



# **SNS COLLEGE OF ENGINEERING**

**Kurumbapalayam (Po), Coimbatore - 641 107**

**An Autonomous Institution**

**Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A' Grade**

**Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai**



## **DEPARTMENT OF MANAGEMENT STUDIES**

**COURSE NAME : 19BA202 - HUMAN RESOURCE MANAGEMENT**

**I YEAR /II SEMESTER**

**Unit 4 - SUSTAINING EMPLOYEE INTEREST**

**Topic 1: Compensation Plan**



# COMPENSATION

- ❑ Compensation is what employees receive in exchange for their contribution to the organization.
- ❑ Employees normally offer their service for 3 types of rewards.
  - ❑ Pay – basic wages and salaries
  - ❑ Compensation – bonuses, commissions, profit sharing plans & incentives.
  - ❑ Benefits – insurance, medical, recreational, retirement etc.
- ❑ Hence compensation is the inclusive of the above three



# NATURE OF COMPENSATION

- ❑ Base pay: It is the basic compensation an employee gets, usually as a wage or salary.
- ❑ Variable Pay: it is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options)
- ❑ Benefits: These are indirect rewards given to an employee or group of employees as a part of organizational membership. (Fringe Benefits: The term '**fringe benefits**' refers to various extra **benefits** provided by employers to their employees, in addition to wages and salaries paid to them. They are also known as 'sub-wages' or 'social charges' or 'perquisites other than wages' etc



# OBJECTIVES OF COMPENSATION PLANNING

- ❑ Internal equity – more difficult jobs paid more
- ❑ External equity– comparison with the labour market.
- ❑ Individual Equity – equal pay for equal work
- ❑ Attract talent – needs to be high to attract talent
- ❑ Retain talent
- ❑ Ensure equity-similar jobs, high qualification



# PRINCIPLES

- Ability to pay
- Equity consideration
- Performance orientation
- Non- Discriminatory
- Legal Compliance
- Simplicity and Flexibility
- Fosters Employee Development

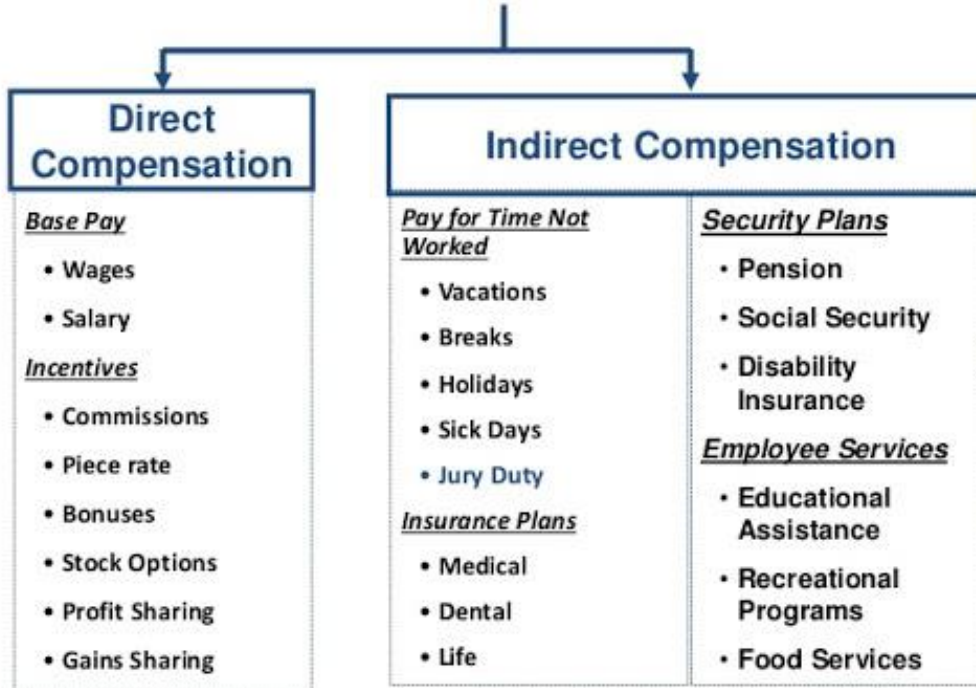


# FACTORS INFLUENCING COMPENSATION

- ❑ Labour market
- ❑ Bargaining power
- ❑ Cost of living
- ❑ Condition of product market
- ❑ Comparative wages
- ❑ Ability to pay
- ❑ Productivity of labour
- ❑ Job requirement
- ❑ Government policy
- ❑ Goodwill of the company



# Total Compensation





<b>Component of Salary (per annum or p.a.)</b>	<b>Amount</b>
Basic Salary	121200
Dearness Allowance	13200
House Rent Allowance	87816
Transport Allowance	21960
Leave Travel Allowance	54888
Medical Reimbursements	12000
Entertainment Allowance	12000
<b>Gross Salary</b>	<b>323064</b>

<b>Benefits</b>	<b>Amount</b>
Provident Fund	14544
Laptop	60000
Medical Insurance	10000
<b>Total Benefits</b>	<b>84544</b>

<b>CTC (Gross Salary+Total Benefits)</b>	<b>407608</b>
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	A	B
2		
3	Basic Salary	480,000
4	Dearness Allowance	48,000
5	House Rent Allowance	96,000
6	Conveyance Allowance	12,000
7	Entertainment Allowance	12,000
8	Medical Insurance	12,000
9	Income Tax	50,000
10	Provident Fund	57,600
11		
12	Gross Salary is calculated as:	
13		
14	<b>Gross Salary</b>	<b>660,000</b>
15		
16	Net Salary is calculated as:	
17		
18	<b>Formula</b>	<b>=B14-SUM(B9:B10)</b>
19	<b>Net Salary</b>	<b>552,400</b>
20		



	A	B	C	D
1	<b>Salary breakup calculator excel 2018</b>			
2	<b>Gross salary per month</b>	<b>20000</b>		
3	<b>Components In salary</b>	<b>Percentage</b>	<b>Per month</b>	<b>Per annum</b>
4	Basic Salary	45%	9000	108000
5	HRA	20%	4000	48000
6	Conveyance allowances		1600	19200
7	Special allowances		5400	64800
8	PF contribution by employee	12%	1080	12960
9	ESI contribution by employee	1.75%	350	4200
10	Professional Tax (PT)		150	1800
11	<b>Total deductions (PF+ESI+PT)</b>		<b>1580</b>	<b>18960</b>
12	<b>Net Salary (Gross-Total deductions)</b>		<b>18420</b>	<b>221040</b>
13				
14	<b>CTC Calculation</b>			
15	Employer PF contribution	13.35%	1201.5	14418
16	Employer ESI contribution	4.75%	427.5	5130
17	<b>CTC= Gross salary + (Employer PF+ ESI)</b>		<b>21629</b>	<b>259548</b>



**RECAP**

**QUESTIONS???**

**THANK YOU**