Compensation Management

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Many factors can influence the individual’s choice of applying, accepting or rejecting a job offer. Even if the job market is tight, an individual evaluates the job offer and chooses the one that matches his or her best interest. Money or compensation is the key factor, which strongly influences the job decision-making. Many aspects that are considered include if the offering includes, if it is appealing in comparison with the other options available or if it is enough to meet expenses covering the travel expense to the workplace. The money factor is profoundly important, rest of the elements taken into consideration involve the job itself, working conditions, working environment or culture, and the future prospects i.e. if this job offer learning opportunities or not.

Since money or compensation is the most important factor; it plays a critical role in aligning employee behavior with organizational goals and objectives. Effective compensation plan enables the organization to attract the top talent from the pool. Since the talented people are high in demand, they want to put themselves in the best financial position. Competitors can offer attractive compensations to pick the best candidates. Organizational success is prominently dependent on its people, and money is a great motivator for many people. It gives an indication that the organization values employees’ compensation, bonuses, and rewards motivate them to work harder towards the organization’s goals. It is a great way to boost employee loyalty because happier employees stay with a company for a longer period of time (Osibanjo, Adeniji, Falola, & Heirsmac, 2014). Happier employees are also more productive and contribute to an organization’s profitability. However, there are many external factors, which affect the compensation planning of an organization.

One of the major features that organizations have to consider is the laws and regulations affecting the employees’ remuneration. The government protects employees against discrimination and exploitation by passing labor laws, for instance, The Minimum wages act 1948, passed to ensure that employees are not deprived of the minimum wages. Labour market condition is also a determining factor for employees’ compensation. In case, demand is high in the market for a specific skill, the wages go up; however, if the supply is higher than demand then the wages are low. There is also a market rate prevailing in the industry for different job positions, companies also consider that before making any compensation plans. Labour Unions that exist to protect employees against discrimination is also a strong factor, which makes force an organization to change its compensation plan. However, laws and regulations are highly influencing factors.

Examples of these laws that impact compensation planning include the Civil Rights Act of 1964, the Bennett Amendment in the act, and Executive Order 11246. The Civil Rights Act of 1964 holds high significance as it outlawed discrimination based on race, color, sex, and religion. The title VII of this law forbids employers from discriminating against employees based on race, color, caste, religion and ethnic backgrounds in any of the HR related functions such as recruitment, selection, promotion and rewards, and compensation (“Title VII of the Civil Rights Act of 1964,” n.d.). This amendment is referred to as the Bennett Amendment and specifically targets at the sex-based discrimination of employees. In addition, title VII ensures equal employment for all and is applicable in federal, state and local government and to public and private institutions and labor organizations.

Executive Order 11246 imposes anti-discrimination requirements on the federal contractors and it came after the year of the Civil Rights Act of 1964. It specifically covers the federal contractors, who are bound to make written affirmative action plans and if failed can be vulnerable to different penalties. All these laws were implemented with the sole purpose to eliminate discrimination of employees at the workplace. Modifications have been made in these laws to support its purpose.

# References

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