CHAPTER 14

Designing Compensation Systems to Respond to Equity Requirements

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# PL 1. Understanding what motivates you and why

There are many discrepancies in our research on pay? However, there is overwhelming evidence that pay is important for most people. Researchers conclude that pay is truly a motivator but it is not the only motivator for everyone and for all situations. It is best used with other motivators and it depends on the situation and individual.[[1]](#endnote-1) Most research is indicating that the importance of pay is partially an individual variable. It is more important for extroverts, high performers, men, and people with high need for achievement and higher feelings of self-efficacy.

The important question for us as individuals is how important is it for us? In delving deeper into understanding how important pay is, rank order the importance for you of the following:

1. \_\_\_\_\_\_\_ compensation/pay,

2. \_\_\_\_\_\_\_ benefits and pension plans

3. \_\_\_\_\_\_\_ job security

4. \_\_\_\_\_\_\_ training and career advancement opportunities,

5. \_\_\_\_\_\_\_ opportunity to use skills and abilities,

6. \_\_\_\_\_\_\_ relationships with supervisors,

7. \_\_\_\_\_\_\_ relationship with co-workers and teams,

8. \_\_\_\_\_\_\_ meaningfulness of the job,

9. \_\_\_\_\_\_\_ challenging and exciting work

10. \_\_\_\_\_\_ the significance of the work itself.

11. \_\_\_\_\_\_ time for outside interests.

12. \_\_\_\_\_\_ recognition for what I do.

13. \_\_\_\_\_\_ chance to use my mind.

14. \_\_\_\_\_\_ participation in decisions regard job

*Questions:*

* How important is pay in relation to other factors? Why is it so important?
* Ask yourself which factors are most important in your life and career? Why?
* Summarize your thoughts on this and review them in a few years.

*Comments*

1. Pay is generally ranked around fifth (ranging from second to eighth of 15 items) in comparison with other motivators such as:

* Interesting work & career opportunities,
* Appreciation, organization, management,
* Co-workers, and job security

1. For some people, the size of the pay check is really important!!!! BUT, What some people find satisfying depends on who they are (i.e., age & background & stage in their careers). Thus, pay satisfaction for one person might be linked to:

* the amount of money received
* while others see the benefits package or the pension are important.

# PL 2. Developing your competencies

If you want to be a manager, you might want to understand the Hay job evaluation and the factors it uses to rate the jobs that managers to. The general factors are: *know‑how, problem solving, and accountability:*

*Know‑How* ‑ is the sum total of all knowledge and skills, however acquired, which are needed for satisfactory job performance. It has 3 subfactors or dimensions:

* Practical / technical knowledge:
* Planning, organizing and integrating (managerial) knowledge
* Communicating and influencing skills

*Problem Solving* ‑ is the amount of original, self‑starting thinking required by the job for analyzing, evaluating, creating, reasoning, and arriving at conclusions. It is know‑how put to use. It has two factors:

* Thinking environment
* Thinking challenge

*Accountability* ‑ is the answerability for actions and for the consequences of those actions. It involves the freedom to act and make decisions without higher approval, the degree to which responsibility is shared with others and the effect the actions have on the overall results. It has three factors:

* Freedom to act
* Scope
* Impact

Although conventional job evaluation focuses on the job, it is important to know the factors that are important and how you might improve your skills to obtain jobs which require higher level skills. There is also a growing emphasis on skill based compensation systems.

Take each of these factors (review their more operational definition on the Haygroup Website) and ask yourself how you might improve your competencies (knowledge, skills, abilities, and other characteristics) in these areas. Develop a plan which includes the following subsections: (i) Introduction and purpose, (ii) Operational definition of each factor, (iii) Your personal assessment of competencies in each area: (iv) steps you might take to improve your competencies.

# References

1. Rynes, S. L., Gerhard, B., & Minette, K. A. (2004). The importance of pay in employee motivation: Discrepancies between what people say and what they do. Human Resource Management, 381-394. [↑](#endnote-ref-1)