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Геник Анастасія Миколаївна

Київський національний університет технологій і дизайну

(м. Київ)

Науковий керівник – Роєнко Л. В.

THE ESSENCE OF REMUNERATION FOR EMPLOYEES

A pay grade is a unit in systems of monetary compensation for employment. It is commonly used in public service, both civil and military, but also for companies of the private sector. Pay grades facilitate the employment process by providing a fixed framework of salary ranges, as opposed to a free negotiation.

The purpose of the research is to describe the process of employee monetary compensation.

According to the aim the following **tasks** have been identified: consider and analyse the existing points of view relevant to the given problem, explain and specify the pay grade dimensions, the systems of work evaluation and salary grade scale.

Typically, pay grades encompass two dimensions: a "vertical" range where each level corresponds to the responsibility of, and requirements needed for a certain position; and a "horizontal" range within this scale to allow for monetary incentives rewarding the employee's quality of performance or length of service. Thus, an employee progresses within the horizontal and vertical ranges upon achieving positive appraisal on a regular basis. In most cases, evaluation is done annually and encompasses more than one method. In a pay and grading structure, jobs are placed in the order of hierarchy and arranged into a series of grades, with salaries attached to each grade. Having a clear grading structure helps to provide a logical basis for objective decisions about pay and progression. Although some smaller employers may decide that it is not necessary to develop a formal grading structure, it is nevertheless useful for them to clarify the reasoning on which decisions about the relative value of jobs and how they are rewarded. For employees, a grading structure can help to make it clear how their role and pay relate to others within the organization and externally, and how they can progress to a higher position in the organization.

Many employers use standards-based system for evaluating employees and for setting salaries. Standards-based methods have been in de facto use for centuries among commission-based sales staff: they receive a higher salary for selling more, and low performers do not earn enough to make keeping the job worthwhile even if they manage to keep the job. In effect, the salary would be re-evaluated up, or down, periodically (usually annually) based on the performance of the individual or team. The reward is the salary: with an expectation to be high on the pay band for high performance and low on the band for low performance. When a job evaluation process is carried out, a pay and grading system can help prevent equal pay issues. Some organizations have different grading structures in place for different types of job roles, but you need to keep a close eye on the risk of equal pay issues where this is the case.

A pay grade or salary grade scale is a structured pay format where new employees are placed at a given pay level based on their level of education and work experience related to the position. Each job within the organization is placed at a specific pay grade in an effort to balance both internal and external equity. A grading structure will be supported by accurate, up-to-date information on market pay rates. There are numerous ways in which you can gather this information, from looking at salary surveys to speaking to consultants. However, you should be clear about what information you need, who you want to compare against and the advantages and disadvantages of different information sources.

Fair and equitable compensation is a primary purpose of pay grade schedules. Internal equity means paying employees within the organization fairly and equitably. This is to protect against real or perceived pay discrimination. Pay should align with background. Achieving external equity involves a comparison of a company's pay schedule with other companies in the industry. A company needs a competitive pay schedule to attract top talent and to avoid routine turnover.

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