



# SNS College of Technology

## Coimbatore - 35



### 23BAE711–COMPENSATION AND REWARD SYSTEMS

#### UNIT I - INTRODUCTION

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**1<sup>st</sup> Indian**  
**Institution**  
**to Implement**

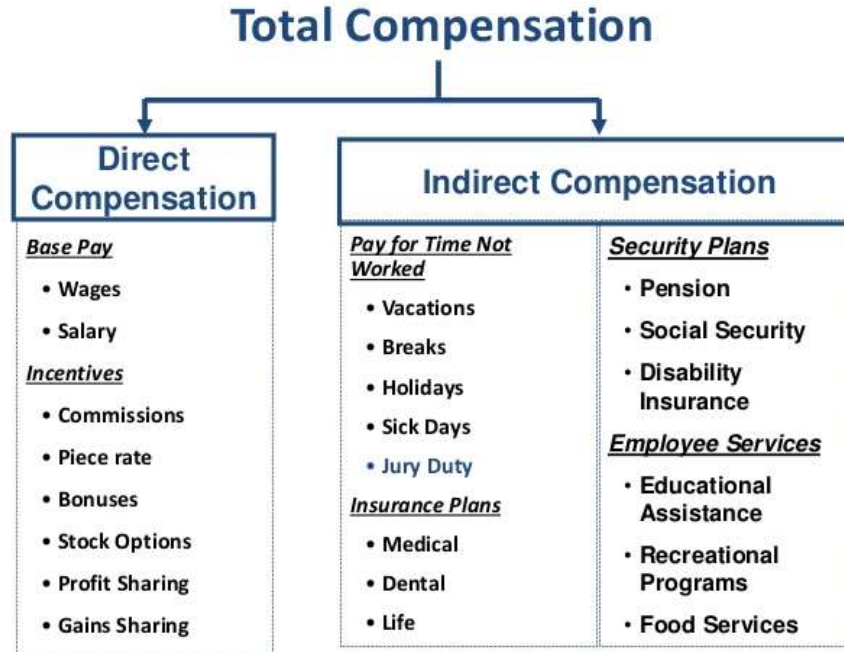
**Design**  
**Thinking**  
**Curriculum**

Redesigning Common Mind and Business  
Towards Excellence



# DIRECT VS INDIRECT COMPENSATION

Compensation is often described in monetary terms.



# DIRECT VS INDIRECT COMPENSATION

**Direct compensation** is the monetary payment given to employees for time worked or achievements, such as

- Base salary
- Wages
- Bonuses
- Commission
- Overtime

# DIRECT VS INDIRECT COMPENSATION

**Indirect compensation:** They include

- Insurance (health, dental, vision, etc.)
- Paid leave (vacations, holidays, sick days, etc.)
- Retirement contributions
- Career development programs
- Tuition reimbursement
- Student loan repayment assistance
- Office snacks

# DIRECT VS INDIRECT COMPENSATION

**Non-financial compensation:** They include

- Work-life programs
- Company volunteerism
- Corporate commitments to a better society

# DIFFERENCE BETWEEN DIRECT VS INDIRECT COMPENSATION

## 1. Monetary

- The most obvious difference is that direct compensation involves a straightforward monetary reward.
- While indirect compensation can provide some monetary value like paid vacation and holidays, it's subtle (hence, indirect) because it's not included in the employee's regular pay.
- Non-financial compensation is also an indirect form of compensation that provides emotional over monetary value

# DIFFERENCE BETWEEN DIRECT VS INDIRECT COMPENSATION

## 2. Performance

- An employee's direct compensation is based on their performance. If they meet their goals, they may get a raise or bonus.
- Indirect compensation isn't based on performance. An employee's health insurance plan isn't determined by how well they work, nor is their performance a factor in how many sick days an employee receives



# DIFFERENCE BETWEEN DIRECT VS INDIRECT COMPENSATION

## 3. Experience

- An employee's experience affects their direct and indirect compensation in different ways.
- If an employee is fresh out of college, they will likely earn an entry-level salary. Meanwhile, a worker with 20 years of experience will have more knowledge and skills, so they will be paid a higher wage.
- When it comes to indirect compensation, companies often give employees more vacation days the more years they work, which is one way to entice workers to stay

# Compensation Management Software

- Compensation management software shows employees exactly how they are compensated, both directly and indirectly, so they can comprehend their whole compensation package in real time.
- This tool should include:
- Real-time visibility into fair pay practices as awards are made.
- Audit trails for each compensation decision.
- Online employee compensation statements so workers can easily track how and why they are compensated.
- Customized compensation statements for each employee to reinforce the value of their employment.
- This kind of transparency and real time awareness of the value of employment inspires your workers to perform their best every day and encourages them to stay.

## Total Rewards Communication Software

- Total rewards communication software is another way to inform and engage with employees through personalized messaging that is easy to comprehend.
- This tool should communicate:
  - The total value of compensation.
  - A breakdown of employer-provided benefits.
  - 401(k) and employee contributions.
  - True visibility into benefits and incentives.
- Not all employees receive the same rewards. Therefore, you need a tool that provides employees with personalized statements explaining their compensation. That will help you satisfy and retain top talent.

# Assessment

1. \_\_\_\_\_ refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization

- a. Direct Compensation
- b. Indirect Compensation
- c. Performance compensation
- d. None of the above

2. Which of the below is not a part of direct compensation

- a. HRA
- b. Medical reimbursement
- c. Medical Assistance
- d. Bonus



# Reference

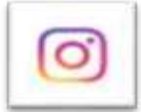
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# Reach Us



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*Thank  
you*