

University of Illinois at Urbana-Champaign
School of Labor and Employment Relations
LER 561: Compensation Systems
Fall 2020

Instructor:	Mengjie Lyu, Ph.D. Visiting Assistant Professor, LER
Schedule:	Thursdays, 8:00am–10:50am
Format:	Online classes using Zoom
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 professional. Major topics include forms of pay, job evaluation, pay structure, pay for performance, employee benefits, and alternative compensation systems. We will also examine compensation issues such as pay inequality, minimum wage, and executive compensation. The learning objectives include:

1. Place compensation practice in context – market forces, organizational strategies, unions, and law.
2. Understand the structural elements of compensation system design – internal consistency, market competitiveness, recognition of employee contributions and program management.
3. Understand the economic and psychological theories underlying the compensation practices and compensation structure.
4. Be able to explain the major types of compensation programs and the practices for designing and adjusting base pay structures.
5. Understand the design of pay for performance programs.
6. Identify the compelling issues associated with employee benefits practices.
7. Discuss compensation issues for special employee groups.
8. Identify the major approaches in the management and evaluation of compensation programs.

Online Class Description

The major portion of our class will be conducted during live “virtual” sessions, starting at 8:00 am (Central Time) on Thursdays. At each class, there will be a lecture and class activities in forms of student presentation, in-class exercise, and case discussion. A copy of lecture slides will be posted on Compass before the class as a basis for taking notes. You will be required to activate both your audio and video during these sessions, so it is important that you have these technical capabilities before the first class.

We will be using Zoom for the virtual portion of our weekly class meetings. The meeting links will be posted on the course website (<https://compass2g.illinois.edu>). Refer to the Zoom guide (<https://answers.uillinois.edu/illinois/page.php?id=99188>) if you need assistance or have questions on Zoom. If you anticipate having any connectivity issues (access to internet, etc.), please contact me and I will work with you to make sure you can access the key course contents.

Required Textbook and Readings

- Martocchio, J. J. *Strategic Compensation: A Human Resource Management Approach* (9th or 10th edition). Upper Saddle River, NJ: Prentice Hall.
- Case readings are available for purchase on the Harvard Business Publishing website.
- Supplemental readings, in-class exercise material, lecture notes, and useful resources will be posted on Compass 2g. Please check regularly for updates.

Course Evaluation and Grading Scale

Midterm Exam	30%
Group Project Report and Presentation	30%
In-class Exercises and Discussions	15%
Weekly Review Questions	10%
Individual Presentation on a Compensation Issue	10%
Class Participation	5%
Total	100%

Calculation of Course Grades

Grade	Points
A	96-100%
A-	92-95.9%
B+	88-91.9%
B	84-87.9%
B-	80-83.9%
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%

Midterm Exam (30%)

A midterm exam will take place on October 15 (Week 8) during the class-time and it will be administered on the course Compass page. The major purpose of the exam is to ensure your mastery of important concepts, principles, and theories in this course. The exam questions will cover assigned reading, lectures, and in-class exercises and discussions.

Compensation Group Project: *Building A Strategic Compensation System (30%)*

An experiential project is designed to provide you with an opportunity to integrate and apply knowledge that you will learn in this course. Teams of 3 or 4 class members will be established to complete this project. Each team will serve as compensation experts who have been hired by a company of your choice to develop an integrated compensation plan for one of its departments/teams from beginning to end. A group written report (20%) and a group presentation (10%) will be the major outcomes of the project. The report is due by 5pm on 12/10. The presentation is scheduled in Week 15 (12/3). A detailed instruction including the specific requirements, report structure, and grading rubric will be provided in class.

The group project requires continuous commitment of every group member. Each part of the project builds uniquely on your answers to prior parts of the project. In-class group project working time will be provided when possible. The grade for the written report will be a group grade, but peer evaluation will be used so that each group member does not necessarily receive the same grade.

In-class Exercises and Discussions (15%)

In each class, there will be an in-class exercise and/or a case discussion. Groups of 2 or 3 class members will be established to work together in each activity. You will submit the responses through Compass and may make a presentation to the class. Some in-class exercises require after-class time to complete, and will be assigned as homework and the due dates will be announced in class.

Weekly Review Questions (10%)

Several questions on the assigned readings will be posted as a short quiz every week on the course Compass page. The quizzes are due at the start of the class.

Individual Presentation of a Compensation Issue (10%)

Starting from Week 3, each week 3 or 4 students will give an individual presentation that covers a compensation issue. The issue could come from a particular news story or research article you read about compensation. You can also share your findings based on your own experiences and observations. You will briefly present the news/research (no more than 5 minutes) and then lead class discussion based on two questions.

We will have a discussion board on the course Compass page as a supplemental communication

method to collect news/research summaries, comments, and questions. Please post a short summary of the news/research and the links of the news/research articles on the discussion board by 12pm on the Tuesday of your assigned week. Grades will be given based on the summary posted (2%), the presentation (5%), and the class discussion lead after the presentation (3%).

Class Participation (5%)

You are expected to be actively participating in all class discussion and group activities. 5% of the total points will be awarded for your regular attendance and general class participation including answering and asking questions in class, facilitating the group activities, speaking as the representative of the discussion group, and posting your comments on the discussion board. Zoom poll questions will also be given to check and record your attendance.

Course Schedule

	Topics and Class Activity (Supplemental readings will be posted on Compass)	Text
Week 1 (8/27)	Course Overview, Introduction to Strategic Compensation Class Activity: Compensation Decisions in a Difficult Time	Chapter 1
Week 2 (9/3)	Theory and Contextual Influences on Compensation Practice Class Activity: Impact of Employment Legislation on Compensation	Chapter 2
Week 3 (9/10)	Building Internally Consistent Compensation Systems: Internal Consistency and Job Analysis Case: Case, J. (2001). When Salaries Aren't Secret. Harvard Business Review. https://hbr.org/2001/05/when-salaries-arent-secret Class Activity: Job Analysis	Chapter 6 (Internal Consistency, Job Analysis)
Week 4 (9/17)	Building Internally Consistent Compensation Systems: Internal Consistency and Job evaluation Case: The \$70K CEO at Gravity Payments. Harvard Business School Case #9-816-010 Class Activity: Job Evaluation	Chapter 6 (Job Evaluation and Techniques)
Week 5 (9/24)	Building Market-Competitive Compensation Systems: Pay Policies and Compensation Survey Case: Equity on Demand: The Netflix Approach to Compensation. Harvard Business School Case #CG19-PDF-	Chapter 7

	ENG	
	Class Activity: Explore Market Compensation Survey Data	
Week 6 (10/1)	Building Market-Competitive Compensation Systems: From Compensation Survey to Pay structure Class Activity: Build a Pay Structure	Chapter 8 (Constructing a Pay Structure)
Week 7 (10/8)	Traditional Bases for Pay: Seniority Pay, Merit Pay, Performance Evaluation Case: Performance Management at Vitality Health Enterprises, Inc. Harvard Business School Case #9-913-501 Class Activity: Decide Merit Increases	Chapter 3, Chapter 8 (Designing Merit Pay Systems)
Week 8 (10/15)	Midterm Exam	
Week 9 (10/22)	Building Pay Structures that Recognize Employee Contributions: Incentive Plans Case: Marshall & Gordon: Designing an Effective Compensation System (A) Harvard Business School Case #9-411-038	Chapter 4
Week 10 (10/29)	Compensation of Special Groups Case: Sales Misconduct at Wells Fargo Community Bank. Harvard Business School Case # 118009-PDF-ENG	Chapters 8 (Designing Sales Incentive), Chapter 11-13
Week 11 (11/5)	Employee Benefits Class Activity: Plan Your Retirement	Chapter 9, Chapter 10
Week 12 (11/12)	Pay Structure Variations and Compensation Management Class Activity: Compensation Management Exercise	Chapter 5, Chapter 8 (Designing Person-Focused Pay, Pay Structure Variations)
Week 13 (11/19)	Course Review and Group Meetings	
Week 14 (11/26)	Fall Break, No Class	
Week 15 (12/3)	Group Presentation	

Course Policy

- You are expected to adhere to all of the rules pertaining to academic integrity outlined in the Student Code (<http://studentcode.illinois.edu/>). 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 (<http://studentcode.illinois.edu/>).
- Regular class attendance and punctuality are expected.
- There will be a 20% 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.