

CHAPTER 14

Performance Management, Compensation, Benefits, Payroll, and the HRIS

INTRODUCTION

Performance, rewards and payroll systems are the basic exchange between employees and employers

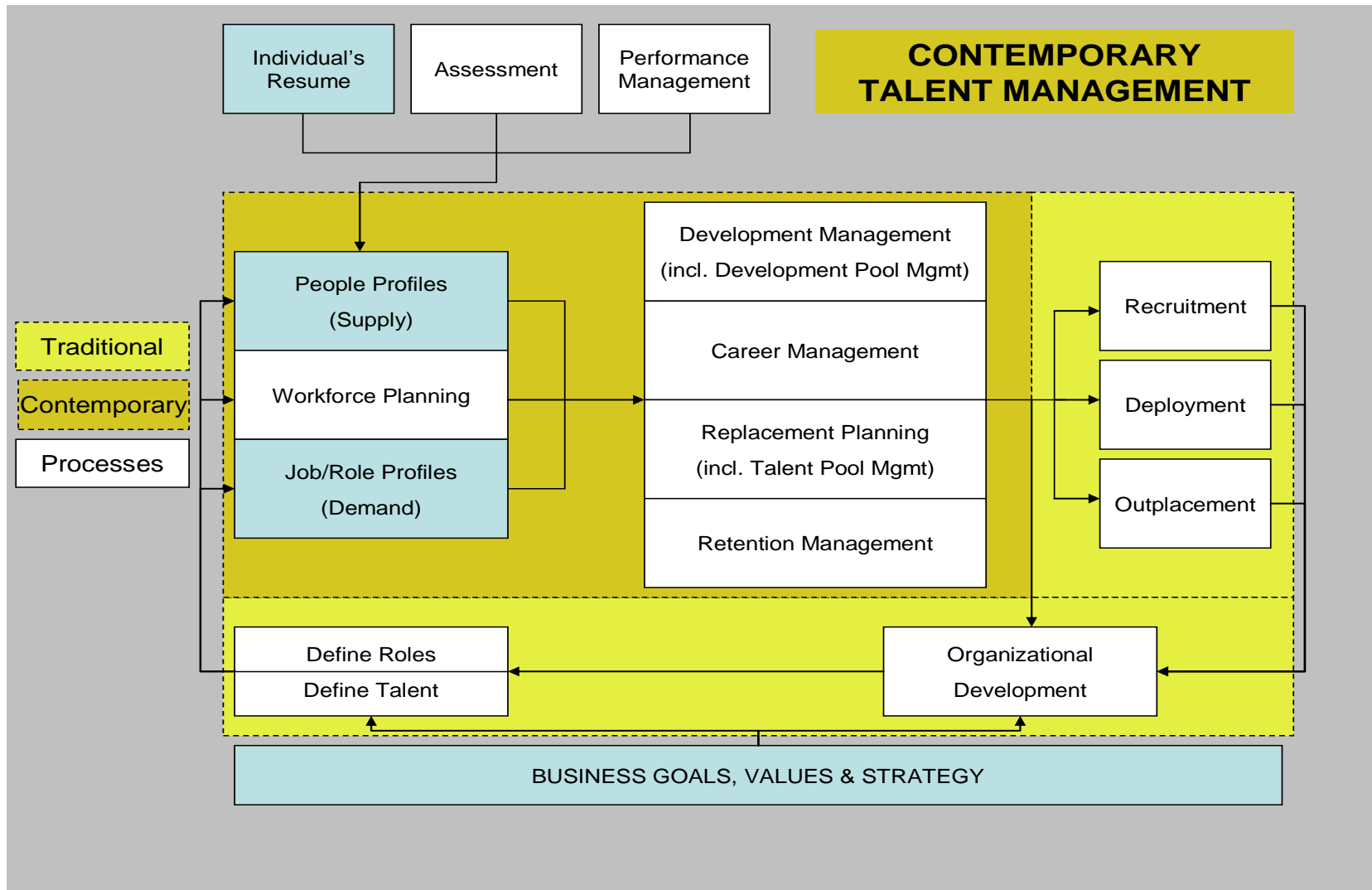
Employees provide performance and in exchange employers provide rewards, which are distributed via payroll systems

PERFORMANCE MANAGEMENT

- Process – within the framework of Talent Management
 - performance planning
 - observing performance and providing positive and corrective feedback
 - developing periodic performance summaries
- Supported by periodic performance evaluations/ appraisals/summaries

MODEL OF CONTEMPORARY TALENT MANAGEMENT

Figure 14.1



PERFORMANCE PLANNING

- Define what performance means – what the employee is to accomplish and be expected to do, deliver or contribute
- For each performance dimension
 - Develop specific outcomes and behaviors to measure performance
 - Set appropriate standards for each measure
- Performance dimensions, measures and standards are unique to each position
- Develop common standards for employees with identical job titles


PERFORMANCE PLANNING

- Communicate performance dimensions, measures and standards to the direct report
- Direct report sets performance goals for the coming year
- Becomes the performance “contract” for the period

PERFORMANCE PLANNING AND RATING MODULE SCREEN Figure 14.2



Self | **My Direct Reports** | Executive | Talent Review | HR Administrator | Logoff



Bowen, Chris
Managing Sales Director

- Select Employee
- Select Employees (All)
- View Organization Chart

Selected Period: 2006
Change Period

Employee Demographics

- Employee Resume
- Coaching Sessions

Employee Assessments

- Competency Gap Analysis
- Competency Assessment
- Strengths and Development Opps
- Development Activities

Succession Planning

Performance Plan

Performance Reviews

- Select Review

Review: Demo Mid-Year

- Review Status
- Rate Goals
- Rate Competencies
- Review Summary
- Overall Rating/Sign Off
- Feedback from Others
- Performance Review Report

Rate Goals

In the actual process, Business, People and Overall Ratings can be calculated automatically and presented to the Manager for approval. Employee is allowed to rate, those rating could also be shown.

Period: 2006

Goal: **Achieve sales volume goals.**

Employee Comments:

I think I more than met more goals during this review period especially related to the increase in sales

Employee Rating: Employee's self-rating
Exceeds Expectations

Manager Rating: (None)
Unsatisfactory
Does Not Meet Expectations
Meets Expectations
Exceeds Expectations
Far Exceeds Expectations

Completion Date:

Coach Comments:

Chris has shown some improvement in his team building as well as managing expectations.

Manager Comments:

Period: 2006

Goal: **Manage the retail execution of promotional inventory, pricing & merchandising standards.**

Employee Comments:

Employee Rating: Employee's self-rating
Far Exceeds Expectations

Manager Rating: (None)
Unsatisfactory
Does Not Meet Expectations
Meets Expectations
Exceeds Expectations
Far Exceeds Expectations

Coach Comments:

Chris has developed well during this review period.

Manager Comments:

Typical Performance Management DATA INPUTS

Inputs For PM Systems Include:

- Organizational Level – tied to business Strategies
- Job Level – key tasks and responsibilities
- Individual Level – performance appraisal

TYPICAL PM REPORTS

- Performance Contract For Each Employee
- Annual Summary Appraisal For Each Employee
- Reports Include Aggregate Performance Data By Unit
- Reports Comparing Aggregated Unit Performance With Unit Output

PM DATA OUTFLOW

- Performance Data Is Used In Many HRM Decisions, And Will Flow Automatically Into Some Processes Or Be Available For Others As Needed.
- The Performance Measure Used Is The Summary Performance Level For Each Employee.
- Performance Data Used For:
 - Promotions
 - Lay-offs
 - Assignment To Training Programs
 - Developmental Assignments
 - Training And Development
 - Staffing

PM DECISION SUPPORT

- The basic decision support system in the area of performance management is the entire system
- Managers can track:
 - Direct Reports
 - Group Performance
 - Administrative Aspects Of PM
- Direct reports can track their own performance

EXAMPLE OF RELATING PERFORMANCE TO COMPENSATION

Figure 14.3

Succession Planning System - Microsoft Internet Explorer provided by Pilat-NAI

http://mardoni/pulse/Pulse_750Demo/Standard/AddIn/multiboxmatrix/multiboxmatrix2.asp?ENC=WmVuczEKR87GxtkzLueSa7t0fzH7lRk4KVLbCobnJrE

File Edit View Favorites Tools Help

SnagIt

Succession Planning System

Performance Calibration

Purpose: Seeing all employees and their ratings enables you to re-calibrate the rating distribution by dragging and dropping employees into different rating boxes

Save Enable select and move Report: **General - Employee Distribution by Status** Run Report

Outstanding	Exceeds	Satisfactory	Need Improvement	Not Performing
Bell, Jan (F) Blaker, Amanda (F) Brown, Peter (M) Shuler, Kerry (F) Vargo, Pamela (F)	Adams, Gomez (M) Amory, Donald (M) Blasi, Charles (M) Bowie, Sandra (F) Cain, Henry (M) Campolo, Robert (M) Cannizzaro, Vicki (F) Kurland, Robert (M) Masterson, Joseph (M) Melillo, Margaret (F) Pruden, Francis (M) Rahner, Susan (F) Sales, Celeste (F)	Bailey, Douglas (M) Bailey, Thomas (M) Blume, Robert (M) Brand, Gregory (M) Buckley, Jeffrey (M) Carlone, Elaine (F) Department, Your (M) Duke, Leon (M) Fits, Benny (M) Fleischer, Harriet (F) Flint, Fred (M) Innocenti, Cynthia (F) Kelly, Donald (M) Kitty, Karen (F) Kramer, Paul (M) Melville, Jayne (F) Mills, Thomas (M) Rajam, Vijay (M) Reed-Miller, Beth (F) Richardson, Roxie (F) Salvati, Carol (F) Schwartz, Jon (M) Smith, Mark (M) Stedtler, Mary (F) Sweda, Anna (F) Teller, William (M) Travers, Paul (M) Unger, Phillip (M) Wells, Kristen (F) Wingrove, Clinton (M)	Aaron, Ray (M) Bowen, Chris (M) Bundy, Al (M) Curtis, Mary (F) Desocio, Joseph (M) Doe, Chris (M) Dough, Lilly (F) Gowers, Susan (F) Grove, Harry (M) Harris, Norma (F) House, Roger (M) Johnston, Leonard (M) Kadri, Patricia (F) Lukow, Greg (M) Marcus, Sam (M) Mohan, Martha (F) Mooney, Franklin (M) Noble, John (M) Olson, Raymond (M) Reuben, Frank (M) Rodgers, Robert (M) Rossi, David (M) Roussell, Donna (F) Sferlazzo, Danita (F) Townsend, Jerry (M) Wiggins, Jacquelyn (F) Zhou, Ernest (M)	Cartagena, Elizabeth (F) Costello, Lou (M) Donnellan, James (M) Estavez, Christina (M) Gorman, Richard (M) Hafner, Peter (M) Kunzmann, Stephen (M) Larsen, Caroline (F) Mona, Laura (F) Paul, Sam (M) Quinn, Mary (F) Rubble, Bill (M) Saravay, Mark (M) Steinberg, Maureen (F)

Employees by Rating

Calibration

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Logged on as: aaron

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COMPENSATION

- One of the Most Complex Topics in HRM
 - Turning To Technology For Help
- All Compensation Programs Should Be Integrated
 - Consistent Message about
 - What Adds Value In The Organization
 - Type Of Behavior And Culture That Is Desired

COMPENSATION

Components of compensation:

- Base Pay
- Merit Pay
- Short Term Incentives
- Long Term Incentives
- Perquisites
- Recognition Awards
- Attraction/Retention Awards

COMPENSATION – under regulation

- Fair Labor Standards Act (FLSA)
 - Exempt Vs. Nonexempt Workers
 - Non-Exempt Workers:
 - Must Be Paid At Least The Minimum Wage
 - Must Pay Time Worked In Excess Of 40 Hours A Week Overtime At A Rate Of 1.5 Times The Normal Pay
 - Must Provide Records To The Federal Government On Hours Worked And Regular And Overtime Pay For All Non-exempt Workers
- Office of Federal Contract Compliance Programs (OFCCP)

TYPICAL COMPENSATION DATA INPUTS

- Internal
 - Job/ People/ Organizational
- External
 - Market Survey, Reward Practices
- Generated
 - Job Evaluation, Salary Structure, Merit Metrics, Reward Guidelines
- Employee Group Specific Data
 - Executive Compensation, Sales Compensation, Gain-sharing Programs

TYPICAL COMPENSATION REPORTS

- Budget Reports
- Employee Compensation Report
- Salary Survey,
- EEO Reports

COMPENSATION DATA OUTFLOWS

- Primary Data Outflow is to Payroll
- Audiences
 - Compensation Analysts
 - Managers
 - Benefits Analysts
- Data sent to Federal, State And Local Agencies,
- Rewards Survey Firms

COMPENSATION DECISION SUPPORT

- The Major Rewards Decision That Has To Be Made About Every Employee Is How Much Should He Or She Be Paid
- DSS Deal With:
 - Job Evaluation
 - The Use Of Market Data
 - Market Pricing
 - Building A Salary Structure
 - Developing A Merit Matrix
 - Running Incentive Programs
 - Sales Compensation
 - Executive Pay
- Sarbanes- Oxley Act (SOX)- 2005
- Troubled Asset relief Program (TARP) of 2009

SCREEN OF SALARY REVIEW MODULE FOR DEPARTMENT MANAGER Figure 14.4

Salary Review - USA

Budget Figures

Total Budget for United States: 14674
 Budget Used: 13500.7
 Budget Remaining: 1173.29

USA Merit Increase Matrix

The following table is used to determine the merit increase percentage based on the employee's Consolidated Rating and RSP scores.

Rating	RSP 70 - 100 (From)	RSP 70 - 100 (To)	RSP >100 - 130 (From)	RSP >100 - 130 (To)
10 - 24.9 Points	0	0	0	0
25 - 34.9 Points	0	0	0	0
35 - 44.9 Points	3	0	3	
45 - 54.9 Points	5.5	3.5	5.5	
55 - 70 Points	8	10	6	8

Employee Merit Increase

The local currency is: **US Dollar**. The Euro exchange rate is: **0.830220**.

Employee	Rating	Consolidated Rating	Range %	Current Salary Local	Current Salary	Merit Range From	Merit Range To	Merit Increase %	Merit Increase Amount	Salary with Merit	Adjustment Increase %	Adjustment Increase Amount	Salary with Adjustment	New RSP
Blasi, Charles	60	20	90.00	27,000.00	22,416.00	0.00	0.00	3.00	672.48	23,088.48	0.00	0.00	23,088.48	90.00
Flint, Fred	38	38	108.00	35,000.00	29,058.00	0.00	3.00	4.00	1,162.32	30,220.32	0.00	0.00	30,220.32	111.00
Rossi, David	43	43	101.00	36,500.00	30,303.00	0.00	3.00	5.00	1,515.15	31,818.15	0.00	0.00	31,818.15	104.00
Bowen, Chris	45	50	79.00	36,000.00	29,888.00	5.50	7.50	5.50	1,643.84	31,531.84	2.00	630.64	32,162.48	89.00
Steinberg, Maureen	56	56	85.00	45,000.00	37,360.00	8.00	10.00	8.00	2,988.80	40,348.80	0.00	0.00	40,348.80	92.00
Innocenti, Cynthia	59	70	90.00	73,000.00	60,606.00	8.00	10.00	8.00	4,848.48	65,454.48	0.00	0.00	65,454.48	98.00
				252,500.00	209,631.00				12,831.07	222,462.07		630.64	223,092.71	

BENEFITS

- Retirement
 - Pension Plans, Defined Contribution Plans, etc.
- Income Protection
 - Workers' Compensation, Life Insurance, etc.
- Medical And Other Health Benefits
 - Health, Dental, Major Medical, etc.
- Paid Time Off
 - Vacation, Holidays, etc.
- Miscellaneous Benefits
 - Dependent Care, Tuition Reimbursement, etc.

BENEFITS (CONT.)

- Differ From Compensation
 - Employee Pays All Or Part Of The Cost Of Most Benefits
 - Most Organizations Have Some Flexibility In The Benefits Program
- Growing Trend To Outsource Benefits Programs And Administration
- HRIS Requirements to support Benefits can be Complex

TYPICAL BENEFITS DATA INPUTS

- Data Supporting Relationship With Current And Prospective Vendors
- Data Supporting Internal Management Of Benefits Programs
- Data Supporting Employee Data Input & Management
- Data Supporting Federal, State And Local Laws And Regulations Governing Benefit Practice

TYPICAL BENEFITS REPORTS

- Required Federal and State Government Reports
 - Ex. Annual Benefits Report to Employees
 - Employee “Rewards Scorecard”
- Web-based Access
 - View Reports Anytime/Anyplace

COMPENSATION AND BENEFITS PLANNING SCREEN Figure 14.5

Atwood, Peter (2300)

Summary							
Print							
Benefit Options (1 Record)							
Plan Name	Option Name	Benefit Type	Basis of Contribution	Effective From	Effective To		
Health Insurance 2005	Single	Health Insurance	150	06-01-2008			
Salary (5 Records)							
Currency	Amount	Reason	Effective From	Effective To			
GBP	110,400.00		01-01-2006				
GBP	102,337.00		01-01-2005	12-31-2005			
GBP	96,100.00		01-01-2004	12-31-2004			
GBP	86,520.00		01-01-2003	12-31-2003			
GBP	81,654.00		01-01-2002	12-31-2002			
Allowances (2 Records)							
Allowance Type	Local Currency	Local Amount	Frequency	Effective From	Effective To		
London Weighting	GBP	1,000.00	Yearly	01-01-2003			
Car	GBP	300.00	Monthly	01-01-2002			
Bonus (1 Record)							
Target Currency	Target Amount	Local Amount	Attainment %	Bonus Type	Effective From	Effective To	
GBP	4,000.00	3,500.00		Performance Bonus	01-01-2003		
Stock Options (1 Record)							
Plan Name	Plan Option	Number of Options	Effective From	Effective To	Local Currency	Frequency	
Employee Management Incentive		10.00	01-01-2003		GBP	Monthly	
Personal Grade (1 Record)							
Grade	Grade Group	Currency	Min. Salary	Mid. Salary	Max. Salary	Effective From	Effective To
C	Managerial Grades	USD	90,000.00	100,000.00	110,000.00	01-01-2004	

BENEFITS DATA OUTFLOWS

- Internal Data Flows
 - Payroll And Accounting
- External Data Flows
 - Benefits Providers, Outsourced Benefits Administrators,
 - Federal, State And Local Government Agencies
- Large Cost Savings with Electronic Transfer
 - AT&T - \$15 million

BENEFITS DECISION SUPPORT

- Some Overlap With Reports
 - Can generate reports which help benefits managers manage the complexity of benefits administration
- Help Employees Determine what level of coverage to sign up for
- By Transferring Responsibility To Employees
 - Reduced Costs
 - Reduced Administration Burden

PAYROLL

- Compensation Is Transferred To Employees
 - Federal, State And Local Income And Payroll Taxes Are Withheld
 - Benefits Costs Borne By Employees Are Withheld.
 - Direct Deposit
- Flawless Execution Of Payroll Is Crucial
- Frequently Outsourced HRM Function

TYPICAL PAYROLL INPUTS

Internal

- Compensation Data
- Benefits Data
- Other Payroll Additions
- Payroll Deductions Data
- Time And Attendance Data

External

- Federal, State And Local Income And Payroll Tax Rules
- Payments Made To Inactive Employees
- Payments From Ex-Employees For Continuation Of Benefit

DATA ENTRY SCREEN FOR A PAYCHECK

Figure 14.6

The screenshot shows a software window titled "Adding a New Paycheck: 111-22-3333 - Sample, John W". The window has a menu bar with "File", "Employees", "Paychecks", "Reports", "Configure", "W-2", "Check for Update", and "Help". The main area is divided into several sections for data entry:

- Check Date:** 12/08/07
- Check:** 1 of 1
- Year:** Check: 2 of 2
- Employee Name:** Sample, John W
- Check Number:** 12354
- Rate:** 22.48
- Regular Hours:** 40.00
- Regular:** 899.20
- Overtime Hours:** 0.00
- O/T:** 0.00
- Misc Inc:** 0.00
- Pay Period:** Weekly
- Retirement:** 44.96
- Ending:** 12/08/07
- Sect 125:** 22.00
- Status:** Married
- Federal Allow.:** 3
- State Allow.:** 2
- State Tax Table:** CA
- Add'l FWH:** 10
- Add'l SWH:** 18
- Department:** Boss
- Uniform:** 10.00
- Retiremnt:** 5%
- Sect 125:** 22.00
- Gross Pay:** 877.20
- Fed WH:** 68.00
- Soc Sec:** 54.39
- Medicare:** 12.72
- State WH:** 27.92
- SDI Tax:** 7.02
- Retiremnt:** 44.96
- Uniform:** 10.00
- Other Ded:** 0.00
- Misc Ded:** 0.00
- Net Pay:** 652.19

At the bottom, there is a text box with "Simple, easy to use Payroll Software" and a row of buttons: "Save", "Save & Print", "Browse", "Cancel", "Memo", and "Help". The status bar at the very bottom indicates "This Program Contains 2007 Tax Tables" and shows the file path "C:\ACCT\SAMPLE\".

PAYROLL TYPICAL REPORTS

- Organization Focused
 - Current Pay for All Employees (or for a subunit)
 - Types of deductions and total deductions for the pay period (or cumulatively)
- Employee Focused
 - Paycheck or Direct Deposit Notification
 - Pay Details
- External Reports
 - Federal, State And Local Agencies
 - Benefits Providers

PAYROLL DATA OUTFLOWS

- Payroll Data Go To:
 - Accounting
 - Federal
 - State And Local Agencies
 - Benefits Outsourcing Firms
 - Individual Benefit Program Providers.

PAYROLL DECISION SUPPORT

- Payroll data are not usually used by HR or line managers for decision-making purposes
- They are used extensively for audit purposes.