

# Employee Performance, Compensation, and Benefits

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# Introduction & Agenda

## Speaker Introduction

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## Education & Certification

- Doctorate of Health Administration from the University of Mississippi Medical Center – 2021
- Certified Medical Practice Executive (CMPE) through the American College of Medical Practice Executives (ACMPE) – 2016
- Master of Science in Management from Indiana Wesleyan University – 2015
- Bachelor of Arts in Communication from the University of Southern Indiana – 2001

## Agenda

- Employee Total Compensation
  - Direct Compensation
  - Indirect Compensation
- Employee Performance
  - Motivating for Performance
  - Performance Evaluations
  - Disciplinary Action
- References



[aaoe.net](http://aaoe.net)  
[aoc-ortho.com](http://aoc-ortho.com)

# Employee Total Compensation

# Employee Total Compensation

- Total employee compensation is the complete pay package awarded to employees on an annual basis
- Includes both direct compensation and indirect compensation
- Direct compensation:
  - Base salary and/or any incentive pay
- Indirect compensation:
  - Compensation not directly paid to an employee, such as:
    - Employer-paid portions of insurance premiums
    - Retirement benefits
    - Educational benefits

References: SHRM, 2021b

# Direct Employee Compensation (Salary/Hourly Wages)

- The salary/wage used to be the primary method of employee compensation, but it has evolved to just one component of total employee compensation
- In addition to federal and state laws that govern employee compensation, other factors, both internal and external influence employee compensation
- Internal factors include:
  - Organizational compensation policy
  - Value of job
  - Employee's relative worth to the organization
  - Employer's ability to pay
- External factors include:
  - Conditions of the labor market
  - Regional/area wage trends
  - Cost of living
  - Collective bargaining
  - Legal requirements

References: Bateman & Snell, 2013

# Developing a Compensation Strategy

- Three decisions impact the compensation strategy:
  - Pay level
  - Pay structure
  - Individual pay
- Pay level refers to the organizational decision to be a high, average, or low-paying company
- Pay structure refers to the decisions regarding how to pay different types of jobs within the organization
  - Base salary? Incentive Pay?
- Individual pay refers to the decisions regarding compensation for employees in the same/similar role
  - Merit
  - Seniority
- Best Practices:
  - Remember, employees can use online resources to research salaries
  - Construct a pay range for each organizational position and create procedures for potential exceptions

References: Bateman & Snell, 2013

# Indirect Compensation (Benefits)

- Medical benefits
  - Include amount paid by employer versus employee
- Flexible Spending Accounts
- Paid Leave
  - Vacation
  - Sick
  - Personal
  - Holiday
  - Bereavement
  - Military pay
  - Jury duty
  - Parental leave
- Disability Insurance
- Life Insurance
- Employee assistance programs
- Retirement Plans
  - 401(k)
  - 403(b)
  - Pension plans
- Educational assistance programs
  - Tuition assistance
  - Professional continuing education
- Relocation Assistance
- Career-advancement opportunities
- Work from home opportunities
- Unique benefits
  - Pet insurance
  - Gym memberships
  - Discount programs

# Indirect Compensation (Benefits) Best Practices

- Ask the experts!
  - Benefits brokers put together benefits packages for a living – they can help
- Ask the staff!
  - Don't be afraid to solicit feedback from your employees about what benefits they want the most
- Create a total compensation statement for your employees
- Create a benefits summary as a tool for employee recruitment and open enrollment



# Employee Performance

# Employee Performance – Motivating for Performance

- Motivation = forces that energize, direct, and sustain an individual's efforts
- How to motivate employees?
  - No magic bullet
  - Leadership + Management
- Designing motivating work
  - Extrinsic rewards – given to the employee by the company or boss
  - Intrinsic reward – reward employee derives from performing the job itself
- Goal-setting theory: motivation theory that states people have conscious goals that energize them and direct their thoughts and behaviors
- Goals should align with the mission and values of the organization
- Meaningful goals are the most powerful
- SMART goals:
  - S – Specific, clear, & Understandable
  - M – Measurable, verifiable, and results-oriented
  - A – Attainable yet sufficiently challenging
  - R – Relevant to the mission of the organization
  - T – Time-bound with a schedule and specific milestones
- Goal setting is futile if they aren't appropriately communicated to staff

References: Bateman & Snell, 2013; SHRM, 2021a



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# Employee Performance – Performance Evaluations

- Performance appraisals can be an important component of employee performance
  - Done well, appraisals can increase employee performance, pay, and promotion potential
  - Done poorly, appraisals can cause resentment, reduce motivation, diminish performance, and expose the organization to legal risk
- Different types of performance appraisals include:
  - Management by objectives – goals are set and employees are evaluated annually based on goal achievement
  - Behaviorally anchored rating scales – assesses employees on behavior rather than characteristics
  - 360-degree feedback – collects information from supervisor, colleagues, and subordinates about an individual's work-related behavior and its impact
  - Self-assessment – the employee rates his or her performance as part of the performance appraisal
- Common errors by managers/leaders include:
  - A lack of differentiation
  - Recency effect
  - Halo/horns effect
  - Personal bias/favoritism
  - Inaccurate information/preparation

References: Bateman & Snell, 2013; SHRM, 2021a

# Employee Performance – Disciplinary Action

- While no manager should assume they will have to discipline an employee, they should be prepared to, as a well-executed disciplinary action begins before an employee's activities warrant the discipline
- Expectations should be clear and well-communicated – if this is not done, then the manager has to own the issue
- Employees should have the tools they need to do their job
- Managers/leaders should be able to discern good-faith mistakes from bad-faith mistakes
- When disciplinary action is warranted:
  - The process must be constructive
  - Communication and documentation are critical
- Have a process and follow it
- Use your resources
  - HR professional
  - Online resources such as the Society for Human Resource Management (SHRM)
  - Attorney specializing in employment law

# References

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