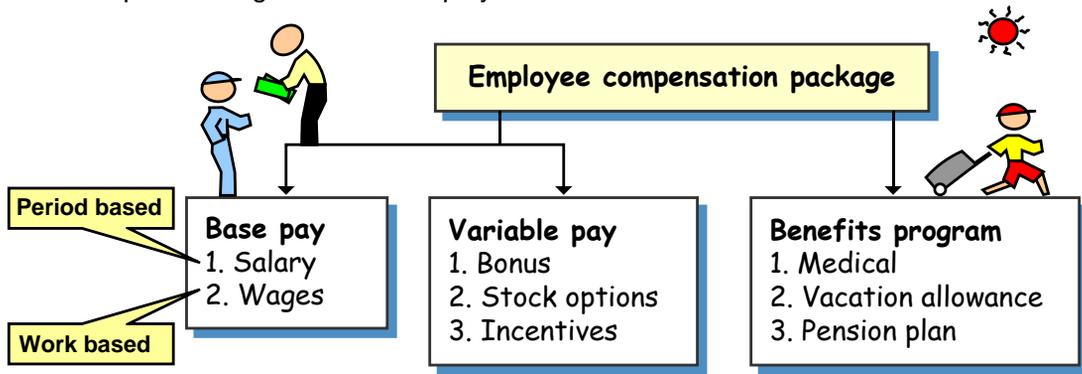


## 173 - Compensation

Compensation packages largely determine why employees choose to work for a company. A good compensation package rewards employees for their skills, abilities and effort and keeps talent in the company. To be competitive and effective, compensation packages have to be properly structured, be legally compliant and improve the overall performance of an organization. Compensation can amount to a significant portion of organizational cost.

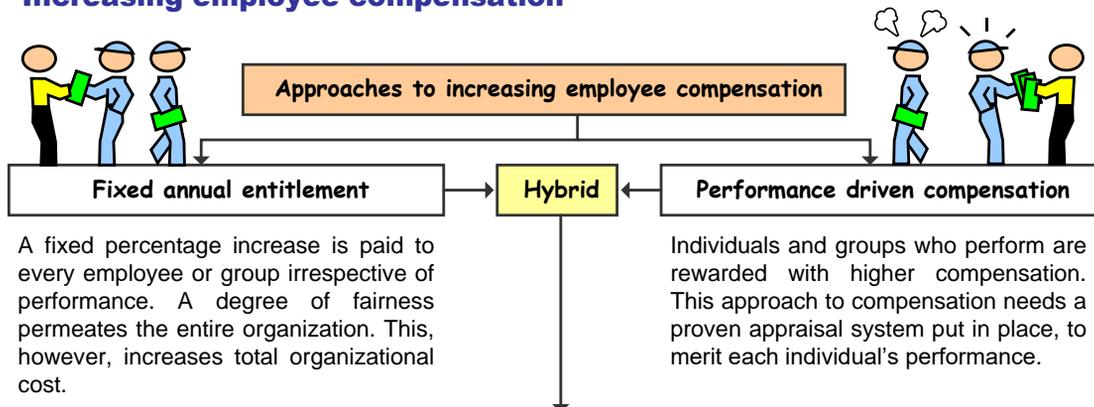
### The compensation package

The direct part of a compensation package includes pay, while the indirect portion makes up benefits given out to employees.



Results obtained from conducting job evaluations and pay surveys influence the way an organization designs its compensation structure. While HR departments design basic compensation structures, operational managers evaluate individual performances and contribute to decisions in finalizing compensation packages.

### Increasing employee compensation



By this approach, every individual and group is paid a fixed annual increase. Individuals and groups performing better are paid extra amounts as a reward for their performance.

An enterprise needs to balance its cost of attracting employees with better compensation packages against market pressures that force it to price its products competitively. As a result, employees with skills, who perform and work in demanding conditions, are paid higher.