

## 70 EXERCISE

### WageSim—A Compensation Administration Exercise

#### I. OBJECTIVES

- A. To familiarize you with some of the problems involved in building and maintaining a compensation system.
- B. To provide you with alternative approaches for solving some typical compensation-related problems.
- C. To give you practice in writing memos to employees regarding compensation issues.
- D. To familiarize you with job evaluation procedures.

#### II. OUT-OF-CLASS PREPARATION TIME: 20 minutes to read exercise plus one hour to respond to the E-mail Items (either individually or in a group)

#### III. IN-CLASS TIME SUGGESTED: 45 minutes to discuss all E-mail Items

#### IV. PROCEDURES

This exercise can be done individually or in groups of three to five members, at the instructor's option. You are to begin by reading all of the material presented in this exercise. Assume that you are responsible for developing and maintaining the Mack Organization's wage and salary system. Assume further that the person who previously had these responsibilities has just quit and left you all of the E-mail Items that follow. First, you (or your team) are (is) to respond in writing to each employee who sent an e-mail. Second, explain on a separate sheet of paper what additional actions you would take with reference to each item. For example, if you believe that you should gather additional information before making a final decision on an item, explain what information you would need. Or, if you believe that additional memos or discussions with someone in the company are needed, explain this. You (or your team) should bring both the memos and the Additional Action sheets to class. Be prepared to present and defend these materials during the class discussion.

#### SITUATION

The Mack Organization is a large organization headquartered in the midwestern United States. It has offices located throughout the country and employs over 700 individuals. You may assume the organization is a chemical company, a manufacturing company, a bank, a insurance firm, or any large organization with which you are familiar.

The Mack Organization's human resource department includes a compensation administration section that consists of two individuals, one of whom is you (or your team). The company has several different wage structures, including one for executives and one for clerical personnel. For compensation purposes, all clerical employees are divided into five job classifications. The organization's current wage structure for clerical personnel is shown in Exhibit 4.4.

#### HOW SALARIES ARE DETERMINED

Employee salaries directly relate to the work they do and how well they do it. Two major factors work together to establish the salaries payable for various jobs—job evaluation and salary ranges.

**EXHIBIT 4.4** *Mack Organization's Wage Structure for Clerical Personnel*

| Job Title                 | Salary                               | Number of Employees |
|---------------------------|--------------------------------------|---------------------|
| Office Services Aide      | \$25,259 minimum<br>\$33,262 maximum | 40                  |
| Office Services Assistant | \$26,588 minimum<br>\$35,337 maximum | 30                  |
| Administrative Assistant  | \$30,041 minimum<br>\$39,604 maximum | 20                  |
| Senior Assistant          | \$34,628 minimum<br>\$45,083 maximum | 40                  |
| Executive Assistant       | \$43,364 minimum<br>\$54,794 maximum | 20                  |

**JOB EVALUATION**

Job evaluation is a method of measuring the relative worth of each job in the organization compared to all the other jobs, based on an objective analysis of the duties and responsibilities of the position. The Mack Organization job evaluation is as follows: A description that defines the function of the job and lists the major duties performed is written for each job. Each description is then evaluated by a standing committee of employees from various areas of the organization who have a broad knowledge of the jobs that exist throughout the organization. Their evaluation is based on "yardsticks," including knowledge required, freedom of action, accountability, contacts with employees and customers, physical effort required, unusual working conditions, research responsibilities, and supervision or management responsibilities. Based on these yardsticks, the job is assigned a point value. By listing all positions according to their point value, the relative worth of each position is established.

**GRADE LEVELS AND SALARY RANGES**

Based on the total points received in a job evaluation, jobs are assigned to a grade level. Each grade has an entry or minimum salary and a maximum salary payable for the jobs in that grade; the amounts between the entry and maximum salary comprise the salary range for the grade.

Usually employees begin at the bottom of each salary grade. Employees are considered for a merit increase after six months of satisfactory service. After this, they may receive an annual merit increase upon completion of satisfactory service. There are a total of six possible merit increases. Cost-of-living increases are granted periodically by the organization to all employees.

**E-mail Items****Item 1**

To: Wage & Salary Division  
From: Mary Wallace—Vice President  
Re: Request for pay increase/promotion

This is to formally request your endorsement of my intent to promote Susan Anthony, an administrative assistant in my office, to the position of senior assistant. I realize a requirement for senior assistant is proficiency in Adobe InDesign (a desktop publishing program) and that Ms. Anthony is not yet proficient.

However, aside from this, Ms. Anthony possesses the necessary skills to perform all tasks in this office. Ms. Anthony has been with this office for five years and is a loyal and dedicated employee. I wholeheartedly encourage your endorsement of this recommendation and pay increase. A vacant senior assistant position is available in this office. Please advise as soon as possible.

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**Item 2**

To: Wage and Salary Section  
From: Kelly Actor  
Re: Request for pay increase

I have been with this company for ten years. My present position with this company is senior assistant, at the maximum pay level. The Wispette Company has offered me a position that would give me a 9% increase in salary for similar duties. Since I do enjoy my work, I hate to leave. However, my financial obligations to my family leave me with no choice. My husband recently has been disabled, with no hope of employment for three years. As I mentioned, I have enjoyed my ten years with this company. My supervisor and I get along well. I have not missed any work during the ten years except for the two-week vacation during the summer. If you will match the Wispette Company's offer, I would prefer to stay with your company. I understand there is no opening for an executive assistant, which would be a comparable position. I need an answer soon.

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**Item 3**

To: Wage and Salary Section  
From: Jane Swenk, Supervisor  
Re: Long-term employee wage dispute

M.O. Scott, an administrative assistant, expressed concern that her daughter, also an administrative assistant, was making an equal amount of money. M.O. has been employed for 28 years, her daughter for five. Merit raises are given yearly only for the first five years, and M.O. has not gotten one in 23 years. I don't think this policy is fair. M.O. should get something for her longer service. Please respond so I can explain the situation to her.

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**Item 4**

To: Compensation Administration  
From: HR Director  
Re: Payroll budget for next month

Please prepare a payroll budget for next month for clerical employees. Make whatever assumptions you feel are necessary in doing your calculation. Just let me know what the assumptions are. Many thanks.

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**Item 5**

To: Wage and Salary Section  
From: Bob Franklin, Administrative Aide  
Re: Pay inequity question

I was recently hired as an administrative assistant and received the minimum pay for this position. Why do some office service aides make more than I do? My duties and responsibilities are much greater than theirs.

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**Item 6**

To: Compensation Section  
From: Betty Dyer, Supervisor  
Re: Pay for Tammy Tuff

Tammy Tuff is an excellent administrative assistant in my office. She does an outstanding job with all assignments and performs beyond standards for an administrative assistant in everything she does. She completes her assignments in half the time of other aides and voluntarily assumes extra duties after finishing her assignments. In addition to her outstanding performance, Ms. Tuff has improved morale in the office since she started nine months ago. She always has a smile on her face and brightens the day for co-workers with her pleasant disposition. Best of all, she makes others feel important, and this has carried over to their work. Everyone seems to take pride in their work; consequently, performance and productivity are up. Due to Tammy's influence, the turnover rate is zero, leaving her with no promotion potential in this office. Based on Tammy's excellent performance, skills that exceed the requirements of the job, and attitude that has improved morale, I feel that Tammy deserves to be paid as a senior assistant even though she is not one and there is no senior assistant vacancy.

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**Item 7**

To: Wage & Salary  
From: Chris Markley, Supervisor  
Re: Pay question

I am relatively new to the position of senior assistant and was told that pay for my job is based on points. I thought it was based on job duties and performance. What do points have to do with it?

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**Item 8**

To: W & S  
From: McNamara, Department Manager  
Re: Employee problem

Mary White, an office services aide, left two hours early yesterday, without permission, to attend a civil rights rally. Should she be paid for this time?

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**Item 9**

To: Wage & Salary Section  
From: Sue L. Ross, Supervisor  
Re: Pay for Julie Tate

Julie Tate, senior assistant, has been temporarily assigned some of the duties of an executive assistant position. The position is temporarily vacant due to the executive secretary being gone for four weeks. Julie has been told by me that she may be assigned higher-level duties on occasion, but she is not satisfied. She insists that she deserves financial compensation for absorbing some duties of an executive assistant. None of the additional duties is too difficult for Julie to handle, and she actually does an excellent job on all assignments when she stops complaining about her unfair treatment. I am recommending that Julie be paid at the rate of an executive assistant position so that I can assign her higher-level duties whenever my executive assistant is on vacation or sick leave. This way Julie will not complain about the grade level of her work, and the flow of work in the office will proceed smoothly without disruption. Please respond to this recommendation.

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**Item 10**

To: Wage and Salary Section  
From: Doris Pope, Department Head  
Re: Frances Brown, Administrative Aide

The administrative assistant in my department, Frances Brown, has decided she would like to work at home four days a week and in the office one day. Given her job duties, this will pose no problem for this office. However, I am not sure how this will affect her pay. Will it increase her pay or decrease it? Please advise.

Thanks.

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