



Compensation: Fiction and fact

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Professor

LEADERSHIP AND PEOPLE MANAGEMENT

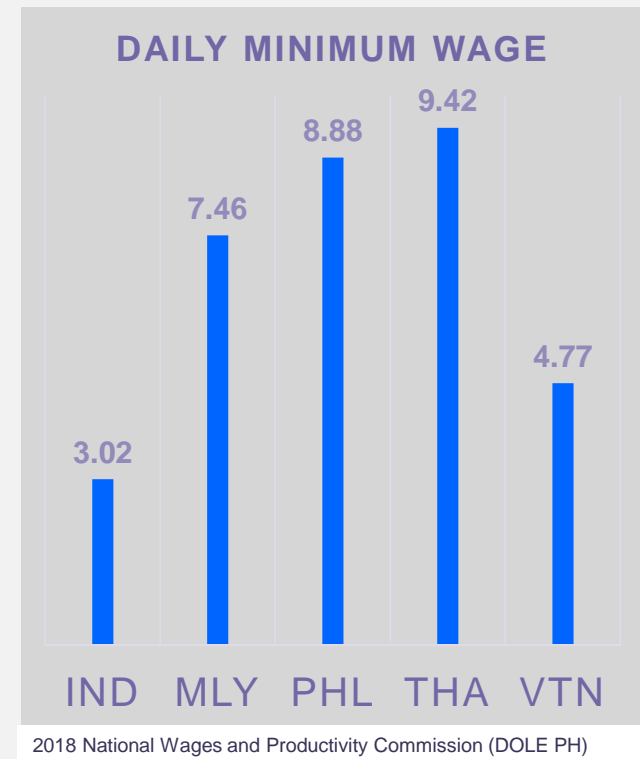
Executive Director

*RAMON V. DEL ROSARIO-CV STARR
CENTER FOR CORPORATE RESPONSIBILITY*

FICTION:

Labor rate = labor cost

- Labor rates and labor costs are not the same thing.
- **Labor rate:** employees get paid (can be daily or monthly)-important to employees
- **Labor cost:** component of labor on price of products/services-important to businesses

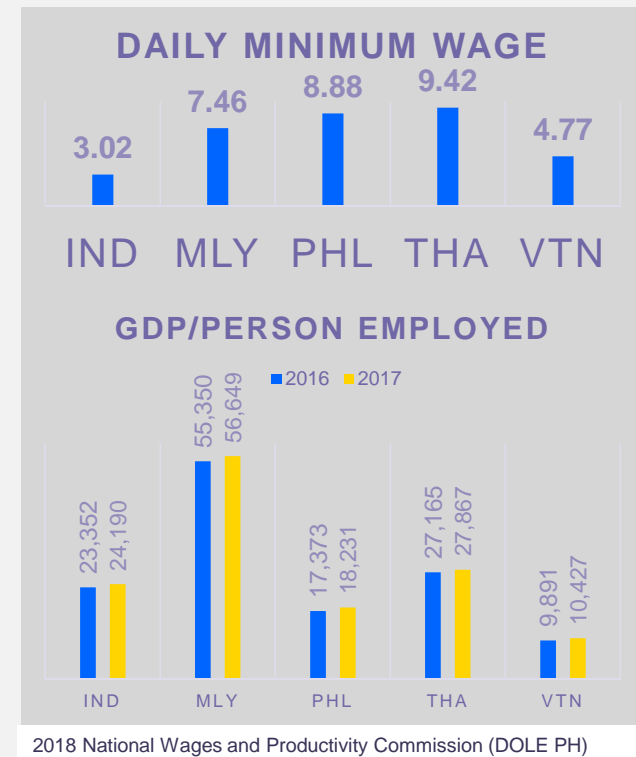


Pfeffer, J. (2001). "Six dangerous myths about pay," *Harvard Business Review On-Point*.

FICTION:

Low labor rate → low labor cost

- Factor in output (productivity).
- Lower labor cost by boosting output (productivity).
- Given a fixed labor rate, spreading total labor costs across higher output lowers labor cost per unit.

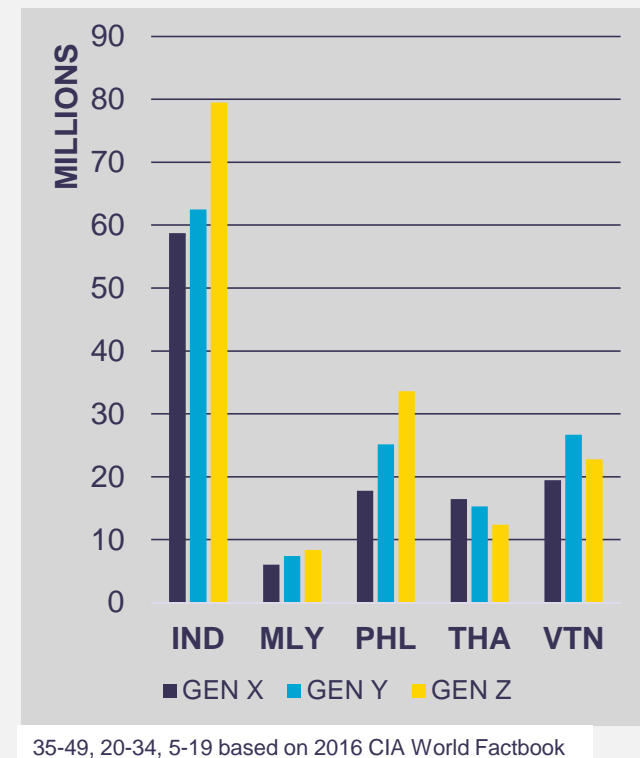


Pfeffer, J. (2001). "Six dangerous myths about pay," *Harvard Business Review On-Point*.

FICTION:

People work (only) for money

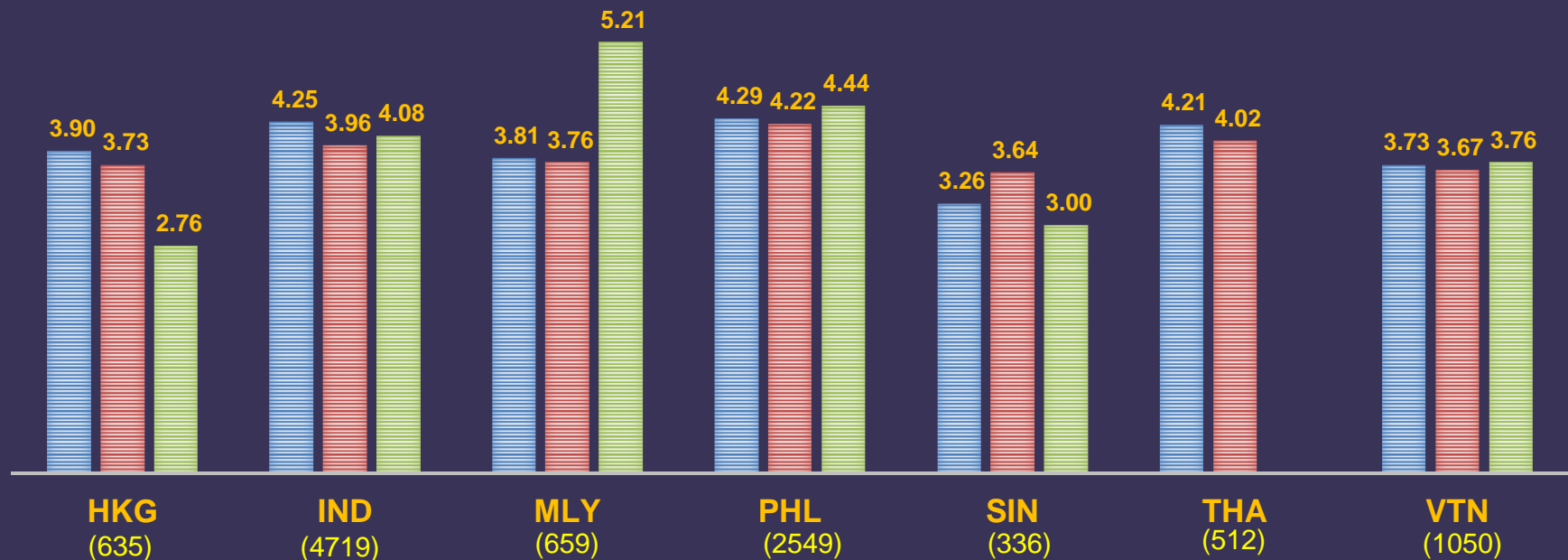
- Generations at work- what do they value?
- Money? Work? Non-work?
- Pay is essential- but how can we make employees commit to the organization?



Pfeffer, J. (2001). "Six dangerous myths about pay," *Harvard Business Review On-Point*.

Commitment to organization

■ GEN X ■ GEN Y ■ GEN Z



Scale of 1 (Strongly disagree) to 7 (Strongly agree):

1. I would be very happy to spend the rest of my career with this company.
2. I feel a strong sense of belonging at this company.
3. I am emotionally attached to this company.

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Benefits: Wish list

YES or NO: I would like to have this benefit.

	BIRTHDAY LEAVE	FAMILY LEAVE	BEREAVE LEAVE	TRANSP ALLOW.	FOOD ALLOW.	HEALTH INS.	PARENTAL LEAVE	FLEXIBLE HOURS
TOTAL (326)	93.6%	91.1%	90.5%	90.2%	89.6%	96.3%	92.0%	90.2%
GEN X (113)	89.3%	90.3%	89.4%	89.4%	89.4%	99.1%	94.7%	88.5%
GEN Y (213)	95.8%	91.6%	91.1%	90.6%	89.7%	94.8%	90.6%	91.1%

Effects on commitment

For those that want these benefits

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Birthday leave	Available	Unavailable
Gen X	4.21	3.72
Gex Y	4.05	3.65

1

Family care leave	Available	Unavailable
Gen X	4.57	3.82
Gex Y	4.28	3.61

Bereavement leave	Available	Unavailable
Gen X	4.01	3.93
Gex Y	3.93	3.58

Transpo allowance	Available	Unavailable
Gen X	4.05	3.82
Gex Y	3.99	3.62

Food allowance	Available	Unavailable
Gen X	4.13	3.85
Gex Y	3.97	3.57

Health insurance	Available	Unavailable
Gen X	3.96	3.77
Gex Y	3.91	3.26

Parental leave	Available	Unavailable
Gen X	4.31	3.77
Gex Y	4.02	3.55

Flexible hours	Available	Unavailable
Gen X	4.13	3.65
Gex Y	4.12	3.45

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Benefits & effects on commitment

Having a more complete picture

	BIRTHDAY LEAVE	FAMILY LEAVE	BEREAVE LEAVE	TRANSP ALLOW.	FOOD ALLOW.	HEALTH INS.	PARENTAL LEAVE	FLEXIBLE HOURS
TOTAL (326)	93.6%	91.1%	90.5%	90.2%	89.6%	96.3%	92.0%	90.2%
GEN X (113)	89.3% +0.49	90.3% +0.75	89.4% +0.08	89.4% +0.23	89.4% +0.28	99.1% +0.19	94.7% +0.54	88.5% +0.48
GEN Y (213)	95.8% +0.40	91.6% +0.67	91.1% +0.35	90.6% +0.37	89.7% +0.40	94.8% +0.65	90.6% +0.47	91.1% +0.67

Engagement or commitment?



On a final note...

- High wages can lead to low cost- by boosting productivity
- Committed employees are productive employees
- Employees first (HCL, Nayar)
- Employees produce high quality service/product (for higher margins)

EMPLOYEE FIRST!

- ✓ Treating employees, not as cost, but as capital
- ✓ Investing, nurturing, growing employees
- ✓ Fostering a culture of support



ارکیش

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Огромное спасибо!

Salamat

감사합니다

ধন্যবাদ

謝謝

THANK YOU

धन्यवादाः

Terima kasih

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Çok teşekkür ederim

どうもありがとう

