

## MODULE 6 - What do you get in Salary

### Elements of a salary

#### Definition

Agreed-upon and regular compensation for employment that may be paid in any frequency but, in common practice, is paid on monthly and not on hourly, daily, weekly, or piece-work basis.

#### Components of the direct financial compensation

Direct compensation is the money directly paid to employees in exchange for their labour. Direct compensation includes wages, salaries, bonuses, tips and commissions.

##### - Salary and wage

Direct compensation includes basic annual salaries or hourly wages paid to workers in return for their services to the company account. It refers to the monetary benefits received for work done for a specific duration like an hour, a week, a month or a year. It includes workers' financial compensation payments, contractual payments, pay for unscheduled time, and overtime, as well as any retroactive pay.

##### - Bonuses

Bonuses are given to employees to create incentives, reduce costs, to pay people for doing a good job; and to encourage employees to think like shareholders. Still, bonus plans can be invaluable to employees who want to know what they need to do to succeed in a company. Bonus plans communicate the values the company stands for and the behaviours it celebrates. The people who get promoted at a company also get the biggest bonuses and the most recognition.

##### - Tips

##### - Commissions

Commission is a sum of money that is paid to an employee upon completion of a task, usually selling a certain amount of goods or services.

It can be paid as a percentage of the sale or as a flat amount based on sales volume.

Employers often use sales commissions as incentives to increase worker productivity. When commission is paid in addition to a salary, it may be included in the employee's paycheck or paid on a separate schedule i.e. bi-monthly or monthly.

#### Components of the indirect financial compensation

**Indirect financial compensation** is a benefit given to an employee that has financial value, but is not a direct monetary payment. It is often referred to as a non-cash benefit. In certain circumstances, these non-cash

benefits may be more valuable to an employee than a high salary or wage. Let's take a quick look at some examples:

- paid absence: vacations, sick leaves, holiday leaves, educational leave, etc
- retirement plans: plans can also offer an attractive incentive. If a company offers a defined benefit plan, it's promising to pay a certain amount of retirement benefits to an employee upon the employee's retirement. You can think of it like a private-sector social security payment - a set amount each month for life.
- benefits: they can include, education programs, insurance plans, life insurance, supplementary health, vision, dental, bonuses for meals, car, etc...