

Employee Compensation and Benefits

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Introduction

In an organization the employee compensation and benefits is of prime importance as to retain the employees in an organization. The employee retention in organization is based upon the compensation and benefits given to the employee by the employer of the organization. It is very important to understand the nature of business and the employee needs of the organization in order to design an effective compensation and benefits package. The organization that has been selected for this paper is Microsoft. The core focus of this paper is to develop a compensation and benefits package for the employees of the selected organization.

Discussion

Consideration of the company's compensation system, it is done in terms of cost / benefit that is, when setting a fee or providing an incentive, expected result of their investment. There are objectives and criteria for a benefit program at Microsoft which is one of the biggest conglomerates all over the world and developer and distributor of Windows Operating System which is most widely used operating system all over the world, with approximately 90% of the PCs/Laptops run of Windows OS. The objective of compensation and benefit plan in Microsoft is reducing the employee turnover and absenteeism, raising the moral and strengthening security. Compensation plan at Microsoft comprises higher basic wages, gain sharing or bonus, employee old age benefit and other allowances such as medical reimbursement (Lois, 2010). The indirect or non-monetary compensation plan includes Flexible working hours schedule; paid leaves,

vacations, and sick leaves; meals and free; transport facility; cell phone, car and other perks and insurance.

Important Components of the Compensation and Benefits Package

The following are the most important components that make up the compensation and benefits package for the employees of Microsoft.

Base Pay

Base pay is the compensation received for the time worked, like hourly wage, annual salaries and excluding overtime and incentive pays. In other words Pay received for the time worked, whether an employee is able to meets its target, base pay is what he is going to receive. This sort of pay usually occupies the largest share in the compensation budget as well as on the employees pay cheque.

Performance Pay

The synonyms through which the performance pay is known can be ‘performance-contingent pay’, ‘at risk pay’ or ‘variable pay’. Performance based plan is like giving cash to a person when he hits a particular target. Performance pay can be based on the individual employee, whole team or the overall performance of an organization within a certain period (Lois, 2010). Performance pay plan which are based on targeting individual performance are very effective in improving the overall productivity.

Indirect Pay

The term indirect pay acknowledges that benefits are the part of total compensation and occupies a significant portion of it. The six main categories included in Microsoft's indirect pay are given as follows.

1. Benefits which are mandatory by law like employer contribution, work place safety and insurances.
2. Deferred income sources like pension plan and retirement benefits.
3. Benefits which are related to health, like dental, medical and other health insurances.
4. Paid leaves, which are related to holidays and sick leaves.
5. Benefits relating to assistance of employee in the form of easy loans to 0% interest loans (Macauley, 2009).
6. Providing miscellaneous benefits like fuel, car and discount on group products and services.

Conclusion

Compensation and benefit program of any organization is significant for the attainment of the organizational goals. The break down in the package helps in creating validity in the growth process. Microsoft is doing well at the moment and inclusion of rigorous training will help in retaining the needed human talent.

References

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