

HR Analytics

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And here participants in this session we will learn some of the matrix related to the compensation right. So, how a manager can use these matrix in order to take decision related to designing of the compensation right, determining the various factors related to the compensation, how much we should pay which factor like what should be the base rate. what should be the long-term incentives, for which position you need to have more long-term incentives, short-term incentives, right. So, such kind of decisions that you will see every day that HR manager has to take place at the workplace, right, related to the compensation. So in today's session, we will discuss some of the metrics which may be useful for the HR managers to take the decision related to the compensation. So let us start with the content of the day, what we will learn today.

So first thing that we will learn, pay mix policies. So, as I was saying as a HR manager you need to take a decision how much you should pay the base, how much should be the short term incentive, how much should be the long term. So, that analysis that we will do it department wise, why it is important that is what also we will discuss. Next thing that is what we will discuss job evaluation point.

So, you would have learned how to evaluate the job and give the certain number to the each skills. So, whatever job that is are available, first you have to define the job, you have to categorize and then related to the each job you have whatever skills are there, you have to identify these skills and for each skill you need to identify. pay, you need to give certain points. So skills which can be paid, so like compensation that we are deciding. So for one organisation which pays for certain skills only, we cannot say that for all skills that organisation makes the payment.

Organisation makes the payments only for few skills, right, that you have. For example, in a teaching field if you know how to take a class on the basis of that you will be paid. So, you will be paid for teaching, training, research, consultancy and administration. If you are having any other skill other than that it which may help you indirectly to do these all activities but organization may not pay. pay you for that.

So, for the each job you have to identify the skills which can be paid for doing a particular job right and then you have to develop the, then you have to calculate the job birth, how important this job is in the organization and accordingly you need to decide the compensation for that particular job. So, for example, sometime you may see that the job position is same, assistant general manager, marketing, assistant general manager HR, assistant general manager operations right all people are the assistant general manager but you may see the difference in their compensation right because the worth of job that is the different from one job to another job in the organization. So that is why you will see a difference. So how to calculate that worth So I hope till now you would have got the idea to decide the points. So each organization will decide the point for this particular skill how much points that you are giving.

So based on that you will be able to calculate the worth of the each job which is available in your organization. And then according to the worth you can divide these all jobs into the categories. So, that is the importance of the job evaluation. So, related to this whatever statistics is there, whatever that number count that we can use it, that is what we will discuss in this session. Next is the impact of performance rating on the salary, so how this performance rating if inflated, so in a performance analytics we had discussed about the rating if they are inflated if they are deflated.

So, how it impacts? So, how these ratings impacts the salary of the employee within the organization, right? So, that is what we also we will understand why this analysis is important that is what also we will discuss. Next, that we will discuss, so every year that you can see in every organization that salary hike is there. So, on what basis we should increase the salary hike and how it impacts the employee, that is what we will do it. Next, based on this compensation, we will try to understand who is the key human resource within the organization. So, based on this compensation for example, in any academic institute faculty members are the key human resource.

So, if key human resource are underpaid as compared to other jobs which are available in the academic institute, this may be a problem within the organization because you are saying worth of that. person is very high but that payment that you are giving that is not aligned with worth of the job, then it could be a problem in the future. So, that is what

that concept also we will understand. Similarly, we can take the example of the IT organization. So, in IT organization, if this IT professional who are the key human resource, if they are not paid very high, Then organization may face some of the problems because if you are saying they are the backbone of the company, but they are not being paid the highest salary.

So, they may not be satisfied with the salary structure. So, how you can understand the various factor related to this key human resource by analyzing their salary structure. that is also we will discuss in this particular session, right. So, this is the content for the day. So, these are the things that we will discuss in this particular session.

So, let us start with the first pay mix policies. So, whatever salary that anyone of you is getting in the organization specifically at the managerial level. So, in the managerial level that you will see first component of the salary would be the base rate. second certain benefits that employee will be getting. Now you can divide these benefits into the two categories short term benefit and long term benefit that is what you can do it or separately you can write the benefit and then short term incentives and long term incentives.

So, this incentives based on performance. So, if your performance is high then what would be the short term incentives and what would be the long term incentives right and what are the employee benefits are there like you will see sick leaves are there paid leaves are there earned leaves are there right and health insurance are there so such kind of benefits are there so how much we are paying what is the component of these benefits in the total salary that we are drawing so what you can do first you can identify the department and job position for a job position let us say manager in any department, manager is the marketing, right, manager. So, let us assume 10 managers are working in this department, right. So, what is the base rate for them, what are the, how much is the benefit and how much is the long term and how much is the short term incentives. So, now you can make a one bar graph or pie chart based on these components to showcase how much that contribution in a salary is how much of a each component right.

So, for example, you can see let us assume your salary is per month salary is 1 lakh rupees right and in 1 lakh rupees the contribution 25000 comes through because of the base salary is there and 25,000. So, 1 lakh rupees that I am talking about CTC right without any deduction this 1 lakh rupees is there and 25,000 comes through the benefit and long term incentives just 10,000 and short term incentives are 40,000. month right. So, this is the composition of your salary of a manager. So, now what you understand? Here constant pressure is there because base rate is fixed, it cannot be reduced this is the fixed amount right.

Employee benefits are also fixed whether your performance goes up or down it is not going to impact your base rate and it is not going to impact your benefits right. But If here you can see this long term incentives and short term incentives, both type of incentives will be impacted by your. performance whatever performance you have, but here you can see the 40 percent salary component that you are drawing that is coming through the short term incentive. So, it indicates that constantly you have to focus on your performance because if you will not focus on your performance then your salary may decrease immediately right because 40 percent of the component is coming. So, the constant pressure on a manager is there to perform.

So, it shows the priority of the organization because this compensation gives the signal to the employee also. So, here you can do the component analysis of the each position. So, which will tell you which components should be high and which components should not be high. So, according to the nature of the job. If you believe that all manager need to perform on short term basis, like day to day basis they have to perform, so then you can increase the short term incentives.

If you believe their long term performance matters a lot, initial failures and performance may compensate the long term performance also, then you can increase the long term incentives. Second thing, if you believe that attrition rate is very high. in your organization, now you want to reduce that attrition rate, right. So, then you in that case also you can increase the short term incentives, right and you can increase the long term incentives and you can reduce the short term incentives. So, people may be staying for longer period of time in your organization because they are keep on performing now they want the return of their performance.

So, they may stay for some more time in your organization they can take and then they can leave the organization. So, what I am trying to make you understand here each component of the salary gives some signal to the employee what this organization wants to do right. For example, here if you will see the employee benefits are very high, but base rate is not that much high. employee benefits are very high like kids school fees is refunded, medical reimbursement is refunded, right, housing allowances are given on time. So, such kind of benefits are very high, right.

So, it shows that that organization is having the caring nature for the employee, right. So, employee benefits are very high and are paid on the time. So, that is what I am trying to make you understand this component analysis, salary component analysis or pay mix salary structure that is there in the organization. It will help you to understand which components should be given more, which should be given less. as per the employees requirement, right, it is not necessary for all employees you should follow the same pay

structure, right, for all employee it is not, it is not necessary.

So, you can divide certain jobs into the category and according to the job you can design the compensation, right. So, these are the monetary benefits. in addition to this you can if we talk about the total rewards. So, in that non-monetary benefits are also there. So, you can think about the non-monetary benefit and then you can make the reward total rewards and then you can offer to the employee.

So, this analysis will help you to understand which component is playing role and which component is giving which signal. So, sometime you can reduce one component and you can increase another component, salary is same but still that employee will perceive the different thing from about the organization because each component gives the different message to the employee, right. I hope this much you would have learn when you must have learn about the compensation, each component of the salary gives the certain masses to the employee. now which message that you want to give to your employee after doing this analysis that you can decide. So how you will decide which message that you should give? What is the mission and vision of your organization? Think about it and then think what message that you should give according to your salary.

So then you can say that it is the strategic HRM because you have aligned the organization compensation strategy with the organizational strategy. I hope this pay mix policies analysis is clear to you. Based on this you can decide the component how much should be the which component as per your organization and as per the nature of the job. So, let us discuss the second matrix that is the job evaluation point right. So, if you remember in compensation matrix.

So, if you remember just in first matrix that I was discussing two component of the salary core compensation and benefits right. So, core compensation that is the fixed whether your performance goes up or it goes down. it will not impact your core compensation, it is going to remain the same, right. But in the case of benefits, your performance may impact. So, the type of benefit that I already said, some benefits that you have to give to the all employees because it is the government norms and these government norms vary from one country to another country, right.

So, there is no fixed government norm across the world, right. In India, government norms are different, in UK, US that government norms are different. So, some fixed benefit that each organization has to give if that employee is the full time employee in your organization and for part time also some other government rules and regulation may be there. So, what you can do through this? So, this job evaluation point . So, first thing that you have to do if you remember there are many methods are there related to the job

evaluation.

So, relative grading method is there, point method is there. So, most of the organization use the point method. to do the to evaluate the job. So, when I was introducing this session what is the content in that I clearly mentioned how to evaluate the job right. So, first thing that you have to do you have to identify the jobs which are available then you have to categorize those jobs for each job you need to identify the skill set and for each skill set medium high low level you have to give certain points.

by giving those points you have to give the points to the all jobs for example assistant manager is there AM is there senior manager is there manager is there general manager is there in the same department any same department in a marketing right so now you can say These employees have to do the same, any assistant manager also has to increase the sales, senior manager also have to increase the sales, manager also have to increase the sales and general manager also have to increase the sales. So, how their salary will differ and how their job worth will differ. Because each of them have to increase the sales of the department. So, but in the case that depth of the skill or that expertise of that particular skill is required.

So, skill variation will be there. So, let us assume that communication skill is there. So, when you are a general manager, your level of communication skill should be very high. So, on high, medium and low, based on that you can give certain points. If the skill is high, then job worth is high, right, certain points are high. So, that point, how much point that you will give, so that you need, that each organization has to decide, like for this particular skill, for low level, these many points are there.

So, that is how you can decide the job worth of each position, right. And why, what I am trying to make you understand, so job worth that you have decided, right, for example for one manager you decided the 1000 points, for senior manager you decided just 1100 points, right. So this is the job worth that is what you have calculated. Now, but in a in the case of salary there is a huge difference 40k and 80k right. So, what I am trying to make you understand through this analysis there is no big difference between the job worth of senior manager and manager as per your job evaluation but there is a huge difference in term of their salary right so this may create dissatisfaction within the organization you have evaluate the job after the job evaluation the worth of the job is very very close right but salary differentiation is very very high So, if you get such kind of data then it is the alarming situation for the organization.

You need to think about it. So, what I suggest here and we will discuss the other component of the salary also but the whatever way that you have calculated the job

worth. whether it is the point method, whether it is the relative grading method you have calculated. So, then if points are difference of the point is also very less then you have to reduce the salary component also or you have to define for one point how much salary will be paid. Are you getting it what I am trying to make you understand? So, for 1000 points are there. So, for one point how much salary this organization pays for one job evaluation point if you are your job is worth equal to one point then how much salary is there.

So, simple thing that you can do you if your job what point is 300, 1100 multiply by that. So, you will get the salary core salary component and similarly you can decide the benefits. So, that is how you can this method may help you to calculate the compensation also right according to the job worth right whatever job worth is there and then based on that job worth you can decide the salary structure also. And if one more thing that you can do after the job analysis you can compare the salary if there is a huge difference among the employee because of unstructured compensation people whoever is coming they how as much as amount they are asking that is amount is given there is no fixed compensation policy is there or policy was there initially when that organization was started but after 15 year 20 year or that review was not done because of that the salary structure have changed because the pay rise that you are giving to the new employees because of that the pay structure may get changed. Second thing whatever incentives that you are giving to your existing employees because of that to the top performer and poor performer so variation in that because of that also there might be a difference.

right in the salary structure. So, you need to review the worth of job regularly, you can decide that interval after 2 year, after 3 year or after 4 year, whatever interval that you can decide and then you need to check the compensation in your organization. So, whether that job evaluation point and compensation both are aligned or not aligned or mismatched. So, if mismatched are there, so that gives the signal for the parity like job the compensation parity is not there, equal amount is not being paid right for the deserving candidate. So, the such kind of issues that you may see in the organization that may occur but if you are keep reviewing your this compensation matrix then you can see some of the then you can take a appropriate decision at the time of whenever it is required after doing so here you can analyze the job worth and compensation so if you how you can visualize it right so just you can make annual salary and job worth right and then you can give a market line. So, based on market like for which job, how much it is being paid and then you can calculate the various types of ratios.

So, that is what we will discuss in the next slide, right. Next thing that we need to understand very well, right. So, in this phenomena that you might have seen in all organization, existing employees get dissatisfied because they complain new employees

are coming, they are getting more hike at the time of joining as compared to the all old employees, then what is the use of staying in this organization? We should move to the another organization. So, in order to understand this reason, so if this reason is very high for the attrition in your organization and like people are leaving, so that attrition analysis that we discuss in the recruitment. So, if you remember if this is the region that is the prominent region that you found in the attrition region for leaving the employee, then what you can do in order to understand this problem in depth, what you can do for job position wise, old employees what is the average percentage of hike that they are getting from let us assume somebody was the senior manager and became the manager.

senior manager became the manager right. So, how that person has become the manager right. So, that manager that person has become. So, that job position that is what you can see that job position. So, because of the job position that person became senior manager to manager. So, what was the percentage hike that was given to him right and new employees on the same position is joining from the outside.

So, what is the percentage hike that is being given? So, let us assume 10 people have joined from the outside on a managerial position in your organization or that according to the job category that you have decided right. So, for each job category for new employee what is the average percentage of hike? and for the existing employees after the promotion, right, they have promoted from one level to another level. So, what is the average percentage of hike after the promotion? That both things that you can compare. If you found both thing, both averages are close to each other then you may not see, see this phenomena and you can use this data to do the internal branding within the organization. So, that will increase the satisfaction level of the employee within the organization because generally it is the perception is there within the organization.

If I am coming from the outside, then I will be paid more. If I am coming within the organization, then I may not be paid that much. So, this perception so if you want to remove this perception so you can do the job after the job evaluation based on the job worth you have already developed the job category So, job category for a each job category what is the average percentage of hike after the promotion a person is moving from one person to another person. So, how much the CTC change is there, but when somebody is coming from the outside then how much change that that person is getting that is the one thing. Second thing whether that person is getting more than the existing salary that I am talking about the CTC. although you have decided some pay grade that is what you have decided, but still if you found this person is the talent, talented persons are there.

So, you want to retain that person and you have increased the salary. So, if such kind of

culture is there in your organization, in that case this matrix may be useful to do the internal branding, right. So, I hope you would have understood the impact of this increase of salary. So, I hope you would have learnt the few matrix related to the compensation in this session. Thank you.