

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2014-16)
Fifth Trimester Examination January 2016

Subject	Wages and Salary Administration & Compensation Management		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	19.01.2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

Case Study : Salary inequities at Acme Manufacturing

Joe Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small eastern town. It had approximately 250 employees and was the largest employer in the community. Black was the member of the family that owned Acme, but he had never worked for the company prior to becoming the president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of this problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors. However, there were no similar supervisory jobs in which there were both male and female job incumbents. When asked, the Hr director said she thought the female supervisors may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster, that a modified ranking method of job evaluation should be used, and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees.

Black was not sure what to do. He knew that if the underpaid female supervisors took the case to court, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told

Black that the female supervisors had never complained about pay differences. The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had four choices relative to the female supervisors:

1. To do nothing.
2. To gradually increase the female supervisors salaries.
3. To increase their salaries immediately.
4. To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do.

Questions

1. What would you do if you were Black?
2. How do you think the company got into a situation like this in the first place?

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) How can productivity be measured? (Two models)
- b) Standard output = 100 units, Piece rate = 10 paise. Explain Merrick's Differential Piece Rate System and find earnings for output of 80 units, 90 units and 110 units respectively.
- c) Write about the Income Tax Act, with respect to compensation and perquisites and Tax benefits.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the steps in conducting a compensation survey.
- b) How are compensation decisions taken?
- c) Design the compensation plan for a sales person.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Define compensation along with the contrasting perspectives and objectives.
- b) Differentiate between Pay Ranges and Pay bands.
- c) Payment of bonus Act 1965

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are the prerequisites for an effective incentive system? What are the Advantages and disadvantages of Incentive pay?
- b) Elaborate on the elements of Expatriate compensation.
- c) Explain Halsey Plan and Rowan Plan with examples.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are the factors that influence compensation and elaborate on the four policy choices.
- b) Explain 'Earnings vary in the same proportion as output' type of Incentive scheme with relevant examples.
- c) Explain the theories on Executive compensation.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) An employee's basic salary is Rs. 5000, DA is Rs. 1000 and HRA is Rs. 2000 per month. Actual monthly rent paid by the employee is Rs. 2000. Explain HRA – Section 10 (13 A) of the Income Tax Act. Using HRA show the calculation of income tax exemption amount. (Assume slab for HRA = 40%).
- b) What are some of the issues and trends in compensation management?
- c) Minimum wages Act 1948