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## Remuneration: Total Compensation and Base Pay

Total compensation is an important concept for both employees and employers, because of the major purposes it can serve, including:

- To attract potential job applicants
- To retain good employees
- To motivate employees
- To administer pay within legal regulations

The ability compensation has in attracting, retaining and motivating individuals is related to the value money has for people, however this is not to say that employees are only willing to join an organisation or perform well for reasons other than money. For instance, non-monetary rewards can include job status and prestige, job security, safety, responsibility, and variety. Overall, remuneration can affect productivity, cost containment, employee turnover, and company performance. When deciding upon remuneration packages, employers should take the following ideas into account. The purpose of total compensation is to:

1. Attract, retain and motivate competent and well-qualified employees.
2. Provide equitable remuneration to each employee regardless of the duties and responsibilities of their position.
3. Ensure that salaries compare favourably with those paid by competitors and other employers in the labour market.
4. Reward employees on the basis of performance.
5. Maintain effective controls over salary costs.
6. Provide a salary management program which can be understood and accepted by employees as being fair and equitable.

*Remuneration packages can include the following:*

Total Compensation (including benefits)

Salary gradings and range structure

Salary increase programs

Salary survey / market comparison procedures

Incentive plans

Superannuation

When determining base pay, it is important to look at three factors; job evaluation, pay structure establishment, and individual wage determinations. Job evaluation provides information about the duties and responsibilities of the job and determining which factors will be used to evaluate the job and their relative weight. Pay structure establishes the wage ranges or rates, and performing a wage or salary survey may be beneficial in establishing these. Individual wage determinations looks at how much to pay the individual and factors such as education, age, market demand, etc can be taken into account.

*If organisations want to attract, retain, and motivate employees, then they must ensure that employees are satisfied with their remuneration. While this may not depend on monetary rewards completely and may include non-monetary rewards, employers should take every effort to determine whether their salary offerings are competitive, support the short and long-term business strategies of the business, and reward employees on the basis of performance.*

\*Assistance provided by Schuler, Randall et al. 1992 *Human Resource Management in Australia*, West Publishing Co, NSW

