# “Human Capital” point of views. vs. a traditional Personnel Management point of view

## Does money motivate employees? Why or why not?

A comprehensive compensation plan that appreciates the effort and performance of employees goes a long way in motivating a workforce. The concern that emerges from high employee turnover within the employment market prods a review of the employee compensation plan. The compensation plan that any business chooses to implement must consider a number of factors that include the capability to sustain the drafted plans. Additionally, competition within an industry as well as that from the technology industry offers competitive packages that help employees realize satisfaction and motivation. However, this does not challenge the realization that a comprehensive compensation increases employee satisfaction and motivation that enhances the overall company growth and dominance within a market.

## Why should compensation systems be equitable? How can an organization design an equitable compensation system?

An equitable compensation plan ensures that everyone receives the same level of remuneration for an outstanding performance. This is important towards motivating all employees because they work together as a team to realize the company goals and objectives. Additionally, an equitable compensation plan helps eliminate unhealthy individual competition that compromises on the overall performance of the organization. Every team member boasts of unique strengths and weaknesses and this may affect those that find themselves in a career position whereby others are excelling better. This requires a compensation plan design that fits the goals and structure of operation that an organization prefers. The design process of a good compensation plan needs to conform to the company goals and this is conventionally identified as the compensation philosophy. Identifying a balance between the indirect and direct rewards needs to be factored into the compensation philosophy while identifying the responsibility of the candidate that fill them. The other important factor to consider is external versus the internal equity to avoid offsetting the balance because internal equity helps in avoiding cases of unhealthy competition and enhance commitment and performance (Mello, 2015, p.492).

## Compare and contrast the four job evaluation methods. Give an example of an organization in which each of the four methods might provide an optimal strategic fit.

The four job evaluation methods that Mello (2015, p. 391) identifies include the ranking system, the job classification system, the point rating system and the factor comparison system. The ranking method emerges as the simplest technique of job evaluation and ranks jobs based on the importance and relevance of the organization. Additionally, the technique ranks jobs from the highest to the lowest and plays an important part in determining the remuneration and ideal compensation packages (Cunningham, & Graham, 2009). The grading method classifies jobs of the same difficulty and skills into the same group. The classification is common to the public service sector and it allocates a fixed remuneration for each job grade. The points rating classification break down jobs on the basis of skill, training, hazards, efforts, and responsibility that influence the allocation of points. This allows for jobs with equal points allocation that is calculated based on the weights allocated to the different factors and qualifies the allocations to a uniform pay grade. However, the factor comparison method emerges as the ideal classification method because it combines the point and ranking method to determine the compensation. However, it suits the professional or white-collar jobs rather than menial jobs. Therefore, the method needs to be tailored in a manner that allows for the benchmarking of positions to the required standards. Often, employees feel that organizations underrate their job positions by failing to benchmark them to the required standard.

## Discuss the pros and cons of employee pay being fixed versus variable and dependent on performance. How might such decisions impact recruiting, motivation, and retention? &

## Analyze your current job responsibilities. Determine whether the method by which you are compensated is appropriate.

The employee pay needs to be guided by the four job evaluation methods to avoid identifying fixed remuneration without benchmarking. This because fixed pays fail to motivate and encourage employees to work extra hard and this affects the overall growth of the company. However, adopting a variable pay structure that I dependent on the employees’ performance enhances the company’s reputation and sparks revenue growth in the long-run. Companies consider a fixed pay structure to be ideal but it fails to motivate the employee to work extra harder and this leads to a loss failure to meet company goals and objectives. This motivates me to evaluate the current job compensation and I feel that the company has made an effort to understand the importance of the role of the company. However, the compensation remains lower than what other cooperates offer and this narrows down to the size of revenue that it generates. The size of the company determines the compensation structure and this explains why I consider my compensation slightly undervalued by the company.

## Is performance-based pay effective? Why or why not? How can performance-based pay systems be better designed to ensure optimal results?

The best approach that can optimize the performance-based pay systems is to ensure that there is an evaluation criterion that determines the input of an employee without bias (Mitlacher, & Paul, 2009). Understanding each job group, its mandate and expectations help in creating an evaluation form that gives the true picture of the employee performance compared to their role. Additionally, identifying the performance measure that comprehensively measures the contributions made and the relationship with other employees is important towards optimizing the results from performance-based pay structure. Therefore, the biggest determinant towards optimizing on the performance-based structure is to understand each of the organization's roles to fullest to avoid benchmarking them on wrong job requirements because it can damage the communication, cohesion, and motivation within a workforce through conflict.

## What are the advantages and disadvantages of organizational policies that mandate pay secrecy? Consider this question from the perspective of managers, employees, and owners. Is pay secrecy a good practice?

Pay secrecy within an organization has both positive and negative repercussions on the progress made by a company. A happy workforce qualifies an organization as a successful one because they are motivated and satisfied to deliver results guided by the set goals. The disadvantages realized by the pay secrecy controversial policy include reduced employee productivity, satisfaction and motivation, reduced employee trust and loyalty towards the organization, it defines the authoritarian leadership style and culture and reduces the capability to influence a workforce through the management (Park, 2016). Employee satisfaction and loyalty are important because it is built on trust that is breached through the salary secrecy policy. The advantages that are realized from enforcing the controversial policies include less conflict on remuneration, better negotiation position by the management, and less turnover due to employee dissatisfaction with the compensation package (Park, 2016). The management may exploit the employees because it reflects on an organization failing to utilize the four job evaluation methods to determine a compensation plan. Employers need to realize that hiding the pay details among its employees do not guarantee it the cohesion that favors growth because a performance rewarding compensation plan achieves better outcomes. Therefore, the pay secrecy policy is a bad idea for any business that desires to realize increased employee motivation and satisfaction that reduces employee turnover.

## What obstacles exist to developing pay-for-performance plans in the public sector? How can these obstacles best be overcome? Do public sector pay-for-performance plans differ from those found in the private sector?

Despite employees appreciating a competitive compensation plan that an organization implements, they consider the working environment to be a big motivator towards realizing job satisfaction. Therefore, it important to understand that an organization needs to improve on other working condition before it considers a compensation plan as the ideal factor that enables them to retain employees. The working environment in many public offices requires improving rather than opting for a comprehensive compensation plan. This needs improvement to adopt a performance-based remuneration plan. The grading method classifies jobs of the same difficulty and skills into the same group. The classification is common to the public service sector and it allocates a fixed remuneration for each job grade.

## 

## 

## References

Cunningham, J., & Graham, S. (2009). Assessing the Reliability of Four Job Evaluation Plans. *Canadian Journal of Administrative Sciences / Revue Canadienne Des Sciences De L'administration*, *10*(1), 31-47. http://dx.doi.org/10.1111/j.1936-4490.1993.tb00012.x

Mello, J., (2015). *Strategic human resource management.* (4th ed.). Stamford, CT: Cengage Publishing.

Mitlacher, L., & Paul, C. (2009). Performance-based pay systems for teams: explaining the design of performance-based pay systems for teams from an expanded agency theory perspective. *International Journal of Business Performance Management*, *11*(3), 171. http://dx.doi.org/10.1504/ijbpm.2009.024369

Park, T. (2016). The Two Faces of Pay Secrecy: The Effects of Pay Secrecy and the Moderating Roles of Team Climates. *Academy of Management Proceedings*, *2016*(1), 11004. http://dx.doi.org/10.5465/ambpp.2016.11004abstract