

Employee compensation

Compensation is systematic approach to provide monetary value to employees in exchange for work performed by them is called as compensation.

Compensation may achieve several purposes assisting in recruitment. Job performance and job satisfaction.

Wayne Mondy defines compensation as: Compensation is the total of all rewards provides to employees in return for their services. The overall purpose of gaining compensation are to attract, retain and motivate employees.

Compensation is one the most important parts of an employment contract that brings in people from outside and makes them members of an organisation system.

- (i) To pay sufficiently to full basic needs.
- (ii) To mark the compensation based on external labour market.
- (ii) To maintain salary equity among employees.

- (iv) To reward employees past performance.
- v) To align employees' future performance with organization goals.
- ii) To treat employees according to their performance.
- iii) To control compensation cost.
- iiii) To attract as well as retain new employees.

Factor affecting employee compensation

Internal factors

- Ability to Pay
- Business strategy
- Job evaluation and performance appraisal
- Employee

External factor.

- Labor market
- Going Rate
- Productivity.
- Cost of Living
- Labor Union
- Labor Laws