Benefits and Compensation

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**Introduction**

Employee compensation plan is defined as a plan that is meant to discuss and define how an employee will be compensated for the efforts that they have put on their job role. Compensation plan are the accumulation and collection of payment and charges that includes wages that are associated with the amount of time spent on doing work, amount that are gained as a result of activity that is being performed and the expenses of the employees that are to be addressed but the company such as bonuses, working, cafeteria plans and the health plans. It would not be wrong to say that compensation or benefit plan is more like a motivation plan that is meant to make the employee keep up the good work. It is one of the central concepts in the Human Resource Management that is meant to deal with the performance of employees by giving them positive incentives to work more and realize that the company owns them. Employee compensation and benefits plan is meant to facilitate and compensate employees, taking into account different factors influence the formation of compensation plan

**Discussion**

An effective compensation and benefits plan is the one that is perceived by the employees as perfect in all the dimensions of systematic and professional’s components. It is important to note that there are different external and internal sectors of information required to make an effective compensation plan (Lang et al. 2018). Before analyzing the information, it is necessary to take into account the components that are included in the compensation plan. These components are the job description of the employees in terms of responsibilities, requirements, functions and the conditions in which an employee is working and, job analysis that highlights the development of job description (Works et al. 2019). Job evaluation is also one of the factors that highlight and specify the appropriate compensation level by comparison of different job descriptions, pay structure which infers the standard compensation practices and salary survey that highlight salary and market trend. All these are the components that are required to collect the required information from different departments. Development of employee compensation and benefits plan involves analysis of both external and internal data (Magnan et al. 2018).

**Internal resources**

Internal influences refer to the employees who are doing some type of job, analyzing if there is any difference in the job responsibilities and, comparison of departments within the same company. It is highlighted that the information form internal factors that are required to be considered for the formation of the compensation plan are financial resources. These resources refer to the following

**Ability to pay**

It refer to the sources or factors such as investment opportunities , opportunities for funding that the company has, analysis of the sources of income in the organization depending on the field and the evaluation of the market shares that a company owner at a particular time (Bonaime et al. 2019).

**Physical Resources and business strategies**

Physical resources are also considered while formulating the employee compensation plan. These resources include the location of the company, and the facilities that the company has and the equipment that is used by the company (Rahman et al. 2019). It is highlighted that the physical resources are analyzed to make decisions that can be fruitful for the company in the long run, such as the presence of heavy machinery in the area of high expenses would make it hard for the company to compensate employees more (Works et al. 2019).

**Human Resources**

Human resources refer to the resources that are living in nature such as employee, in terms of number, target audience and the volunteers that the company has. Human resources analysis is necessary to undergo an evaluation and analysis of the facts and figures that are associated with the employees (Works et al. 2019).

**Employee**

Employee is also one of the internal factors that play a central role in the formation of an employee compensation plan. It includes several different and multi-dimensional aspects such as the performance of the employee, in terms of the attention that is paid by the employee, the measure of experience that an employee had in an organization, and the potential of the employees to make his image in the company (Bonaime et al. 2019).

**External factors**

It is important to note that similar to the internal factors, external factors play a central role in the formation of compensation and benefit plans. Some of the important external factors are discussed as follows

**Labor market condition**

Labor market condition refers to the analysis of demand and supply of the labor that can cast a direct influence on the compensation of the employees (Lang et al. 2018). It is important to note that when an employee is given low wages, there are fewer demands as compared to the supply of labor. It defined the ability of the market to address the supply and chain of the resources (Lang et al. 2018).

**Economic conditions**

Economic conditions refer to the productivity of the market in terms of production. It is evident that if a company has a high productivity rate then there would be an increased rate of the profit values (Works et al. 2019). Moreover, economic condition is also influenced by the introduction of some new methodologies, techniques and the methods that can act as a prime factor to empower the performance of the employee (Works et al. 2019).

**Labor Union and labor Laws**

It is highlighted that if there would be a high and powerful labor union, then there would be an enhanced compensation plan of the company. In contrast, the non-unionized companies or factories are enjoying more freedom with respect to the fixation of the compensation plan (Magnan et al. 2018). Labor Laws also play a major role in the formulation of the compensation plans, taking into account that laws are formulated by the government to safeguard the workers from any kind of exploitation. Examples of such laws could be the minimum Wages Act 1948, the payment of Bonus Act 1965 and the Equal Remuneration Act 1976 (Lang et al. 2018). All these laws would cast a direct impact on the formulation of the compensation strategies that are applied to facilitate or reward the employees.

**The most important information for the development of the compensation plan**

After an analysis of the internal and external factors that are necessary and central to the formulation of an employee compensation plan, it is highlighted that some of the points are the key consideration in the formulation of a benefit plan. In the absence of such factors, the consideration plan would not be complete or information, discussed below.

**Supply and Demand for the employee skill**

It is asserted that the supply and demand for employee skill is one of the central information for the formation of a compensation plan because a commodity approach to labor is neither required nor correct (Magnan et al. 2018). A company is paid for the services that are provided to the customer and those services are the product of the skills of the employees.

**Business Strategy**

The business stagey of the company also plays a central role in the formation of the compensation plan because the types of strategy used by the company will define the attitude of the employees towards business. It would not be wrong to say that the business strategy also plays a central role to determine the ability of the company to compensate its employees (Lang et al. 2018).

**Prevailing wage rate**

The company wage or the going wage rate plays a central role in determining the features of the compensation plan. It is highlighted that compensation is avoided in those companies in which the other industries are not offering any compensation. In a simplified form, compensation is something that is relative to different industries (Magnan et al. 2018).

**Job Requirements**

It is one of the major features that are responsible for making compensation plan a product of the skills and competencies that are required by a particular job role (Rahman et al. 2019). It can be found by analyzing the job role and grading job in terms of efforts, energy, responsibility, and relative conditions (Rahman et al. 2019).

**Productivity**

Another major dimension to be addressed while making an employee benefit or compensation plan is productivity. It is somehow related to the wages that are offered to the employee because an employee is hired on the basis of skill and attributes (Works et al. 2019).

**Least Considered Factors**

After an analysis of the research conducted on the type of compensation plans, it is highlighted that the least significant factors in the formation of the compensation plan are, geographical area, attitude of the employee and the type of technology that the company is using. These aspects are given least consideration because they are related to the financial resources of the company which in return affect the compensation plan but at a very minor level (Bonaime et al. 2019).

**Conclusion**

In conclusion, it can be said that a compensation plan is one of the major aspects of human resource management that plays a central role in parsing the skills of the employees by bringing them close to the organization framework. This compensation or rise is given in the form of different benefits and compensation that are given to the employees so that they can be motivated. Moreover, there are both external and internal factors of the company that influence the employee compensation plan, with varying significance. In the same way, there are some factors that are related to the compensation plan but they are not given due significance because they cause a minor influence on the compensation attributes.

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