

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

**Instructor:** Mengjie Lyu, Ph.D.  
Visiting Assistant Professor, LER  
**Schedule:** Tuesdays, 11:00am–1:50pm  
**Location:** TBA  
**Office Hours:** By appointment  
**Office:** 231 LER Building  
**E-Mail:** mjlyu@illinois.edu

### **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

<b>Case reports</b>	40% (400 points)
<i>First team written report (based on Strategic Analysis in casebook):</i>	<i>(125 points)</i>
<i>Second team written report (based on Section 1 of casebook):</i>	<i>(150 points)</i>
<i>Third team written report (based on Section 2 of casebook):</i>	<i>(125 points)</i>
<b>Quizzes (5 at 70 points each):</b>	35% (350 points)
<b>Team presentation</b>	15% (150 points)
<b>Class participation and discussion</b>	10% (100 points)
<b>Total:</b>	100% (1,000 points)

## 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 (September 24, one per team)  
Written Report 2: Internal Consistency (November 5, one per team)  
Written Report 3: Market Competitiveness (December 13, 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 September 10.**

### **Quizzes**

**6 short quizzes** (25 minutes) will be given at random throughout the semester, of which the top 5 scores count toward your grade. The quizzes will be closed-book and closed-notes.

**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.

## **Team Presentation**

Students will make one 30-minute presentation on a compensation case together with the team members. The presentation should include an overview of the case, attempt to analyze the case with compensation theories and practical principles in the class material, and generate additional discussion about the case. Multiple formats could be used for the presentation, such as role-play simulation and video material. I will make random assignments of groups and presentation dates, and **You will receive the assignments on September 10.**

## **Class Participation and Discussion**

Class participation and discussion is an important opportunity for you to input and contribute in the class. It helps students to accurately understand and utilize the knowledge points in the course material, and to develop communication skills which is essential in the working life. In the class, everyone is encouraged to express thoughts and insights. We will discuss more about class participation in the first class. Participation will be worth 10% of the course grade.



Designing Compensation Systems: Market Competitiveness

**October 15 and 22**

*Required reading:*

*Case:*

**Building Market-Competitive Compensation Systems**

*Strategic Compensation:* Chapters 7 and 8 (through page 179)

1. 2G Robotics: Designing a Compensation Plan that Pays Off. North American Case Research Association Case #NA0479
2. Zurich Insurance: Global Job Structure and Data Analysis. Harvard Business School Case #9-417-038

Employee Benefits

**Oct. 29 and Nov. 5**

*Required reading:*

*Case:*

**Employee Benefits**

*Strategic Compensation:* October 29: Chapter 9

November 5: Chapter 10

“Pitney Bowes: Employer Health Strategy.” Harvard Business School case #5-709-483

(WRITTEN REPORT 2 IS DUE ON NOVEMBER 5)

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

**November 12**

**In-Class Work on Group Project** (I will be there to answer questions.)

**November 19**

*Required reading:*

*Case:*

**Building Pay Structures that Recognize Employee Contributions**

*Strategic Compensation:* Chapter 8 (pp 179+)

Sales Compensation Vignettes. Harvard Business School Case #9-816-092

**November 26**

**No Class – Fall Break**

**December 3**

*Required reading:*

*Case:*

**Executive Compensation**

*Strategic Compensation:* Chapters 11

Executive Compensation at General Electric (A). Harvard Business School Case #9-105-072

**December 10**

*Required reading:*

*Case:*

**Contingent Workers and the Flexible Workforce Expatriate Compensation**

*Strategic Compensation:* Chapter 12 and 13

Uber and its Driver-Partners: Labor Challenges in the On-Demand Transportation Networking Sector. North American Case Research Association Case #NA0429

(WRITTEN REPORT 3 IS DUE ON DECEMBER 13)