

**University of Illinois at Urbana-Champaign**  
**School of Labor and Employment Relations**  
**LER 561: Compensation Systems**  
**Spring 2019**

**Instructor:** Mengjie Lyu, Ph.D.  
Visiting Assistant Professor, LER  
**Schedule:** Wednesdays, 2pm–4:50pm, 331 Armory Building (January 16–May 1)  
**Office Hours:** By appointment  
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### **Course Description**

The goal of this course is to provide students with a solid understanding of employee compensation and benefits practices from the perspective of an HR generalist. The learning objectives include:

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.

Students 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 Textbook**

- Martocchio, J. J. (2017). *Strategic Compensation: A Human Resource Management Approach* (9th 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

### **Course Website**

- <https://compass2g.illinois.edu>.
- Supplemental readings, lecture notes, and useful resources will be posted there. Please check frequently for updates.

## **Course Policy**

- Please show respect for your classmates by limiting distracting behavior. Turn your cell phones off during class and please keep any side discussions short and quiet.
- You are expected to adhere to all of the rules pertaining to academic integrity outlined in the [Student Code](#). Failure to do so will result in an automatic F for the course.
- It is expected that each student will be courteous and respectful to all members of the class and will carry him or herself in an orderly manner for the entire duration of the course as outlined in the [Student Code](#).
- Regular class attendance and punctuality are expected.
- There will be a 20 percent grade reduction on any late assignments.

## **Special Accommodations**

If you have any condition, such as a physical or learning disability, which will make it difficult for you to carry out the work as it has been outlined or which will require special accommodations, please notify the instructor during the first week of the course with the appropriate written documentation. To contact the Division of Rehabilitation- Education Services (DRES), you may visit 1207 S. Oak St., Champaign, IL 61820, call (217) 333-1970, or email [disability@illinois.edu](mailto:disability@illinois.edu).

## Student Evaluation and Grading Scale

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

## Calculation of Course Grades

<b>Grade</b>	<b>Points</b>
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 submitted via Compass no later than 2pm on the due dates*):

Written Report 1: Strategic Analysis (February 13, one per team)  
Written Report 2: Internal Consistency (April 3, one per team)  
Written Report 3: Market Competitiveness (May 3, 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. 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.*

Whenever possible, I will provide 20 to 30 minutes for teams to meet.

**The assignments will be posted on Compass on January 23.**

### **Class Participation**

**5 short quizzes** (20 minutes) will be given at random throughout the semester, of which the top 4 scores count toward your grade. The quizzes will be closed-book and closed-notes. 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 an Compensation Issue**

Students will make one 20-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. Following the presentation, please lead a class discussion. To lead a discussion, write two or three 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, and **You will receive the assignments on January 23.**

## Course Outline and Schedule

### Compensation Systems: Setting the Stage

- January 16                      Course Introduction and Overview  
Strategic Compensation Issues and Goals of the Compensation  
Department  
*Strategic Compensation: Chapter 1*
- January 23                      Contextual Influences on Compensation Practice  
*Strategic Compensation: Chapter 2*

### Bases for Pay

- Jan. 30 and Feb. 6              Traditional Bases for Pay: Seniority and Merit; Incentive Pay  
Incentive Pay; Pay-for-Knowledge and Skill-Based Pay  
*Strategic Compensation: January 30: Chapters 3 and 4*  
*February 6: Chapters 4 and 5*

### Designing Compensation Systems: Internal Consistency

- February 13 and 20              Building Internally Consistent Compensation Systems  
*Strategic Compensation: Chapter 6*  
*(WRITTEN REPORT 1 IS DUE ON FEBRUARY 13)*
- February 27                      In-Class Work on Group Project (I will be there to answer  
questions)

### Designing Compensation Systems: Market Competitiveness

- March 6 and 13                      Building Market-Competitive Compensation Systems  
*Strategic Compensation: Chapters 7 and 8 (through page 179)*
- March 20                          No Class – Spring Break

### Employee Benefits

- March 27 and April 3              Employee Benefits  
*Strategic Compensation: March 29: Chapter 9*  
*April 5: Chapter 10*  
*(WRITTEN REPORT 2 IS DUE ON APRIL 3.)*

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

April 10	In-Class Work on Group Project (I will be there to answer questions.)
April 17	Building Pay Structures that Recognize Employee Contributions <i>Strategic Compensation: Chapter 8 (pp 179+)</i>
April 24	Executive Compensation <i>Strategic Compensation: Chapter 11</i>
May 1	Contingent Workers and the Flexible Workforce Expatriate Compensation <i>Strategic Compensation: Chapters 12 and 13</i>
May 3	<i>MARKET COMPEITIVENESS REPORT DUE</i>