

What Is Employee Compensation?

Employee compensation refers to the benefits (cash, vacation, etc.) that an employee receives in exchange for the service they provide to their employer. Employee compensation is generally one of the largest costs or expenses for any organization. Approximately 92% of the working population in the United States is made of employees earning compensation from their employer. There are many different types of compensation paid to employees. The following are a few examples of the compensation paid to employees:

- Cash compensation consisting of wages or salaries
- Retirement plans (employer contributions)
- Employer-paid health insurance
- Life insurance.

What are the factors that influence the compensation level

. Years of experience and education level
It probably goes without saying, but the more experience and education a candidate has, the higher their expected compensation. So, if you're hoping to attract job seekers with master's degrees or more than 5 years' experience, you need be ready and willing to compensate accordingly.

2. Industry

Workers with similar, or even the same job title can expect vastly different wages depending on what industry they're in. There are many reasons for this discrepancy – in some cases their job function may be critical to a particular industry, or it may simply be a matter of one industry being considerably larger than the others.

3. Location

Cost of living, a major factor to consider when determining compensation, is largely dependent on location and, more specifically, the cost of housing. This is at least partially why salaries in large urban areas are generally higher than salaries for similar positions in more rural locations.

4. In-demand skill sets

When it comes to determining compensation, key skills may be an even more reliable metric to compare against than job title. After all, different companies may have very different definitions of the same job title.