



# **SNS COLLEGE OF ENGINEERING**

**Kurumbapalayam (Po), Coimbatore – 641 107 An  
Autonomous Institution**

**Accredited by NBA – AICTE and Accredited by NAAC – UGC with 'A' Grade  
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai**



## **DEPARTMENT OF MANAGEMENT STUDIES**

**COURSE NAME :23BAT202 – HUMAN RESOURCE MANAGEMENT**

**I YEAR /II SEMESTER**

**Unit 4 – SUSTAINING EMPLOYEE INTEREST**

**Topic: Compensation Plan**



# COMPENSATION

Compensation is what employees receive in exchange for their contribution to the organization.

Employees normally offer their service for 3 types of rewards.

- ▶ Pay – basic wages and salaries
  - ▶ Compensation – bonuses, commissions, profit sharing plans & incentives.
  - ▶ Benefits – insurance, medical, recreational, retirement etc.
- ▶ Hence compensation is the inclusive of the above three



# NATURE OF COMPENSATION

- ▶ **Base pay:** It is the basic compensation an employee gets, usually as a wage or salary.
- ▶ **Variable Pay:** it is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options)
- ▶ **Benefits:** These are indirect rewards given to an employee or group of employees as a part of organizational membership. (Fringe Benefits: The term '**fringe benefits**' refers to various extra **benefits** provided by employers to their employees, in addition to wages and salaries paid to them. They are also known as 'sub-wages' or 'social charges' or 'perquisites other than wages' etc



# OBJECTIVES OF COMPENSATION PLANNING

Internal equity – more difficult jobs paid more

- ▶ External equity– comparison with the labour market.
- ▶ Individual Equity – equal pay for equal work
- ▶ Attract talent – needs to be high to attract talent
- ▶ Retain talent
- ▶ Ensure equity-similar jobs, high qualification



# PRINCIPLES

Ability to pay

Equity consideration

- ▶ Performance orientation
- ▶ Non- Discriminatory
- ▶ Legal Compliance
- ▶ Simplicity and Flexibility
- ▶ Fosters Employee Development



# FACTORS INFLUENCING COMPENSATION

Labour market

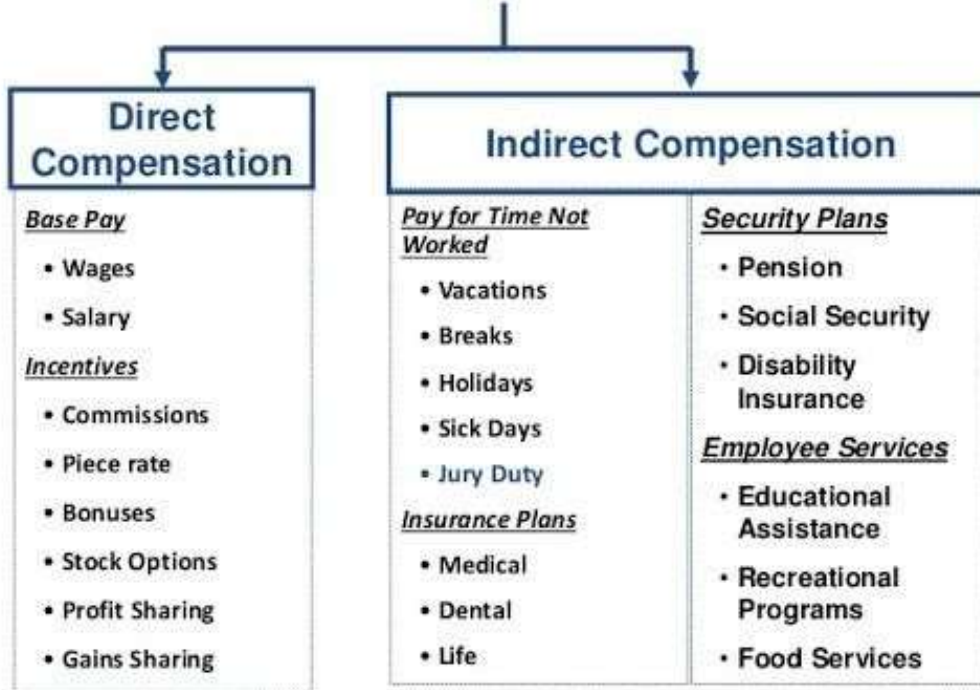
Bargaining power

Cost of living

- ▶ Condition of product market
- ▶ Comparative wages
- ▶ Ability to pay
- ▶ Productivity of labour
- ▶ Job requirement
- ▶ Government policy
- ▶ Goodwill of the company



# Total Compensation





Component of Salary (per annum or p.a.)	Amount
Basic Salary	121200
Dearness Allowance	13200
House Rent Allowance	87816
Transport Allowance	21960
Leave Travel Allowance	54888
Medical Reimbursements	12000
Entertainment Allowance	12000
<b>Gross Salary</b>	<b>323064</b>

Benefits	Amount
Provident Fund	14544
Laptop	60000
Medical Insurance	10000
<b>Total Benefits</b>	<b>84544</b>

<b>CTC (Gross Salary+Total Benefits)</b>	<b>407608</b>
--	---------------





b

	A	B
2		
3	Basic Salary	480,000
4	Dearness Allowance	48,000
5	House Rent Allowance	96,000
6	Conveyance Allowance	12,000
7	Entertainment Allowance	12,000
8	Medical Insurance	12,000
9	Income Tax	50,000
10	Provident Fund	57,600
11		
12	Gross Salary is calculated as:	
13		
14	<b>Gross Salary</b>	<b>660,000</b>
15		
16	Net Salary is calculated as:	
17		
18	<b>Formula</b>	<b>=B14-SUM(B9:B10)</b>
19	<b>Net Salary</b>	<b>552,400</b>
20		



	A	B	C	D
1	<b>Salary breakup calculator excel 2018</b>			
2	<b>Gross salary per month</b>	<b>20000</b>		
3	<b>Components In salary</b>	<b>Percentage</b>	<b>Per month</b>	<b>Per annum</b>
4	Basic Salary	45%	9000	108000
5	HRA	20%	4000	48000
6	Conveyance allowances		1600	19200
7	Special allowances		5400	64800
8	PF contribution by employee	12%	1080	12960
9	ESI contribution by employee	1.75%	350	4200
10	Professional Tax (PT)		150	1800
11	<b>Total deductions (PF+ESI+PT)</b>		<b>1580</b>	<b>18960</b>
12	<b>Net Salary (Gross-Total deductions)</b>		<b>18420</b>	<b>221040</b>
13				
14	<b>CTC Calculation</b>			
15	Employer PF contribution	13.35%	1201.5	14418
16	Employer ESI contribution	4.75%	427.5	5130
17	<b>CTC= Gross salary + (Employer PF+ ESI)</b>		<b>21629</b>	<b>259548</b>



**RECAP**

**QUESTIONS???**

**THANK YOU**