits

Personal services

E.g., salon and recreational facilities

Transport & food

E.g., subsidized transport (shuttle bus) and food services

Educational subsidy

E.g., Tuition refunds to continue their education

Family-friendly benefits

E.g., day childcare, elderly care, family exercise days

Employee Assistance Programs (EAPs)

providing employees with counseling and/or treatment programs for problems such as alcoholism or stress



Personal Services & Family-friendly Benefits

Facebook's careers page and Glassdoor reviews break down the tech company's **top benefits in North America**. Some perks include **free meals**, **ample time for vacation**, and lots of support for **new parents**. Facebook's benefits received a 4.7 out of 5 stars on Glassdoor.

Our Life@ benefits program is designed to give you your choice of flexible benefits to help you and your family reach your personal well-being goals.

<https://www.metacareers.com/benefits>

Southern New Hampshire University



**Careers at SNHU:
Culture & Benefits**



Manchester, N.H.
(August 27, 2024)
Southern New
Hampshire University
(SNHU) is once again
recognized by Forbes as
one of the **“Best
Employers for
Women” in the U.S.
in 2024**, according to a
recent survey released
by the magazine.

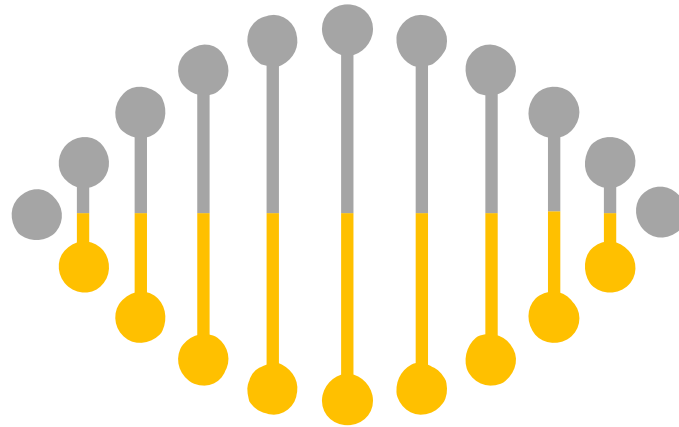
https://www.youtube.com/watch?v=kcrSF1P_8c4

Professor & Lecturer Monthly salary (2024)

Types	Post/Band	Min	Max
Academic	Chair Professor	166,090	-
	Professor	116,200	174,200
	Associate Professor	94,100	140,700
	Assistant Professor	78,100	111,800
	Research Assistant Professor	54,800	79,700
Teaching	Principal Lecturer	94,100	140,700
	Senior Lecturer I	81,200	102,600
	Senior Lecturer II	66,700	98,300
	Lecturer I	48,600	75,100
	Lecturer II	36,000	52,000

Administration & Research support Monthly salary (2024)

Types	Post/Band	Min	Max
Administration and support	A1	152,600	199,400
	A2	116,000	173,700
	B1	83,900	133,800
	B2	65,200	105,700
	C	48,400	81,600
	D	32,000	56,700
	E	21,400	38,000
	F	16,800	24,300
Research support	Post-doctoral Fellow	36,900	57,300
	Senior Research Assistant	29,100	44,900
	Research Assistant I	21,400	30,600
	Research Assistant II	14,300	52,000



Two Job Ranking Methods

Compare the characteristics of two job ranking methods



Roles of LINE and STAFF Managers in Compensation

HR Unit

- ◆ Develops and administers the compensation system
- ◆ Evaluate jobs and analyzes pay surveys
- ◆ Develops wage/salary structures and policies

Managers

- ◆ Identify job descriptions and compensation concerns
- ◆ Recommend pay rates and increases according to HR guidelines
- ◆ Evaluate employee performance for compensation purposes

Job evaluation

WHAT it is

A formal and systematic **comparison** of jobs in an organization → determines the “relative” worth of one job to another jobs (pricing them)

Objectives

1. Ensure the pay of job is made on fair basis
E.g., Job requires higher qualification, more complex skills → should receive more pay than other jobs with lesser requirement
2. Decide a competitive pay structure to retain talents
E.g., benchmark to market price

Job Ranking Method

WHAT it is

Arrange and rank each job relative to all other jobs by the “worth” or **importance** of the jobs to organization

Two major approaches

1. Straight
2. Paired comparison

Straight Ranking Method

Major Steps

1. Make a **list of job positions** you have at your company
2. Write down **job title** and short **job description** (duties and responsibilities) of each job position on index cards
3. Consider a broad notion of the **compensable factors** that are key for organizational success
4. **Rate** the relative “worth” or “importance” of each position based on the compensable factors
E.g., higher degree of cognitive ability? Impact of decision making? complexity of job?
5. **Compare** whole job position against other positions
6. Rank the positions, with one being the position of most worth, based on the factors considered in step 3.

Straight Ranking Method

Compensable factors-

Criteria that HR use them to rate the value / worth of different jobs

Example of Compensable Factors

4 Major components also called as universal compensable factors

- a. **Skill** – *Job knowledge, experience, and special training required on the job*
- b. **Responsibility** – *Degree of accountability, initiative and authority required on the job*
- c. **Effort** – *the mental or physical effort required*
- d. **Working Conditions** – *the physical surroundings and hazards involved in the performance of the job*

Branch manager

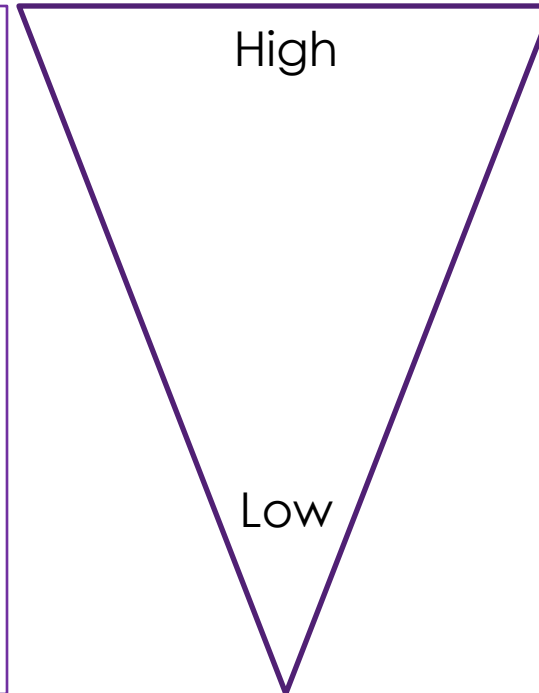
managing and overseeing all business operations, including staff hiring, training, and performance evaluation; develop appropriate strategies to increase service quality at all levels in order to achieve the branch's financial targets

Straight Ranking Method

Ranking Order RESULTS

1. Operation director
2. Purchase and merchandising manager
3. Branch manager
4. Crew supervisor
5. Customer service assistant
6. Service crew
7. Janitor

Annual Salary \$



Paired Comparison Method

Similar to straight ranking method, HR compares all jobs on **one-to-one basis**, and determine the order of job by their “worth” to organisation

Steps:

1. Determine number of job position for comparison
2. Draw a grid based on the number of job positions
 - E.g., 5 position $\rightarrow$ (N+2) (N+1) $\rightarrow$ Develop 7 columns X 6 rows (42 cells)
3. Leave the top left corner cell empty.
4. Fill in the row headers with respective titles of job position

Paired Comparison Method

Steps (continued):

5. Fill in the column header with title of job positions, followed the same order in step 4
6. Compare the job position (Row) to job position (Column):
NOT necessary to compare a position to itself → shaded it
Put a “ ✓ ” if the job listed in the first position of the row ranked higher than the one of the column.
7. Compute the number of “ ✓ ” in each “row” → worth of the job position of respective row
8. Rank your positions (from highest to lowest) according to the number of “ ✓ ”

Paired Comparison Method

Value of **System Analyst** is higher than the one of **Data Operator**

column job row job	<i>Administrative secretary</i>	<i>Data operator</i>	<i>File clerk</i>	<i>System analyst</i>	<i>Department manager</i>
Administrative secretary					☒
Data operator	☒			☒	☒
File clerk	☒	☒		☒	☒
System analyst	☒				☒
Department manager					
Total ☒	3	1	0	2	4

Paired Comparison Method

Ranking Order RESULTS

1. Department manager
2. Administrative secretary
3. System analyst
4. Data operator
5. File clerk



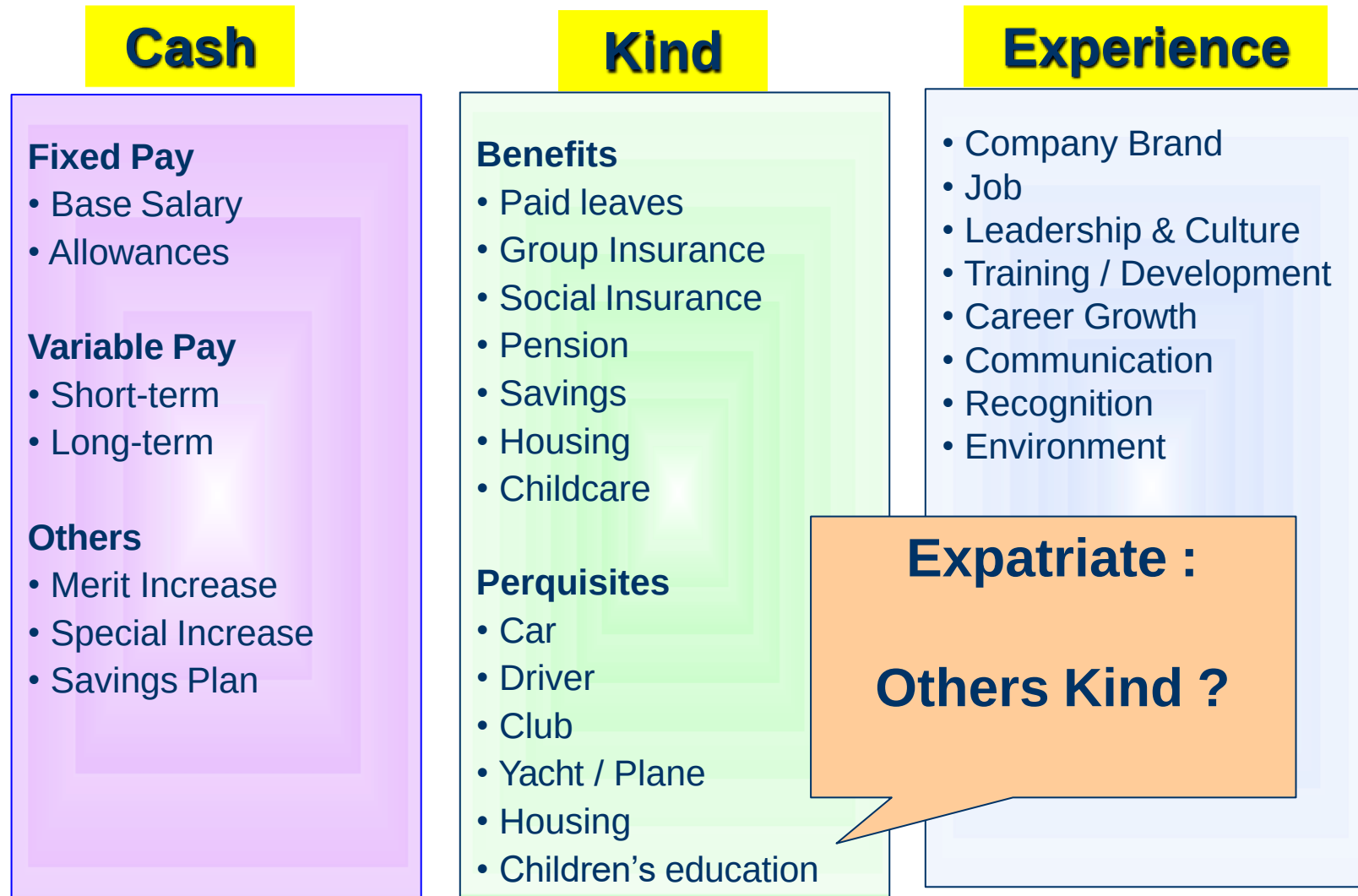
Job Evaluation Methods: Point Method

- A quantitative technique that involves:
 - Identifying the degree to which each compensable factors are present in the job.
 - Awarding points for each degree of each factor.
 - Calculating a total point value for the job by adding up the corresponding points for each factor.

Grading - Bands

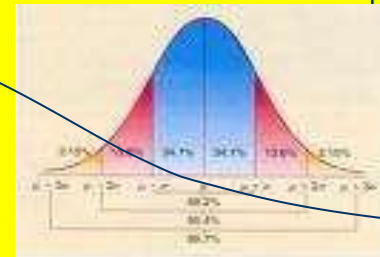
Band	Grading (1-10)	Com / Ben	Title	Division	Country	Key Functions	General
A	1 2 3 ... 10	250K – 1.6M G-A Ben package	CEO COO CFO	Global Division HEAD			
B	1 2	100K – 250K G-B- Ben			T1 HEAD - China, India		
C	1 2				T2 Head (AUS, JPN)	T2 VP Fin T2 VP T1 - Director	
D	1 2					VP HR	HR Mgr
E							
F							
G	1 2 ...						Techician

Total Rewards Is More Than Just 'Pay'



Performance Grouping – Relative Performance Assessment

Outstanding	Exceeds Expectations	Meets Expectations	Needs Improvement	Unacceptable
Peter	Jane Mark David	Emily Cynthia Natalie Chris Mandy Michael	Caleb Kylie	Kathryn



Salary Increment Matrix - sample

FY20XX Salary Increment Matrix

Division:

Sample Market Unit

Budgeted increase %

7.0%

Normal distribution

Performance Rating	Normal	
1 - Outstanding	8.5% - 10%	
2 - Exceeds Expectation	6% - 7%	
3 - Meets Expectation	5% - 6%	
4 - Needs Improvement	0.0%	
5. Unacceptable	0%	
6 - Not Rated (too soon to rate)	Management Discretion - depending on individual performance and remuneration level against the market	

Adjustment - Salary Increment Matrix - sample

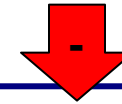
FY20XX Salary Increment Matrix

Division:

Sample Market Unit

Budgeted increase %

7.0%



Performance Rating	Compa ratio (CR) *		
	Zone 1 CR Below 90%	Zone 2 CR Between 90% and 110%	Zone 3 CR Above 110%
1 - Outstanding	9% - 10.5%	8.5% - 10%	8% - 9.5%
2 - Exceeds Expectation	6.5% - 7.5%	6% - 7%	5.5% - 6.5%
3 - Meets Expectation	6% - 7%	5% - 6%	4% - 5%
4 - Needs Improvement	1% - 2%	0.0%	0.0%
5. Unacceptable	0%		
6 - Not Rated (too soon to rate)	Management Discretion - depending on individual performance and remuneration level against the market		

Pricing Managerial / Professional Jobs

- Compensating managers
 - Base pay: fixed salary, guaranteed bonuses.
 - Short-term incentives: cash or stock bonuses
 - Long-term incentives: stock options
 - Executive benefits and perks: retirement plans, life insurance, and health insurance without a deductible or coinsurance.

Pricing Managerial / Professional Jobs

- What Really Determines Executive Pay?
 - CEO pay is set by the board of directors taking into account factors such as the business strategy, corporate trends, and where they want to be in a short and long term.
 - Firms pay CEOs based on the complexity of the jobs they filled.
 - Boards are reducing the relative importance of base salary while boosting the emphasis on performance-based pay.

What Is Competency-based Pay?

- Competency-based pay
 - Where the company pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title he or she holds.
- Competencies
 - Demonstrable characteristics of a person, including knowledge, skills, and behaviors, that enable performance.

Why Use Competency-Based Pay?

- Traditional pay plans may actually backfire if a high-performance work system is the goal
- Paying for skills, knowledge, and competencies is more strategic
- Measurable skills, knowledge, and competencies are the heart of any company's performance management process

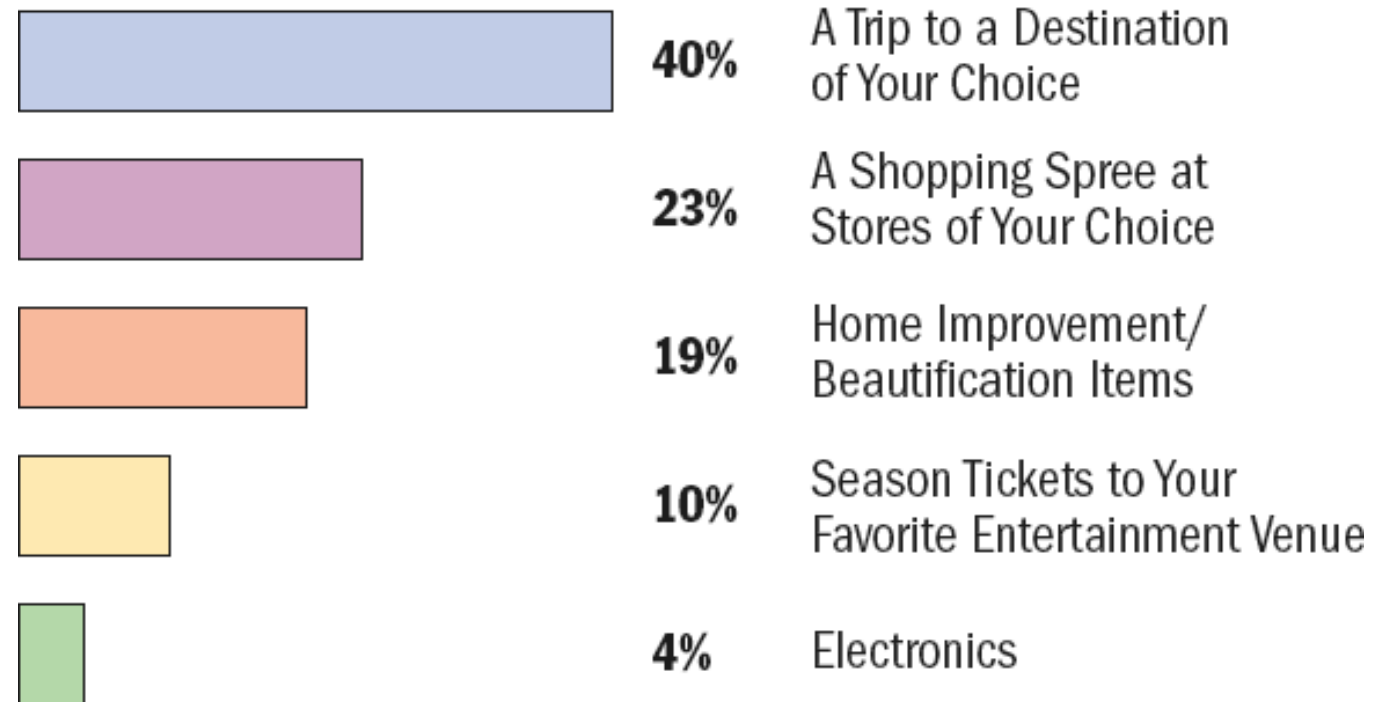
Pay for Performance and Financial Incentives

Motivation, Performance, and Pay

- Incentives
 - Financial rewards paid to workers whose production exceeds a predetermined standard.
- Law of individual differences
 - The fact that people differ in personality, abilities, values, and needs.
 - Different people react to different incentives in different ways.
 - Managers should be aware of employee needs and fine-tune the incentives offered to meets their needs.
 - Money is not the only motivator.

Employee Preferences for Noncash Incentives

Employee Preferences for Noncash Incentives



*The survey polled a random nationwide sample of 1,004 American adults. Among those polled, 851 were working or retired Americans, whose responses represent the percentage cited in this release. The survey was conducted June 4–7, 1999, by Wirthlin Worldwide. The margin of error is $\pm 3.1\%$. Responses total less than 100 because 4% responded “something else”.

Source: Darryl Hutson, “Shopping for Incentives,” *Compensation and Benefits Review*, March/April 2002, p. 76.

Types of Incentive Plans

Individual – Team

- Pay-for-performance plans (Variable)
 - Individual incentive/recognition programs
 - Sales compensation programs
 - Team/group-based variable pay programs
 - Organizationwide incentive programs
 - Executive incentive compensation programs

Compensation & Benefit (C & B)

- Impacts - Functions and Activities

Why do different staffs earn different amounts ?

- Nature of Jobs
- Length of service,
- Age, qualification, Grading
- Difference performance level
- Potentials
- **OTHERS :** _____



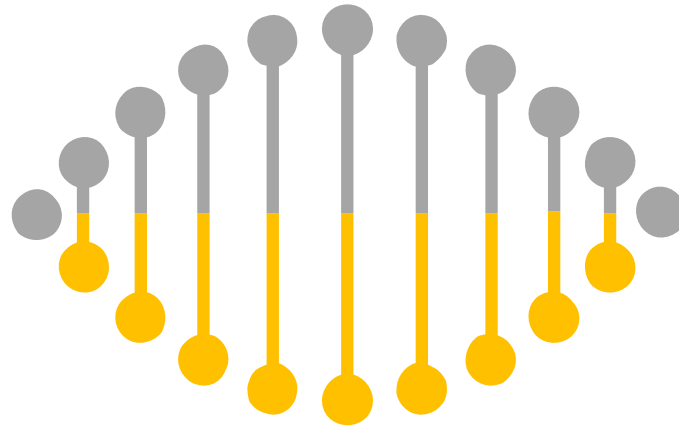
Other factors – drive this differences ???

Entry point, Econ cycle, stage of int'l, Overstaff, Percent of pay/commission, Imbalance wage/expenses, allowance & benefits, other means of pay..

Share / Share Options

Types of equity compensation

ESOP: Employee stock ownership plan	Gives employees shares of company stock (as bonus, or profit-sharing plan) – usually redeemable when they leave the company
ESPP: Employee stock purchase plan	Gives employees an opportunity to purchase company stock (deduct from payroll with a cap % of salary)
Stock or call options	Grants certain employees the right to receive or purchase company shares at a specific price (vesting period)
SAR: Stock Appreciation Right	Awards a grant to the employee, but no benefit unless stock appreciates (vesting period)
Phantom stock	Simulated equity plan that grants employees fictitious stock units (no transaction, no dilution...) (Huawei – in China)



Compensation and Benefits in International context

IHRM – Compensation & Benefit

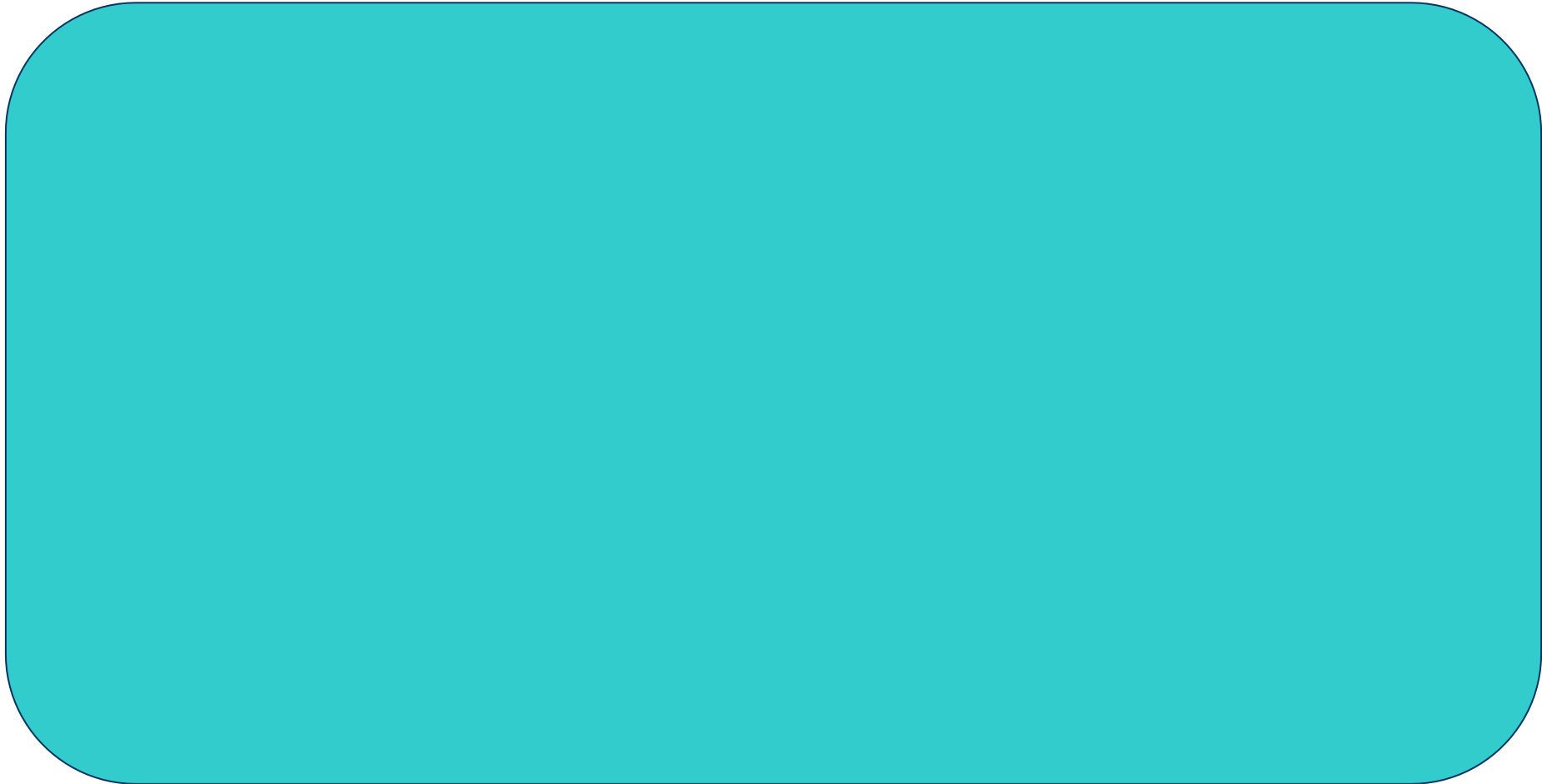
Key Topics :

1. Design of International Compensation
2. Strategic Aspects of International Compensation



Compensation & Benefits

- Challenges to IHRM



Compensation & Benefits

- Challenges to IHRM

- **More Partners** - Accounting, Finance, Tax, Legal departments
- **Different nationalities**
- **Living standard** of local country / original country (parent)
- **Time** of movement
- **Economy cycle**
- **Currencies** (Exchange Rate)
- **Inflation** rate
- **Tax** system, Tax rate
- **Expected future job potentials**
- **Retention** consideration
- **Lack of suitable candidates** / labor market, skill shortage
- **Subsidies** / accruals / families / allowance
- **Cultures** – perception on C&B, salary / benefit ratios

Equity compensation considerations



- Qualified or non-qualified plans
 - China – cannot own the US options, so need to set up Stock Plan Fund Adm to hold options for employees
- U.S. accounting rules for stock options
 - Tax, expenses, financial booking
- Tax rules and currency exchange restrictions
- Local adaptation
- Global stock plan administrator

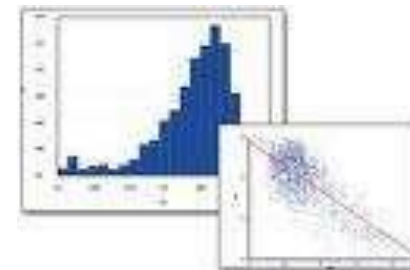
Approaches to compensation

- Negotiation
 - baseline - cascading effects
- Localization
 - relocate permanently
 - turn to localize term when term ends
- **Balance sheet**
- Other approaches
 - Lump sum – overall amount to Expat (no restriction)
 - Cafeteria – Bench of choices (selective to meet overall amount)
 - For Executives levels (car, house, trip, insurance ...) not increasing the income.. (tax!)
 - Regional systems / Global systems – specific to set of standards



Balance sheet approach

- Favored in the U.S.
- Replication of home lifestyle in the home country
- Based on four components
- Home or host country approaches



Expatriate Pay – examples

Balance sheet Approach

		Income taxes		Income taxes		
		Housing		Additional		Premiums and incentives
Income taxes				Housing		Income taxes
Housing		Goods and Services		Additional		Housing
Good and Services				Good and Services		Good and Services
discretionary		discretionary		discretionary		discretionary
Home Country	Host Location		Host location cost shared		Home Country	Eqv. Purchasing power

The most expensive cities in the world?

According to Mercer's 2024 cost-of-living data, **Hong Kong**, **Singapore** and **Zurich** are currently the costliest cities for international workers. These three cities have kept the same positions in Mercer's ranking.

10 Most Expensive Cities in the World for Luxury Living in 2024 – **Singapore** ranks as the most expensive city in the world in 2024, a repeat win for the country, which also ranked first place in 2023.

Additional important compensation issues

- **Method** of payment (currency, split, %....)
- Impact of **exchange rate** fluctuations
 - Exchange rate fluctuations are inversely related to the differential
- Impact of inflation:
 - Inflation is directly related to the differential
- Social security:
 - Totalization agreements (social security tax..)
 - Certificate of coverage (evidence of status)
- Taxes:
 - Dual taxation home and host countries

Alternative tax strategies

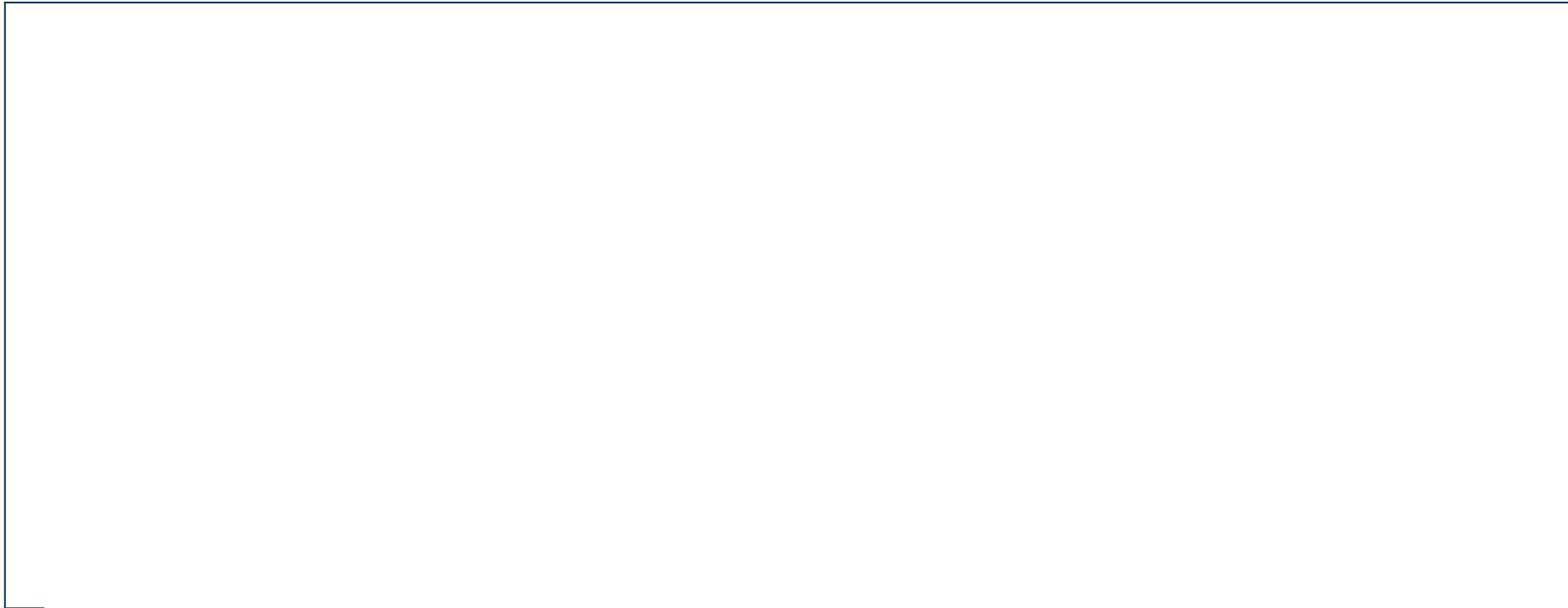


- **Laissez faire** – remain Home, Overseas package separate agreement – responsible for home/overseas compliance requirement on their own
- **Tax equalization – No more and no less**
- Tax protection
- Ad hoc
- US Taxation Issues
 - US tax to U.S. international assignees
 - Compensation by foreign multinationals in US
 - Compensation and taxation of foreign nationals working in US

Global C & B - Problem of comparability within the organization and across borders

In developed, and emerging markets

- **C&B gaps esp. in Executive compensation**

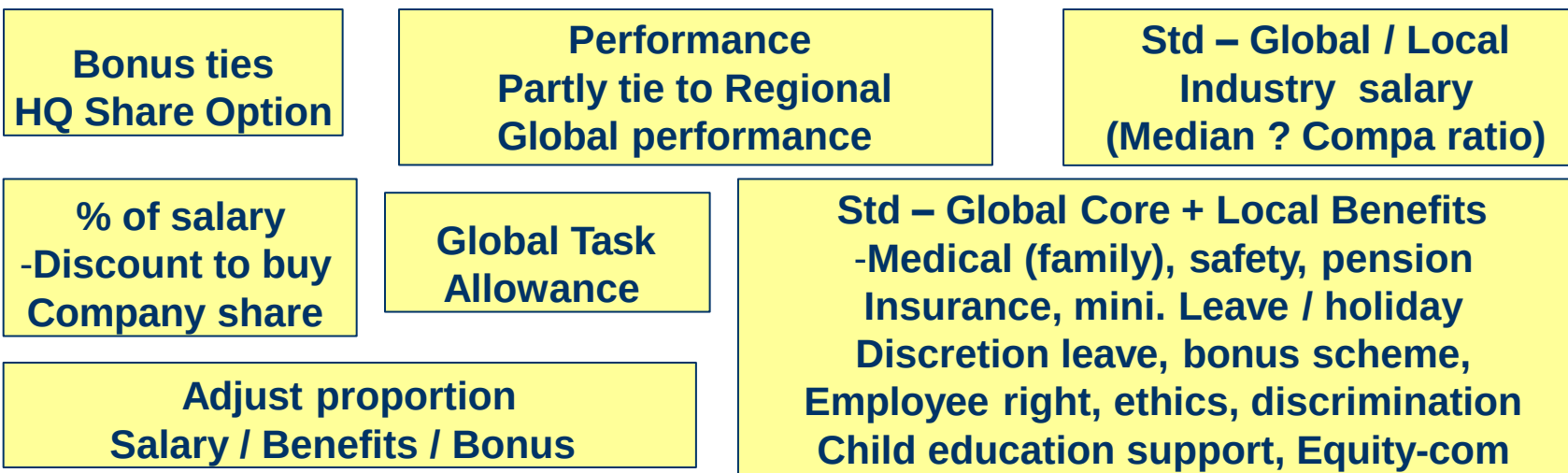


Global C & B - Problem of comparability within the organization and across borders

In developed, and emerging markets

- CB gaps esp. in Executive compensation

Not to eliminate or equalize > Focus on
remove de-motivational impact of CB variations between countries



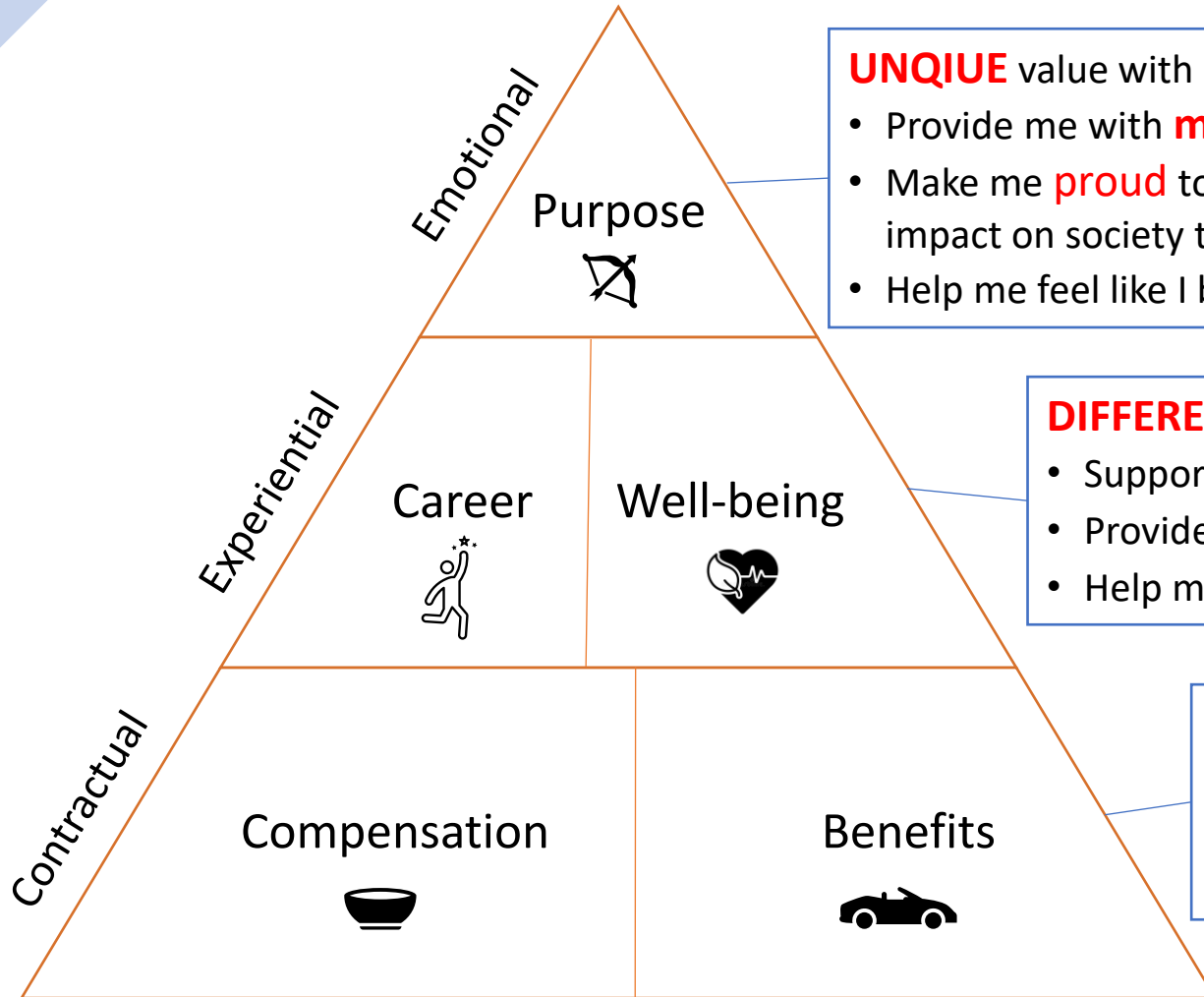
Why Incentive Plans Fail?

- Performance pay can't replace good management.
- You get what you pay for.
- “Pay is not a motivator.”
- Rewards punish.
- Rewards break relationships.
- Rewards can have unintended consequences.
- Rewards undermine intrinsic motivation.

Implementing Effective Incentive Plans

- Link the incentive with your **strategy**.
- Make sure **effort** and **rewards** are directly related.
- Make the plan easy for employees to understand.
- Set effective standards.
- Get employees' support for the plan.
- Use good measurement systems.
- Emphasize long-term as well as short-term success.

How to retain talent in an organization



UNIQUE value with purpose

- Provide me with **meaningful work** that matters
- Make me **proud** to work for a company that makes a positive impact on society through a mission and vision
- Help me feel like I belong here **MY company**

DIFFERENTIATED experience

- Support me with my **career** journey
- Provide me with **flexibility** to make work “work” for me
- Help me manage my **physical, financial and emotional** well-being

COMPETITIVE compensation and benefits

- Pay me fairly and competitively
- Reward my contributions
- Provide programs to manage my **health and wealth**

Recap of what we have covered today

1. What is compensation?
2. Importance of effective employee compensation
3. Relationship between compensation and equity
4. “Direct financial” payment and labour ordinance
5. “Indirect financial” payment and benefits
6. Two job ranking methods
7. Compensation and benefits in international context

