

Section - 5

Ques. 1 Define the terms employee compensation. What are the factors that influence the compensation level.

Employee compensation is the result of rewards that the employees receive in return for their work.

Compensation includes payments like bonuses, profit sharing, overtime pay, recognition rewards and sales commission etc.

Compensation can also include non-monetary perks like a company paid car, company paid housing and stock opportunities. Compensation of employee is a vital part of human resource management which helps in encouraging the employees and improving organizational effectiveness.

Factors that influence the compensation level are :-

• Internal factors

• External factors

→ Some of the external factors are :-

- (i) Demand & supply of labour.
- (ii) Cost of living.
- (iii) Economic condition.
- (iv) Prevailing wage level.
- (v) Society
- (vi) Government control.
- (vii) Labour

→ Some of the internal factors are

- (i) Compensation policy of the organisation.
- (ii) Employer's affordability.
- (iii) Worth of a job.
- (iv) Employee's worth.
- (v) The organisational ability to pay
- (vi) Job analysis & job description.
- (vii) Employee related factors.