

**Carlson School of Management**  
**HRIR 6501: Compensation and Benefits**  
**Spring 2018**

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Instructors:	Professor Alan Benson Carlson School of Management, 3-300RR bensona@umn.edu
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Class Location:	Carlson 2-213 Mondays and Wednesdays, 9:55 AM – 11:35 PM
Office Hours:	Wednesdays, 12:30-1:30 PM, or by appointment Carlson 3-300RR
Required Materials:	Course reader (you <i>must</i> purchase this, as it includes case studies and exercises we use in class)
Suggested Materials:	Milkovich, Newman, and Gerhart (MNG). <i>Compensation</i> (11th ed.). The textbook is highly suggested. For the price conscious, you are welcome to purchase prior editions, rent it, or borrow it from the HRIR library.

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### **Course Objectives**

Building organizations capable of pursuing a business strategy requires attracting, retaining, and motivating a workforce. Compensation plays a key role in each of these regards.

While the technology is making it simple to automate routine administrative tasks, getting compensation systems *right* is hard. That's because compensation serves many purposes—it allows firms to compete in labor markets, it serves to business strategy, it conforms to internal structures, and it motivates individuals. It interacts in complex ways with the politics, culture, and practices of organizations.

By the end of the course, you should be able to evaluate and design compensation plans that:

- are externally competitive
- consistent with internal pay structures
- support and build upon an organization's strategy
- complement other management practices
- comply with federal and state laws

For each, you should be able to draw upon your experience with specific cases.

### **Teaching Methods and Professional Standards**

In the typical week, we will cover one topic; the first half is devoted to material, and the second half is devoted to a case study that complements the lecture. For the benefit of the class, please keep the following professional standards in mind:

- *Preparation.* Group discussions are the cornerstone of the class. I believe that analyzing interesting cases through interactive classes are the best way to get familiar with the broader skills required to master compensation levers as part of a general HR strategy. We all have a responsibility to ourselves and to each other to be well-prepared for every class. Please read all course materials carefully and be prepared to contribute your perspective.
- *Ethics.* Lastly, I expect students to lead and act ethically. If you have any questions, please refer to the Minnesota Student Code of Conduct at [goo.gl/uYvqW](http://goo.gl/uYvqW) and the Carlson School Honor Code at <http://goo.gl/yT3LvM>.

### **Grading and Deliverables**

Grades are based on four items, each worth 25% of the grade: Quiz 1, Quiz 2A, Quiz 2B, and participation. To prepare, you should review both the material in the course, prior cases, and the Merck case.

- Quiz 1 (in the first half of class) covers pay determination. It is 90 minutes long and covers all material on pay determination from the perspective of a new case. The quiz is difficult. Rather than curving (which is a tournament-style incentive that discourages cooperation!), I take the average of your score and 100. That means that 60 points maps onto 80% for the purpose of the final grades.
- Quiz 2 (in the second half of the class) will cover all material. To prepare, you should review all prior course material and the issues arising in prior cases. Again, I take the average of your score and 100 for the purpose of grading.

- Part A is 90 minutes long and asks you to analyze prior cases in new ways. It will be open book, no internet, and there will not be enough time to re-read all materials thoroughly.
  - Part B is 90 minutes long and tests for familiarity with terminology and concepts. It is closed book and no internet.
- Preparation and participation are class norms (particularly for case studies), and are also graded. Participation in the first half of class (H1) is worth 10%, Participation in the second half of class (H2) is worth 10%, and the negotiation case notes are worth 5%. In H1 and H2, you get 7.5% of the 10% participation credit for classroom citizenship and small group exercises and the remaining 2.5% for sharing your thoughts in class discussions. The negotiation memorandum is due immediately prior to the in which we perform the negotiation. The negotiation memorandum should feature (i) your negotiation notes, (ii) what worked well in your negotiation, and (iii) what you would do differently.

I hope you will feel the classroom offers an environment conducive for interaction. If you are not comfortable speaking during lecture, you may opt to be graded primarily on two supplementary assignments. First, please use Canvas to submit your notes on all case exercises, in a highly clean and presentable manner. Second, present your analysis of an article related to compensation (e.g. from WorldatWork, HBR, HR Magazine, or Sloan Management Review). You can submit a hard copy of the article and your one-page reaction paper to me the Friday of the last week of class. If you choose this option, I still encourage you to participate in class to your fullest ability and to submit the negotiation memorandum.

Percent grades map onto letter grades as follows: A+ is 97.00 – 100.00%; A is 93.00 – 96.99%; A- is 90.00-92.99%; B+ is 87.00 – 89.99%; B is 83.00 – 86.99%; B- is 80.00 – 82.99%; etc.

### **Careers in Compensation**

All of your careers will involve compensation in some form—you will weigh and negotiate your pay, elect your benefits, pursue your incentives, evaluate your position in the labor market, and so on. Many of you will also take HR generalist and management roles that will deal with compensation. And some of you will eventually become compensation specialists.

I'm always available to speak to students about career advice. If you're interested in making a career in compensation, I'm happy to help share my thoughts and connect you with a complimentary membership with the compensation professional association WorldatWork.

## Class Schedule: Readings

### **Part 1: Base Pay and STIs**

Week	Topic	Case	Textbook	Notes
1	Introduction	Lincoln Electric	MNG 1	
2	Job Analysis	Pay structure practicum	MNG 4	<i>bring a laptop to this class!</i>
3	Market Benchmarking	Southwest	MNG 7	
4	Pay Structures	Megalith	MNG 5, 8	
5	Performance Evaluations	Arrow	MNG 11	
6	FLSA and Compliance	Uber	MNG 14, 17	
7	Incentives	Safelite	MNG 9, 10	
8	Quiz 1	Merck		3/7/18

### **Part 2: LTIs and Benefits**

Week	Topic	Case	Textbook	Notes
9	LTIs and Executive Comp	Netflix	MNG 14	
10	Benefits, Health, and Pensions	Travelers (guest John Clifford)	MNG 12, 13	
11	Pay Strategy	Microsoft	MNG 2	
12	Total Rewards	UHG (guest David Strauss)		
13	Quiz 2	n/a		4/16/18 and 4/18/18

### **Part 3: Key Skills**

Week	Topic	Case	Textbook	Notes
14	Creating Value	Whole Health Management		
15	Pay Negotiations	Diego Primadonna		Submit notes on Canvas

\* Additional suggested readings are posted on Canvas

## **Class Schedule: Learning Objective Road Map**

### **Part 1: Base Pay and Short Term Incentives**

#### **Week 1: Introduction**

- How compensation fits into HR strategy and business strategy
- The role of a compensation and benefits professional
- The employee value proposition, total compensation, the pay mix, and other key terms

#### **Week 2: Job Analysis**

- Mechanics of job analysis, benchmarking, and establishing a pay structure
- Best practices and methods for performing a job analysis

#### **Week 3: Market Benchmarking**

- Labor supply, labor demand, and how they determine pay and competition for workers
- How labor markets relate to pay surveys, and how they're used to benchmark pay
- How to adjust pay from benchmarks

#### **Week 4: Pay Structure**

- Establishing a pay structure from benchmark data
- Pay structure design considerations (e.g. frequency of promotion, relationship between promotions and raises, width of pay ranges)
- Market, points, and person-based pay structures

#### **Week 5: Performance Evaluation**

- Best practices for balancing the judgment and coaching in evaluations
- Linking and decoupling evaluations to pay (directly or indirectly)
- Methods for tying promotions, raises, incentives, and other rewards to evaluations

#### **Week 6: FLSA and Compliance**

- Pay compliance legal framework
- Firms' statutory requirements for pay (e.g. FLSA, FMLA, Equal Pay)
- New developments (e.g. overtime rule, Lilly Ledbetter, Say on Pay)

#### **Week 7: Short Term Incentives (STIs)**

- What makes jobs good candidates for short-term incentives (STIs), versus base pay
- Design considerations (e.g. guaranteed rates, piecerates, bonuses, accelerators)
- What makes jobs good candidates for team, individual, or rank incentives

## **Part 2: LTIs and Benefits**

### **Week 9: Long-Term Incentives and Executive Compensation**

- Mechanics of long-term incentives (LTIs), like stock options and performance shares
- Tax treatment of LTIs
- Strategic use of LTIs for retention
- Principles of executive compensation

### **Week 10: Benefits, Health, and Pensions**

- Statutory and fringe benefits
- Defined Benefit and Defined Contribution Plans
- Retirement plan investment vehicles and ERISA requirements
- The Patient Protection and Affordable Care Act (PPACA)

### **Week 11: Pay Strategy**

- Linking business strategies, key success factors, and compensation design elements
- Synergies between compensations practices, business strategies, and other HR practices
- Strategic use of the pay mix

### **Week 12: Total Rewards**

- Total Rewards framework
- Money, Mix, and Messaging

## **Part 3: Creating Value**

### **Week 14: Creating Value with Pay and Benefits**

- Interest-based approaches to total rewards and compensation packages
- Negotiating compensation plans that create value for the company and employees

### **Week 15: Compensation Negotiation and Course Review**

- Apply negotiations concepts and criteria of compensation determination to negotiations
- Key negotiations concepts, particularly: interests, criteria, options, and alternatives

**Department of Human Resources and Industrial Relations  
INDUSTRIAL RELATIONS CENTER  
Carlson School of Management  
UNIVERSITY OF MINNESOTA**

**STATEMENT ON COURSE REQUIREMENTS**

1. The instructor will determine the conditions, if any, under which an "Incomplete" will be assigned instead of a grade. The instructor may set dates and conditions for makeup work, if it is to be allowed.
2. A student may not negotiate the submission of extra work in an attempt to raise his or her grade unless the instructor has made such opportunities available to all students.
3. Academic misconduct is a very serious issue with potential consequences ranging from failure in the course in question to dismissal from the University. Academic misconduct is defined broadly as any act that violates the rights of another student in academic work or that involves misrepresentation of your own work. This includes (but is not limited to) cheating on assignments or examinations; plagiarizing, which means representing as your own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work. Instructors may define additional standards beyond these.
4. Carlson School students are expected to understand and uphold the Carlson School Code of Conduct. Any violation of the Code of Conduct will not be tolerated and appropriate action will be taken.
5. Students with disabilities that affect their ability to participate fully in class or to meet all course requirements should bring this to the attention of the instructor during the first week of class so that appropriate accommodations can be made. Similarly, students for whom English is not their native language may request accommodation (such as additional time for examinations).
6. Student complaints or concerns about some aspect of a course sometimes arise. If possible, it is hoped that these can be resolved through an informal meeting between student and instructor. However, if a student feels this is not feasible, or if such discussion does not remedy the problem, the student may consult with the Director of Graduate Studies in 3-300 Carlson School of Management (if a graduate student) or the Director of the Industrial Relations Center, also in 3-300 Carlson School of Management (if an undergraduate student).
7. University policy prohibits sexual harassment. Copies of the University policy on sexual harassment are available at 419 Morrill Hall. Complaints about sexual harassment should be reported to the University Office of Equal Opportunity at 419 Morrill Hall.
8. Materials for this course are available in alternative formats upon request. Please contact the Director of Graduate Studies, 3-300 Carlson School of Management, (612) 624-2500.