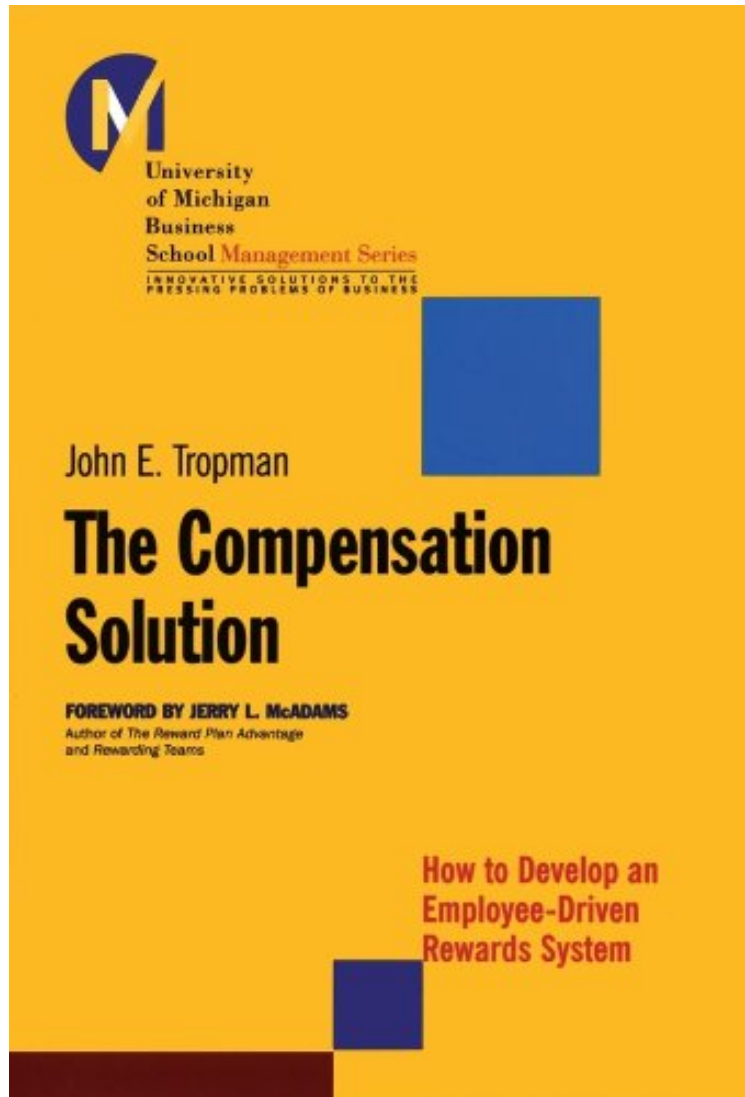


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## The Compensation Solution: How to Develop an Employee-Driven Rewards System (J-B-UMBS Series)

*John E. Tropman*

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**John E. Tropman : The Compensation Solution: How to Develop an Employee-Driven Rewards System (J-B-UMBS Series)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Compensation Solution: How to Develop an Employee-Driven Rewards System (J-B-UMBS Series):

2 of 3 people found the following review helpful. Feast for ThoughtBy Craig MattesonIf you are interested in thinking about compensation of employees as a means for improving employee satisfaction with the company with their jobs and as a means of contributing to employee productivity, I think you will find this a very useful book. Mr. Tropman

helps make explicit all the implicit components of employee compensation. There are many aspects to the employer - employee relationship that are either valued or borne by each side of the relationship. Mr. Tropman shows how thinking clearly about what he calls indirect pay, works pay, and perks pay can help employers and employees fit the job better and fit the total compensation value better to the employee. In this way both sides better understand the ways they are each gaining benefits and bearing costs through the work being done by a given employee. It never claims to be a one size fits all panacea. Rather, it is a helpful model that aids clearer thinking and discussion.

0 of 0 people found the following review helpful. **Aligning Compensation Objectives Between Employees and Employers** By Gregg S. Nichols

In his book *The Compensation Solution: How to Develop an Employee-Driven Rewards System*, John E. Tropman makes the case that limiting the compensation conversation to monetary rewards doesn't form a true partnership between the employee and the company where the success of each is inextricably tied to the other. He outlines a total compensation plan that aligns pay at four levels (money, perks, opportunity, ecosystem) to tightly align the motivations of the people and the organization while giving both more of what they want from the work contract.

**Company View** According to Tropman, companies should design their Total Compensation (TC) plan to accomplish three things: 1) Encourage retention of their best employees (Top 20%) 2) Balance inflow/outflow of the middle mass (Middle 60%) 3) Encourage departure of the rest (Bottom 20%) This is a more revolutionary idea than you might think. Tropman does not suggest the outright ranking of employees against each other- a practice that got Ford Motor Company and others in trouble with employees in the late 1990's. Instead, he proposes that inflows/outflows are driven naturally from the total compensation structure, which we'll discuss below.

**Employee View** Employees view Total Compensation (TC) as a set of motivators and satisfiers (or de-motivators and dis-satisfiers). Tropman's model for total compensation includes four levels of pay:  $TC = (BP+AP+IP) + (WP+PP) + (OA+OG) + (PI+QL) + X$

**Money** BP - Base Pay AP - Augmented Pay (variable bonus, including one-time payments) IP - Indirect Pay (healthcare benefits, 401(k), etc.) Perks WP - Works Perks (subsidized equipment, gear) PP - Perks Pay (employee discounts, memberships) Opportunity OA - Opportunity for Advancement OG - Opportunity for Growth Ecosystem PI - Psychic Income (environment, co-workers) QL - Quality of Life (flexibility, options) X - Unique Elements (things employee wants work to facilitate/accommodate)

Employees weigh these elements as a total set when deciding to take a new position or to stay on in a current one. Managed as a holistic unit, the TC framework gives the company more options to attract and motivate talent than just money, while also affording employees more opportunity to self-actualize than simply demanding raises every year.

**Company View + Employee View** Conversely, if the Perks, Opportunity, and Ecosystem elements are ignored and allowed to atrophy into dis-satisfiers then employees will be left with no alternative but to demand more Money as payment for their lack of satisfaction at work. Many companies "solve" this problem with de-facto annual raises in Base Pay (BP) that hurt both the company's pocketbook and employee engagement, according to Tropman, especially when applied without regard to each employee's specific contributions. Top employees leave for more rewarding conditions (or lower their engagement levels to match the incentive structure) while the bottom tier stays for the easy money. Absent the best producers, corporate growth tends to slow- a lose-lose situation often exposed only during economic downturns, like the one occurring now.

An alternative solution structures Base Pay (BP) to reflect the employee's role (pay the job) and skill level (pay the expertise) while Augmented Pay (AP) is highly flexible- the better to reward the employee's effort on a successful project (pay the results). Consistently-won bonuses- signifying a top 20% employee- can then be factored more permanently into Base Pay (BP) on an individual basis. A worker that receives little Augmented Pay (AP) and few (if any) increases to Base Pay (BP)- a bottom 20% employee- will look for easier pickings elsewhere.

In an economy driven by engaged knowledge workers (and drained by disengaged ones), the Total Compensation (TC) structure is an idea whose time has come.

0 of 1 people found the following review helpful. A bit far-fetched By El Caballo

The author suggests that each employee needs a "compensation caseworker" to develop a unique reward package to satisfy each employee's unique needs. Few companies need or could support such an approach given the current economic climate and the havoc it would create for companies wishing to streamline their operations. Otherwise, the book offers the same old platitudes and threadbare ideas about reward programs.

Money isn't everything to today's employees. This book shows companies how to combine traditional compensation with the educational, emotional, and psychological benefits that will attract the best and brightest. It identifies the ten elements--including learning, advancement, emotional rewards, and quality of life--that job seekers rank highest among desired benefits. Then it shows employers how to combine them with monetary benefits to create effective, employee-driven compensation packages.