UNIT 1 - INTRODUCTION TO COMPENSATION AND REWARD SYSTEMS

1. What is Compensation?

Answer: Compensation refers to the total monetary and non-monetary rewards provided to employees in exchange for their work. It includes wages, salaries, bonuses, benefits, and other financial rewards.

2. Define Reward Management.

Answer: Reward Management is the process of designing and implementing policies and practices to reward employees fairly, equitably, and consistently, in line with their contribution to the organization.

3. What is the difference between direct and indirect compensation?

Answer: Direct compensation includes monetary payments like salaries and wages, while indirect compensation consists of non-monetary benefits such as health insurance, retirement plans, and paid time off.

4. Explain the concept of 'Pay for Performance.'

Answer: 'Pay for Performance' is a compensation strategy where employees are rewarded based on their job performance, aligning their earnings with their productivity and contribution to organizational goals.

5. What is a Pay Structure?

Answer: A pay structure is a framework that outlines the levels of pay within an organization, including job grades, salary ranges, and progression opportunities, ensuring equitable and consistent compensation.

6. What is the purpose of a Job Evaluation?

Answer: Job evaluation is a systematic process used to determine the relative worth of jobs within an organization, helping to establish a fair and equitable pay structure.

7. What are Fringe Benefits?

Answer: Fringe benefits are additional compensation provided to employees beyond their regular salary or wages, such as health insurance, company cars, and retirement benefits.

8. What is Equity Theory in compensation?

Answer: Equity Theory in compensation suggests that employees perceive fairness in pay when they feel their input-output ratio (effort to reward) is comparable to others in similar roles.

9. Define Internal Equity.

Answer: Internal equity refers to the fairness of pay within an organization, ensuring that employees in similar roles with similar skills and responsibilities receive comparable compensation.

10. What is External Competitiveness in compensation?

Answer: External competitiveness refers to how an organization's pay levels compare with those of other organizations in the same industry or geographic area, influencing the ability to attract and retain talent.