Compensation (HRER 413)
Fall Term – Tuesday – 6:00 to 9:00 p.m.
Maguire Hall (1 E. Pearson Street) Room 360

HRER 413 | Compensation
This course examines wage and salary policies and programs in private and public organizations. Legislative and social issues affecting pay decisions and alignment of pay policies with business strategy and other human resource programs are also covered.

Outcome: Students will learn how to design and implement compensation policies and programs that will give their employers a competitive advantage, resolve compensation problems from both a human resource professional and managerial perspective, and create pay policies that are perceived as just and equitable. Students will improve their team leadership, analytical, and writing skills.

Required textbooks:

To create a positive learning environment and not disrupt others, students are required to turn off all electronic devices (e.g., phones & computers, etc.) and put them away during class.
Background

Management’s ability to attract, retain, and motivate employees is particularly challenging, as competition for talent escalates during an economic recovery. Compensation (pay) programs and structures are primary tools for competing for talent and equally important for controlling labor costs. Pay has dramatic impact on organizations because its cost is typically the largest single business expense and because it communicates in a tangible way the values of senior management.

Compensation programs are important to employees. The compensation an employee receives indicates explicitly just how highly that person’s contribution is valued by the employer. The attributes and accomplishments of employees recognized with larger and more frequent pay increases tangibly communicates to other employees the behavior desired by the organization. Furthermore, the pay package an employee receives defines that employee’s status among his or her colleagues and standing in the community. Pay determines where the employee will live, what schools his or her children will attend, and the quality of life now and after retirement.

Because pay is important to both the individual employee and the organization, compensation programs and structures are under close scrutiny by all stakeholders. Thus, an understanding of how compensation programs are designed and administered is absolutely essential for line management and human resources and organization development professionals.

HRER 413, Compensation, examines base-pay and includes the following topics:

- Pay philosophy, strategies, and goals
- Job analysis
- Work valuing or job evaluation; e.g., point methods and whole job comparisons
- Pay surveys and market-based pay programs
- Pay structures; e.g., grades and ranges
- Merit pay and performance appraisal
- Alternative pay structures and systems
- Pay legislation; e.g., FLSA and Equal Pay Amendment
- Pay program administration and communications

Instruction

HRER 413 objectives and criteria for class evaluation:

- Gain factual compensation knowledge (terminology, classifications, methods, trends)
- Learn fundamental principles, generalizations, and theories that underlie design and administration of effective compensation strategies, programs, and practices.
- Learn to apply course materials to create fair pay programs that contribute to a competitive organization
- Develop specific skills, competencies, and points of view needed by managers and compensation professionals to perform jobs successfully
- Acquire research skills and enhance your ability to work with a team

The class meets each Tuesday from 6:00 to 9:00 p.m. Office hours are Monday, 2:00-3:30 p.m.; Tuesday, 3:00 - 4:30 p.m.; and after class or by appointment.

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1 Incentive pay and employee benefits are covered in HRER 453, Incentive Pay and Employee Benefits, offered during winter term.
Sakai is course management software which is a repository for course information, including the syllabus, class notes (posted the day of the class), assignments, additional readings, and other materials needed to successfully complete HRER 413. **Note: I bring students a “hard copy” of the course notes to class.** Furthermore, Sakai is used for communications both to and from the instructor and is the place to submit assignments, view your grades, and receive feedback. Accordingly, it is important to understand how to use Sakai.

Information for using Sakai effectively is available through Loyola’s Instructional Technology (IT) and Research Support. Sakai information for students can be found at [http://www.luc.edu/itrs/teachingwithtechnology/sakai/sakai-student-tutorials.shtml](http://www.luc.edu/itrs/teachingwithtechnology/sakai/sakai-student-tutorials.shtml).

A Sakai Student Guide can be found on the HRER 413 Sakai site under the Resources tab or at [http://www.luc.edu/media/lucedu/itrs/pdfs/sakai/LUC%20Sakai%20Student%20Guide.pdf](http://www.luc.edu/media/lucedu/itrs/pdfs/sakai/LUC%20Sakai%20Student%20Guide.pdf).

Since I am not a Sakai expert, questions concerning its use should be directed to IT Help Desk or by referencing the online materials provided by IT.

Upon accessing Sakai, you will find that each class has a tab labeled Class 1 (8/26), Class 2 (9/2), Class 3 (9/9), etc. Within each tab you will find information associated with the upcoming class, including articles you need to read, an assignment you need to complete, or an activity or idea that you need to consider before class (typically five days before class).

**Questions about course content and assignments** should be addressed in class or submitted through the HRER 413 Sakai- Forum titled *Post Class Questions* and not directly to my email. Posting questions on this discussion board provides all students access to my responses. *I am alerted immediately that a question or comment has been submitted.* Questions can be submitted anonymously. During the week (Monday through Friday), I respond to questions within 24 hours. On weekends I may not be available.

Personal questions or concerns should be sent to my email or you can make an office appointment. Since I receive a high volume of email messages and SPAM, please be sure to place “HRER 413” in your subject heading. Please note that I use your “luc” email to communicate directly with students and **not** personal email such as gmail, yahoo, etc.

To create a positive learning environment and not disrupt others, students are **required** to turn off all electronic devices (e.g., phones, computers, etc.) and put them away during class.

**Course Assignments and Evaluation**

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<th>Assignment</th>
<th>Points</th>
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<td>Eight (8) Mini-Tests – test with lowest score is dropped (15 points each)</td>
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<td>Team Term Paper and Debate</td>
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<tr>
<td>➢ Team Topic Preference</td>
<td>Sept. 2 at 11:00 a.m.</td>
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<tr>
<td>➢ Team Debate</td>
<td>(as scheduled)</td>
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<tr>
<td>➢ Team Term Paper</td>
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<tr>
<td>Final Examination</td>
<td>Oct. 28</td>
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**Total Points for Grading Purposes** 500 points

Based on the total points earned, a letter grade will be assigned. *(A = 460-500; A- = 450-459; B+ = 440-449; B = 410-439; B- = 400-409; C+ = 390-399; C = 360-389; C- = 350-359; D+ = 340-349; D = 310-339; D- = 300-309, F = Below 300).*

**Bonus Points:** Ten (10) additional points can be earned by attending instructor-qualified Institute/HRSA or Chicago Compensation Association (CCA) program as described below.
**Team Term Paper and Debate**

This assignment is designed to:

1. Develop your ability to critically analyze compensation issues or problems and develop appropriate solutions;
2. Teach you how to conduct human resources research in a rigorous and systematic manner;
3. Give you experience working on project teams;
4. Hone your writing and presentation skills.

Although term paper and debate topics are framed within the context of the U.S., these topics are relevant and of major concern in virtually every country. These issues are fundamental justice issues and to a greater or lesser degree must be addressed by every country.

**Topic Preferences:** Each four person team will submit a term paper and participate in a debate on one of four topics described in Attachment 1. To register as a team and to obtain priority for the topic of your choice, you must register your preference (i.e., first choice, second choice, and third choice) and names of students on your team by 2:00 p.m. on Tuesday, September 2 on Sakai Assignment designated Team Topic Preference. The submission should be made by ONLY one team member. I will try to maximize the number of first and second choices in assignment of team case topics.

**Team Term Paper:** Term papers are typically 15 to 20 pages, including a title page and references. The term paper should be double spaced, have 1 inch margins, and use Times New Roman 12 point font. The methods for referencing sources and formatting term papers can be found on Sakai in Additional Readings – Style Guide – Manual for Authors. Correctly referencing and formatting a research paper indicates sound scholarship and provides an opportunity for the reader to examine materials referenced in more detail. Points will be deducted if the paper is poorly written or poorly referenced.

The term paper must be submitted 48 hours prior to your scheduled debate (Sunday, 6:00 p.m.) by one of your team members through Sakai Turnitin Assignment. Turnitin identifies plagiarism of journal articles, books, websites, previously written class term papers, etc. Note that you can use Turnitin to determine if your paper has a problem before submitting it. You may resubmit the paper after you have made the necessary corrections, just so long as you resubmit before the deadline. I encourage you not to overuse quoted material, since it indicates you are not integrating the material for the purpose of your term paper.

The term paper should accomplish the following:

- Clearly define the issue (or topic) and demonstrate why that issue is important for society, organizations; and employees.
- Provide empirical evidence and expert opinion.
- Analyze the issue from multiple perspectives, indicating the strengths and weakness of these positions.
- Use evidence to identify and support your position on the issue.

If appropriate, you can recommend methods for solving the problem or resolving the issue. Although you can identify which side of the issue your team finds most compelling (typically provided in the conclusion section), you should carefully consider both sides of the issue. In fact, you will not know until 24 hours before the debate which side of the topic you will argue.

Your term paper will be evaluated on both the quality of your research and your ability to clearly articulate both positions on the topic. Typically, refereed academic journal articles are your best sources of information, as they provide the most rigorous examination of the issue and often include empirical data (e.g., Human Resource
Management Journal, Journal of Applied Psychology and Academy of Management Journal). The next best source is refereed practitioner journals (e.g., WorldatWork Journal and Compensation and Benefits Review). Books or articles not subjected to review (i.e., refereed) by competent professionals are suspect. As such, if you choose to use non-refereed information, such as a website, you must document in your reference list why this information should be considered credible and indicate biases that may be inherent in this source. A source documented (i.e., referenced) only by a website will be dismissed, unless compelling evidence is given as to why we should consider it reliable. The references in the term paper should refer to the publications from which the information was obtained and not just the website, as shown in the Term Paper Guidelines.

The Team Term Paper should be submitted by only one team member through Sakai Assignment/turnitin – Team Term Paper by the deadline. The Microsoft Word Document file you submit should be named TP your last names in alphabetical order.docx. Example: TP Herendez Scott Zeller.docx. Note the spaces between the TP and first name and spaces between subsequent names. It is important that the file submitted is named correctly to facilitate grading and providing feedback. You are responsible for submitting the Term Paper through Sakai Turnitin 24 hours prior the scheduled debate (Monday, 6:00 p.m.). Help in submitting your team term paper through Sakai turnitin can be found at Sakai Help Resources - http://www.luc.edu/Sakai/Student_Resources.shtml Do not submit term papers in PDF format.

Groups on Sakai: Once teams are established for the term paper and debate, I will establish a Sakai Group for you. Being in a Sakai group allows access to tools that make it easier to work collaboratively. In Help for Students there is an instructional video on Working in Groups. http://www.luc.edu/Sakai/Student_Resources.shtml If you need help using this tool, contact Sakai@luc.edu. The use of this tool is strictly voluntary.2

Debate: Each team will be assigned to debate the issue from one of the two perspectives 24 hours before the debate (Monday 6:00 p.m.). Each debate team has 10 minutes to state their position with relevant facts and five minutes follow-up to refute the other team’s position. The form used to evaluate your presentation can be found in Additional Readings.

Mini-Tests

The purposes of this assignment are as follows:
- To encourage students to be prepared to participate meaningfully in class
- To help students prepare for the final exam
- To evaluate your knowledge of course materials

Eight Mini-Tests with three questions each are scheduled during the term. You are randomly assigned to respond to one of the three questions on each test for credit and to be prepared to discuss your response in class. Your response to each Mini-Test must be submitted by 2:00 p.m. on the assigned day and you must be prepared to discuss your response to the question in class to receive credit. You will receive either full credit (15 points) for a complete, well thought out answer to your assigned question, 10 points if the answer is incomplete or has some mistakes, or no credit (0 points) if your response is incomplete, incorrect, or poorly articulated. To earn your points you must be available to discuss your response in class.

Your assigned question for each of the eight Mini-Tests can be found in Sakai Additional Readings Tab. Each Mini-Test will be released a week before it is due. For example, Mini-Test #1 will be available on Tuesday, August 26th at 9:00 p.m.; Mini-Test #2 on Tuesday, September 2nd at 9:00 p.m.; etc. Your response to the Mini-Test is due at 2:00 p.m. on the day the materials will be discussed (see class schedule below).

The assigned readings for the class provide information needed to respond to the Mini-Test. You MUST respond to the assigned question in your own words and not abstract or copy materials directly from the

2 Although Sakai groups can be monitored by the instructor, I do not plan to do so.
textbook or other sources. In other words, your response to the exam question must be your own work in your own words. This is an individual assignment and, thus, it is an honor code violation to confer with other students, a colleague at work, or any other person when formulating the answer to your assigned question.

The discussion of the Mini-Test questions in class is designed to provide feedback for this assignment. This feedback (i.e., discussion in class) will help you prepare for the final examination. You will be expected respond to these questions in much more detail on the final exam based on what you learn in class.

Final Examination

The Final Examination is designed to provide an opportunity:

- To demonstrate knowledge acquired from the textbook and class
- To develop the ability to critically analyze compensation problems and find appropriate solutions
- To enhance your writing skills

Students are responsible for materials covered in class and in the required readings. I have designed these materials to be complementary and not necessarily overlapping. Staying current on the required readings, class lectures, and class discussions will contribute substantially to the grade you receive on the final examination. As noted earlier, I will use Mini-Test questions to formulate the final examination. However, be aware that responses to Mini-Test questions on the final examination are expected to represent increased understanding of the material, since these answers will have been discussed in class.

The final examination is an in class, closed book exam.

Bonus Points

The opportunity to earn bonus points is provided as an encouragement s

- To enrich your knowledge of compensation management and human resources
- To learn about compensation careers by networking with compensation professionals
- To involve you in important discussions taking place in the HRER field

You have a one-time opportunity to earn ten (10) bonus points by attending a designated event sponsored by the Institute (see the calendar on the MSHR website) or by attending a Chicago Compensation Association (CCA) event and writing a one page paper identifying what you learned at that event. Events that qualify will be posted on Sakai Additional Readings tab – Earn Bonus Points (CCA).

Bonus points are awarded for attending one event. Of course you can attend as many events as you like, but a total of 10 bonus points is all you can earn. You cannot apply for bonus points for multiple classes for attending one event. All of these events are free for students, but you must join CCA as a free student member.

Class Expectations

Students should treat their classroom obligations as they would treat any serious professional engagement. This includes:

- Preparing for class by completing all reading assignments by the date due.
- Arriving on time, returning promptly from breaks, and remaining until the end of class.
- Meeting your team commitments.
- Turning off all electronic devices during class and putting them away.
- Participating fully in classroom activities and discussions.
• Adhering to deadlines and timetables specified in the syllabus.

Students should view their participation in the course as being part of a learning community. As such, each student has a responsibility to make this course a successful learning experience for all members of the class. Your contributions in class are important. This includes sharing helpful material in class and fulfilling your obligation as a responsible team member.

**Academic Honesty**

“Academic honesty demands that the pursuit of knowledge in the university community be carried out with sincerity and integrity. Failure to practice academic honesty may be defined briefly, though not completely, as an action whereby a student represents falsely that academic work submitted in his or her own name is his or her own work when in fact it is not. Failure to practice academic honesty will, depending upon the seriousness of the misconduct, result in a sanction ranging from the grade of “F” for the assignment to expulsion from the university.” The Honor Code link may be found under Academics on both GSB and SBA home pages: http://www.luc.edu/gsb/pdf/honor_code.pdf.
## HRER 413 CLASS SCHEDULE

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<th>Class (date)</th>
<th>Topics (tests and assignments)</th>
<th>Required Readings</th>
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<tbody>
<tr>
<td>1 (8/26)</td>
<td>Putting HRER 413 in Perspective</td>
<td>Syllabus</td>
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<tr>
<td>2* (9/2)</td>
<td>Developing Pay Strategies and Conducting Job Analysis (Mini-Test #1)</td>
<td>Chapters 3 – 4</td>
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<td>3 (9/9)</td>
<td>Establishing Internal Equity (Mini-Test #2)</td>
<td>Chapter 5</td>
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<tr>
<td>4* (9/16)</td>
<td>Obtaining External Equity (Mini-Test #3)</td>
<td>Chapter 7</td>
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<tr>
<td>5 (9/23)</td>
<td>Creating a Pay Structure (Mini-Test #4)</td>
<td>Chapter 8: 268-297</td>
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<tr>
<td>6* (9/30)</td>
<td>Determining Merit Increases &amp; Appraising Performance (Mini-Test #5)</td>
<td>Chapter 10: 335-338</td>
</tr>
<tr>
<td>7 (10/7)</td>
<td>Considering Alternative Pay Structures (Mini-Test #6)</td>
<td>Chapter 6</td>
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<tr>
<td>8* (10/14)</td>
<td>Reviewing Public Pay Policies (Mini-Test #7)</td>
<td>Chapter 14</td>
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<tr>
<td>9 (10/21)</td>
<td>Managing Pay Systems (Mini-Test #8)</td>
<td>Chapter 17</td>
</tr>
<tr>
<td>10 (10/28)</td>
<td>Conclusion and <strong>Final Exam</strong></td>
<td>Chapter 18</td>
</tr>
</tbody>
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3 The assigned chapters are from: Milkovich, G. T. & Newman, J.M. *Compensation.* (11th Edition), Boston: McGraw-Hill – Irwin, 2014. Although incentive pay, international compensation, executive compensation and employee benefits are covered in other courses (HRER 453 & 422), the text provides an excellent overview of these topics.

* Speakers tentatively scheduled for designated class
Dr. Dow Scott is a Professor of Human Resources and Employment Relations at Loyola University Chicago, specializing in compensation, incentive pay, human resources development, teams, and high performance organizations. His teaching, research, and consulting focuses on helping business leaders create more productive organizations and enhance employee commitment.

Dr. Scott has

- Led national and international conferences focusing on the creation of effective teams, performance improvement strategies, compensation, incentive pay, and the development of high performance organizations both in the U.S. and abroad.
- Developed numerous diagnostic methods for identifying and solving human resource and compensation related problems; e.g., employee opinion surveys, structured interviews, focus groups, and analyzing organization employment data to determine the impact of human resource policies and programs on a firm’s ability to attract and retain employees.
- Received national recognition for team/productivity improvement and human resource research from the Academy of Management and the Society of Human Resource Management.
- Published in over 100 journals and conference proceedings, including his book *Incentive Pay: Creating a Competitive Advantage* published by WorldatWork.
- Developed and directed an industry-sponsored research center funded by 15 major employers that focused on productivity improvement through the more effective use of human resources. Members included Postal Service, Virginia Power, U.S. Air, Kay Jewelry, and Sara Lee Knit Products.
- Directed Loyola University’s WorkPlace Studies Department that was the home of three nationally known graduate programs: the Center for Organization Development, the Institute of Human Resources and Employment Relations, and the Program in Training and Development.
- Taught graduate and undergraduate classes at Loyola University Chicago and Virginia Tech in Compensation Management, Training and Development, Incentive Pay Programs, Human Resource Management, Global Compensation and Benefit Programs, and Training Needs Assessment and Evaluation. Offered global rewards study abroad programs for Loyola and Australian students at the University of Sydney and University of Melbourne.
- Worked for B.F. Goodrich Company in compensation and human resources.
- Earned a Master’s and Ph.D. in Human Resources and Labor Relations from the School of Labor and Industrial Relations at Michigan State University.
1. **Income Inequality and Disparity:** The United States has the widest pay and income inequality in the world. How wide is the pay and income disparity in the United States? Is this a problem for society, organizations, and employees? What are the positive and negative aspects of wide income inequality and disparity from an individual, organizational, and societal perspective? Assuming one wants reduce income disparity and inequality, what might be done? Assuming you want to protect income inequality and disparity, what might be done?

**Debate:** One side must argue that wide levels of pay and income inequality are a good idea for the United States; the other side must argue that they are not. Both sides need to suggest ways to either protect pay and income inequality or to reduce that amount of inequality, respectively (October 7).

2. **Minimum and Livable Wage:** There is a long-running debate about whether minimum wage and livable wage is good fiscal policy in the U.S. What are the bases for these arguments? What are the positive and negative positions associated with having a legally required minimum or livable wage? What does your team recommend that public policy should be, in terms of minimum wage and livable wage? Should the current minimum wage be increased? If so, by how much? Potential positive and negative outcomes for each position should be considered.

**Debate:** One team will argue that the U.S. should require all employers to pay a minimum or a livable wage, and the other team will argue that the U.S. should not have a minimum or livable wage requirement (i.e. the labor market should prevail). Increasing value and shortcomings of increasing the minimum wage should be included in this discussion. (October 14).

3. **Pay Differences Based on Gender or Race:** According to the public media, women are said to earn approximately 80% of what men are paid for similar jobs, and minorities are said to be paid less than white employees. First, is this data reported in the media accurate? If it is, how has this discrepancy been developed? What should government and business do to resolve the problem, if anything?

**Debate:** One side will argue that women and minorities are paid unfairly, and this issue needs to be resolved by government mandate or legislation. The other side will argue that the problem is not as great as data suggests, and that the labor market should be left to resolve the issue (October 14).

4. **Pay Transparency and Secrecy:** Most compensation professionals agree that communication concerning pay is important and that their organizations could do a better job of communicating pay strategies and programs to employees. However, for a variety of reasons, the pay information communicated by organizations is often very limited. Identify what information about pay can or should be communicated and indicate the positive and negative outcomes for doing so.

**Debate:** One side will argue that it is in the employees’ and employers’ interests to keep pay communications limited, and that pay secrecy is a good idea. The other side will argue that open-communication is in the best interests of the employee and organization. Suggestions as to how to implement your position should be presented (October 21).