
Course Learning Outcomes for Unit III

Upon completion of this unit, students should be able to:

6. Appraise the impact of different compensation strategies that relate to employee motivation.
 - 6.1 Explain how equal employment opportunity laws impact compensation practices.
 - 6.2 Discuss strategic compensation decisions.
 - 6.3 Develop a compensation package that will motivate new and existing multigenerational employees.

Required Unit Resources

In order to access the following resources, click the links below.

In the following videos, transcripts and closed captioning are available once you access the videos.

The videos, articles and webpages below offer valuable information on the impact of employment law in compensation as well as variables that factor into compensation decisions.

Berg, C. (2013, March 28). [Assessing potential employees knowledge, skills and abilities \[Video\]](https://c24.page/nk8386zd2evpebgdmtr9bff4wq). Cielo24. <https://c24.page/nk8386zd2evpebgdmtr9bff4wq>

Gregg Learning. (2018, March 12). [HR basics: Compensation \[Video\]](https://c24.page/phz958ypmc856zjprqjrbxfbs). Cielo24. <https://c24.page/phz958ypmc856zjprqjrbxfbs>

Marston, C. (2018, December 13). [The generational characteristics of our different generations explained \[Video\]](https://c24.page/smxjhup23wfwtdt48x5gextqg3). Cielo24. <https://c24.page/smxjhup23wfwtdt48x5gextqg3>

Read the following articles.

Boué, G., & Corradino, D. M. (2019, June 5). [Does incentive pay work? HRMagazine, 64\(2\)](https://link.gale.com/apps/doc/A593027828/ITOF?u=oran95108&sid=bookmark-ITOF&xid=3161577d). <https://link.gale.com/apps/doc/A593027828/ITOF?u=oran95108&sid=bookmark-ITOF&xid=3161577d>

Schullery, N. M. (2013). [Workplace engagement and generation differences in values. Business Communication Quarterly, 76\(2\), 252–265.](https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=87656732&site=ehost-live&scope=site) <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=87656732&site=ehost-live&scope=site>

Unit Lesson

In this unit, the focus is compensation. After failing to fill a mid-level manager position in your company, you begin to realize current employees are accepting positions at your competitor's organizations. This is creating several openings you are having a difficult time filling. After a meeting with the chief executive officer (CEO), you realize you need to evaluate different compensation strategies and then develop and implement a new compensation package that will allow you not only to hire but to retain qualified employees.

Fair Labor Standards Act (FLSA) and Compensation

The first place you start your evaluation is with equal employment opportunity (EEO) laws. You are not sure if you are paying your employees minimum wage, so your evaluation begins with the FLSA. According to the U.S. Department of Labor (n.d.), there are five provisions of the act. The first is minimum wage. A nonexempt

employee is entitled to earn an hourly minimum wage and is qualified for overtime. While the federal minimum wage has remained at a standstill since 2009, several attempts to raise it have been initiated over the years. In 2019, the Raise the Wage Act was brought before Congress by Democrats in an attempt to raise the federal minimum wage to \$15.00 by the year 2024 (Campbell, 2019). The chance of passage of this act, like several before it (and likely many future proposals), may be hindered by lack of partisanship and the state of control of both the House and Senate. It is interesting to note that there are several states where minimum wage is higher than the federal minimum wage; therefore, employees must be paid higher wages. In the suggested unit resources for this unit, you will find a link to the U.S. Department of Labor's interactive map where you can learn about the different state minimum wage laws.

You also know that many of your employees are exempt employees. Exempt employees are paid a salary, must earn a specific amount per year, and must perform exempt job duties. Exempt employees are expected to fulfill the responsibilities of the job regardless of the number of hours worked. In other words, according to the FLSA, exempt employees are not entitled to overtime.

The second provision applies to overtime. After 40 hours, nonexempt employees are also entitled to overtime at no less than one and one-half times the regular rate of pay. There is no limit to the number of hours employees 16 years and older can work, but there is a limit for anyone younger than 16. The FLSA also has provisions for child labor and hours worked. Finally, the fifth provision pertains to recordkeeping. As an employer, you must have the official poster displayed that identifies the requirements of FLSA, and you must have accurate recordkeeping for time and pay. It is a good reminder that when you review records, you consider the importance of equal pay for men and women.

Equal Pay Act and Compensation

In your research, you find that women earn 82% of men's earnings (Lagarde as cited in Noguchi, 2019). Berrien (n.d.) reported that women earn approximately 77 cents for every dollar that men earn, with a bigger wage gap for women of color and women with disabilities. In March 2019, a federal judge ordered the Trump administration to require large employers to report to the U.S. Equal Employment Opportunity Commission (EEOC) what they pay workers and to categorize the information based on gender and race (Noguchi, 2019). Noguchi (2019) also reported that Google's pay audit indicated that men were paid less in certain positions; there is also a class action lawsuit regarding wage disparities with as many as 8,000 current and former female employees.

Upon further investigation, in 2018, there were 1,066 cases filed with the EEOC regarding violations of the Equal Pay Act (EEOC, n.d). The Equal Pay Act requires employers to pay similar wages for similar work without regard to gender. Differences can occur when there are differences in seniority, in performance, and in quality or quantity of productions. Essentially, men and women should be paid equally for jobs that are comparable. Based on this knowledge, you can now begin to evaluate different compensation strategies to improve the hiring and retention ability of your company.

Compensation Strategies

There are different strategies to use when attracting and hiring employees. When developing a compensation strategy, you need to consider the culture of an organization, the business strategy, and the human resource (HR) strategy. The industry also has an impact because you may need to pay more in high-demand industries. Then, you must consider the financial impact of what you can afford to pay and what you are willing to pay. As an HR director, you can recommend different strategies, but you must have support for the strategy from leadership. Compensation strategies include *pay for performance* where compensation decisions are based on performance. Pay and raises are based on performance while there may be no raises for poor performing employees. The length of services does not guarantee a raise. You may offer bonuses or profit sharing. *Competency-based pay* is where you reward employees by paying them more when they gain additional skills or knowledge. For example, you could potentially get a salary increase when you complete additional professional development, such as a degree or a certification. As an HR director, you may decide to get your Senior Professional in Human Resources (SPHR) certification; when you complete this, you will likely be compensated accordingly. This is an example of *pay for knowledge*. If one of your employees improves their skills by learning how to operate an advanced piece of equipment or software program, then he or she will be compensated accordingly. This is an example of *skill-based pay*. Once you

decide on the strategy that will be the most effective for your organization, you need to evaluate both direct and indirect benefits.

Direct Benefits

Salary, hourly wage, commissions, and bonuses are considered direct benefits. In order to determine what type direct benefits should be paid, you can evaluate what the competition pays and evaluate different websites such as Glassdoor.com, Salary.com, and Indeed.com to name a few. The U.S. Bureau of Labor Statistics' *Occupational Outlook Handbook* provides salary information for many occupations. This is a good place to start when trying to determine what type of salary should be paid.

Indirect Benefits

There are two types of indirect benefits. *Legally required indirect benefits* are not optional; other benefits are considered *discretionary*. Legally mandated benefits include Social Security, unemployment compensation, and workers' compensation. The Family Medical Leave Act (FMLA) has been amended since it was enacted. If an organization has 50 or more employees who live within a 50-mile radius, your employees are covered by FMLA. To qualify for FMLA, an employee must have worked a minimum of 12 months and for 1,250 hours in the previous year. FMLA allows for 12 weeks of unpaid job-protected leave during a 12-month period.

In today's environment, salary may not be enough to attract and retain employees. Discretionary indirect benefits may include medical, dental, and life insurance. It is important to consider time not worked, which includes vacations, breaks, and holidays. Pension and retirement plans may be important to so many who want to work for you. Will you offer educational assistance, career development, recreational programs, legal services, and daycare services? Miller (2018) found that in the next 10 years, there may be additional perks, such as more greenspace, daycare services, a more comfortable office environment, and onsite amenities. Will this be enough to motivate employees to join or to stay at an organization?

Motivational Theories



Figure 1: Maslow's hierarchy of needs (Alinabel, n.d.)

When developing a compensation strategy, it is important to understand motivational theories. You may wonder what motivates or what is important to your employees. Is it their salary, a safe working environment, recognition, or time off?

You think back to your first job where you were not making enough money to meet your basic living needs (*physiological*). You moved into an apartment that was not in the safest part of town (*safety*). Because of your financial and living situation, you were unable to spend any time with your friends (*love/belonging*). You realized you needed to go back to college and earn a degree. Once you did, you made more money; bought a house; made new friends; and at work, you were confident (*esteem*) and creative as well as a problem solver (*self-actualization*). Interesting enough, when you went back to college, you realized that this was an example of Maslow's

hierarchy of needs. You cannot move to the next level in the hierarchy until the previous one is met.

You know that Maslow's hierarchy of needs is a relevant theory, but think about a time when you worked on a project where you went above and beyond what was expected of you. If you felt that your performance was excellent, and you were convinced that you would get a bonus at the end of the year as a result of your effort and performance, this would be an example of the *expectancy theory*.

Now, reflect on another experience where you worked on a team and were frustrated because there were team members who did not do as much as you, but they received the same bonus that you received at the

end of the year. This is an example of the *equity theory*. You determine whether you are being treated fairly by comparing what you are doing to what others are doing. This is known as *inputs*. You are also comparing what type of outcomes you are getting compared to others. So, if you get the same bonus as someone who has not contributed to a project, you would be disappointed.

Consider the following scenario following a successful year. At the end of the year, you received a larger bonus than expected and an all-expenses-paid cruise. Because of the rewards, you know that you will be more motivated for the next project, and your effort and performance will likely increase. This is an example of the *reinforcement theory*.

You understand the importance of evaluating different theories, but in your organization, there is a multi-generational workforce, and you are curious about this.

Generations in the Workplace

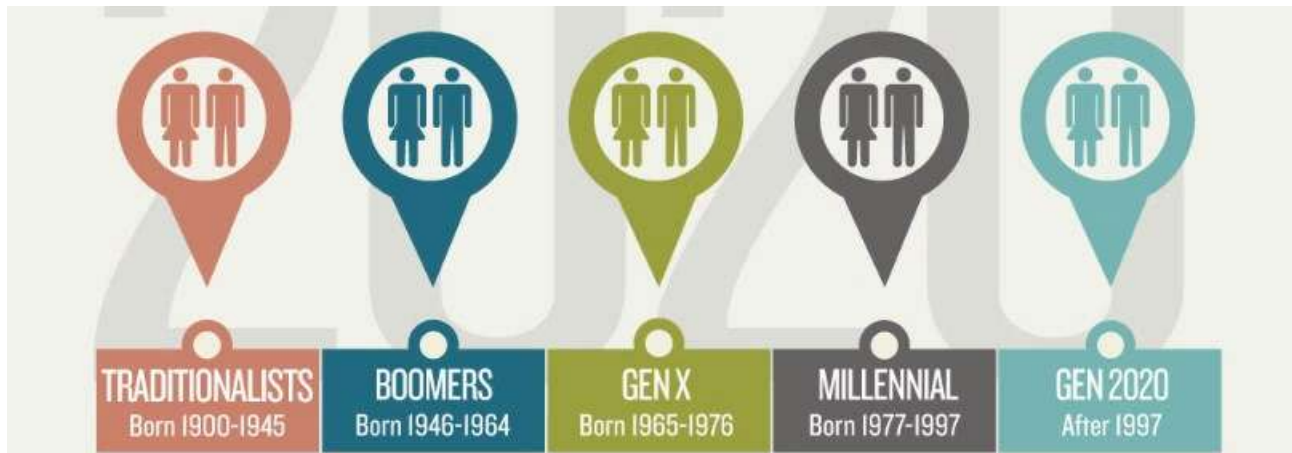


Figure 2: Five Generations in the Workforce (adapted from UNC Executive Development, 2014)

Right now, there are five generations in the workplace. As shown in Figure 2, these generations include Traditionalists, Baby Boomers, Generation X, Millennials (also referred to as Generation Y), and Generation Z (also referred to as Gen 2020). Schullery (2013) states that salary is important to Millennials, who also value leisure and having fun at work, but salary is less important to Generation X employees. She found that each generation is less likely to place value on intrinsic rewards, as compared to their previous generation (Schullery, 2013). It is important to design a compensation strategy for a multi-generational workforce. If you are successful in developing such a strategy and have hired qualified staff, you are aware that you need to focus on training and development. In Unit IV, you will have the opportunity to do so.

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Suggested Unit Resources

In order to access the following resources, click the links below.

The resource below is the *Occupational Outlook Handbook* (OOH), which can help you find career information on duties, education and training, pay, and outlook for hundreds of occupations. It is an excellent resource to explore and bookmark for future reference.

U.S. Bureau of Labor Statistics. (n.d.). [Occupational outlook handbook](https://www.bls.gov/ooh/). <https://www.bls.gov/ooh/>

The following link will take you to an interactive map provided by the U.S. Department of Labor, showing state minimum wages and applicable laws. Use the legend on the left of the page to highlight different minimum wage categories, and click on any state to learn about applicable minimum wage laws.