

**University of Illinois at Urbana-Champaign  
School of Labor and Employment Relations  
Fall 2017**

**Course:** LER 561, Compensation Systems

**Instructor:** Joe Martocchio, Professor

**Schedule:** Tuesday, 2 – 4:50 PM, Room 35, LER

**Office Hours:** Wednesday, 3 – 5 p.m.

**Office / Phone /  
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**Course Description**

The purpose of this course is to provide you with a solid understanding of employee compensation and benefits practice from the perspective of an HR generalist:

**Learning Objectives**

1. Place compensation practice in context – market forces, unions, and law.
2. Describe the practices for adjusting base pay.
3. Understand the structural elements of compensation system design – internal consistency, market competitiveness, and recognition of employee contributions.
4. Identify the compelling issues associated with employee benefits practices.
5. Discuss compensation issues for executives and expatriates.

You will learn core compensation systems concepts and tools through lectures, assigned text readings, class participation, student class presentations, and participation in a semester-long team project.

**Required Text**

Martocchio, J. J. (2017). *Strategic Compensation: A Human Resource Management Approach* (9<sup>th</sup> edition) and *MyManagementLab*. Upper Saddle River, NJ: Prentice Hall.

Barcelona, D. J., & Martocchio, J. J. *Building Strategic Compensation Systems: An Experiential Case*. Upper Saddle River, NJ: Prentice Hall.

**Note: Both items are bundled under ISBN-13: 9780134304212**

## Student Evaluation and Grading Scale

First team written report (based on Strategic Analysis in casebook):	15%	(150 points)
Second team written report (based on Section 1 of casebook):	20%	(200 points)
Third team written report (based on Section 2 of casebook)	15%	(150 points)
Students' presentation of a compensation issue:	14%	(140 points)
Class participation (4 at 90 points each):	36%	(360 points)
<b>Total:</b>	<b>100%</b>	<b>(1,000 points)</b>

## Calculation of Course Grades

Grade	Points
A	95-100% of 1,000 points and so on...
A-	91-94.9%
B+	87-90.9%
B	83-86.9%
B-	80-82.9%
C+	77-79.9%
C	73-76.9%
C-	70-72.9%
D+	67-69.9%
D	63-66.9%
D-	60-62.9%
F	< 60%

## **Compensation Team Project: *Building Strategic Compensation Systems***

This experiential project is designed to provide you an opportunity to integrate and apply knowledge that you will learn in this course. Teams of approximately 5 class members will be established to complete this project that consists of three separate reports. The three reports and due dates are listed below (*to be e-mailed no later than 11:59 pm central time in **Word** format*):

Written Report 1: Strategic Analysis (September 26, one per team)  
Written Report 2: Internal Consistency (November 7, one per team)  
Written Report 3: Market Competitiveness (December 15, one per team)

Each team will serve as compensation experts who have been hired by the firm to develop an integrated compensation plan. An instructor's grade will be assigned to each report for each team. All team members will receive the same grade based on the instructor's evaluation.

Each part of the case builds uniquely on your answers to prior parts of the case. As you work on the cases, I will provide you additional with data based on your answers in the prior part. Each report should be written as recommendations to top management. One approach to developing the report is to identify and discuss decisions that must be made to meet the objectives. Each decision should be supported with rationale that is logical and based on the content presented within your texts. Identify plausible alternatives to your decisions, and discuss possible problems that may be encountered. *Each written report should be summarized in a one-to three-page executive summary at the front. This executive summary should contain the major objectives of the report and the corresponding major findings.*

**You will receive the assignments by e-mail on August 30 (one day after the first class).**

### **Class Participation**

I will give at random 5 short quizzes throughout the semester, of which the top 4 scores count toward your grade. Each quiz will have 3 questions from which you will answer one.

**How should you prepare to answer questions?** *First*, read the assigned material. Some questions will be based on key terms, which are the words or terms highlighted in bold within the chapters. For instance, "Define pay ranges and pay grades." *Second*, be familiar with the learning objectives stated in each chapter. Within the chapters, the centered, all-capital letters headings correspond to learning objectives. Within the objectives, you will see secondary headings (left, mixed case). I might ask: "Define two types of compensation policy decisions." The answer would be pay-level policies and pay mix policies, and you would briefly talk about each one.

### **Presentation of a Compensation Issue**

Students will make one 15-minute presentation on a compensation issue of your choice in combination of two or three students (I will set the group size on the total number of students enrolled in the course). Base your presentation on 2 or 3 articles from an HR practitioner publication (e.g., *WorkSpan*, published by WorldatWork and *HRMagazine*, published by the Society for Human Resource Management), business periodicals (e.g., *BusinessWeek*), or major newspapers (e.g., *New York Times*, *The Wall Street Journal*). Assume the role of an HR

professional who is briefing his/her HR colleagues on a timely compensation topic. Please use 3 to 5 PowerPoint slides. The presentation should not exceed 15 minutes. Following the presentation, please lead a class discussion. To lead a discussion, write two questions about the topic in the articles you presented. Class discussion should last about 10 minutes. I will make random assignments of groups and presentation dates (**the first presentations will take place on September 12**). **You will receive the assignments on August 30.**

### **Academic Integrity**

The University is responsible for maintaining academic integrity to ensure the quality of scholarship. It is your responsibility as a student to refrain from academic dishonesty, including plagiarism, i.e., representing the words or ideas of another as your own. Read the [UIUC Student Code: Part 4. Academic Integrity](#) (1-401 to 1-406).

### **Cell Phone and Lap Top Use**

Please do not use your cell phones (to make or receive calls or to text) during class. If you receive a phone call, please step outside the classroom to take it. Urgent calls come in from time to time and you should take them. Please do not use laptops during class *unless* you are taking class session notes. In this case, please sit in the front rows.

Why implement what may be considered a restrictive policy? Ultimately, it is for your educational benefit. When asking questions during class sessions, many students were distracted and often could not answer straightforward questions. Also, more students reported to me that clicking of keys is distracting. This policy will be to everyone's benefit by keeping you focused squarely on class activities. *Keep in mind that we'll be spending less than 45 hours together spread out over 15 weeks. Let's all take good advantage of our limited time together.*

You will have a 15-minute break approximately midway through each class session. By all means, feel free to use laptops and phones during break times.

**I reserve the right to reduce your course grade by 5 points for each instance of usage not permitted by this policy.**

### **Late Work**

There will be a 20 percent grade reduction on any late assignments.

## Course Outline and Schedule

### Compensation Systems: Setting the Stage

- August 29 Course Introduction and Overview  
Strategic Compensation Issues and Goals of the Compensation Department  
*Strategic Compensation: Chapter 1*
- September 5 Contextual Influences on Compensation Practice  
*Strategic Compensation: Chapter 2*

### Bases for Pay

- September 12 and 19 Traditional Bases for Pay: Seniority and Merit; Incentive Pay  
Incentive Pay; Pay-for-Knowledge and Skill-Based Pay  
*Strategic Compensation: September 12: Chapters 3 and 4  
September 19: Chapters 4 and 5*

### Designing Compensation Systems: Internal Consistency

- September 26 and Oct 3 Building Internally Consistent Compensation Systems  
*Strategic Compensation: Chapter 6*  
*(WRITTEN REPORT 1 IS DUE ON SEPTEMBER 26)*
- October 10 In-Class Work on Group Project (I will be there to answer Questions.)

### Employee Benefits

- October 17 and 24 Employee Benefits  
*Strategic Compensation: October 17: Chapter 9  
October 24: Chapter 10*

### Designing Compensation Systems: Market Competitiveness

- October 31 and Nov 7 *Strategic Compensation: Chapters 7 and 8 (through page 179)*  
*(WRITTEN REPORT 2 IS DUE ON NOVEMBER 7.)*

## **Designing Compensation Systems: Recognizing Employee Contributions as well as Contemporary Challenges**

November 14	In-Class Work on Group Project (I will be there to answer questions.)
November 21	No class – Official University Holiday
November 28	Building Pay Structures that Recognize Employee Contributions <i>Strategic Compensation: Chapter 8</i>
December 5	Executive Compensation Contingent Workers and the Flexible Workforce <i>Strategic Compensation: Chapters 11 and 12</i>
December 12	Expatriate Compensation <i>Strategic Compensation: Chapter 13</i>
December 15	<i>WRITTEN REPORT 3 IS DUE</i>