

VPM's
DR VN BRIMS, Thane
Programme: MMS (2022-24)
Third Semester Regular Examination January - February 2024

Course Name:	Compensation & Benefits	Course Code	H-305
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	5	Date	01.02.2024

Course Outcome Statements:

CO1: Defining the philosophy of human resources and its relevance in Compensation & Benefits
CO2: Summarize the Compensation, Benefits and total Reward practices in organizations in India and other countries

CO3: Experimenting business context for reward strategies

CO4: Integrating compensation structure, salary offer, CTC structure, variable pay statutory benefits (PF, ESIC, Gratuity, Superannuation, Bonus), with Labour Laws and with latest amendments to the Acts

CO5: Evaluate impact of Inflation, Consumer Price Index, Compensation Survey, Variable Pay benchmarking and Income Tax

Instructions: -

Q. No 1 (All Questions are Compulsory)	Marks	BL	CO
Q. No.			

Q. No.	Questions			
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Q. 1	Case/Case-let Study (500-800 words)			
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Read the following Case Study and answer the questions mentioned below – Analyze the Impact of Compensation and Reward System on the Performance of an Organization :

Organizations are established with the aim of effectively utilizing various available human and non-human resource to achieve certain objective. Among these resources in human, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective, hence the need for human resources management to ensure optimum productivity and organizational continuous existence.

Human resource has been tagged the most valued asset of any organization. Its strategic approach emphasized a “tight fit” between individual needs, rights, ambitions, and goals within the organization which make compensation system central in the affairs of emerging students, scholars and HRM practitioners in the world over. The emergence of human resource management posed great threat to the conventional personnel management and industrial relation because it evolved from the core approach or organization relationship. It is an asset that should be invested upon so as to provide long-term commitment and high performance in an organization. As organizations strive to achieve one or more objectives through exhaustive utilization of human capital, so also, the employee aim toward achieving individual purpose (objective) while working for the organization.

Reward system is the instrument used to increase employees' productivity. It seeks to attract and retain suitable employees, encourage good management – employee relationship and commitment and minimizes tension and conflict as it deals with all forms of final returns, tangible service and mechanism for good relationship. Furthermore, the major cause of industrial conflict is based on the fact that employees feel their benefits are denied or about to be denied thus the importance of compensation system is to provide a good platform for equity and fairness. This provides a challenging environment and increase productivity of employees. The compensation system ensures that both intrinsic and extrinsic needs of employee at all levels are adequately provided for compensation develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Reward and compensation is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward and compensation within an agreed framework, planned goals, and standard competency requirements.

Petroleum sector plays a great or leading role in building Nigeria economy since petrol (Crude oil) serves as the major source of income in Nigeria and is the strength of Nigeria economy. The role petroleum industry plays cannot be overemphasized, among which are structuring the capital market, refining of crude oil for local consumption, provision of employment for both indigenes and foreigners and the marketing of crude oil and petroleum product. However, the success of the industry rests so much on its human resources capability, which is the most valuable asset of any sources capability, which is the most valuable asset of any organization. The challenging tasks of every manager at all level are how to build a befitting reward and compensation system to incorporate both organizational goals and individual needs, thus, have a motivated workforce and improve productivity. Therefore, this research work seeks to look into reward and compensation system and its implication on worker's efficiency in the petroleum industry. The industry has proved to be one of the most valuable in Nigeria economy and the productivity of the industry cannot be refrained from its rewards and compensation structure, directly or indirectly.

However, the study examines the impact of reward and compensation, system on organizational productivity, the base of good reward and compensation structure, employee's expectation at different levels and how the compensation structure is based on performance of individual(s) or job requirement of employees. The researcher therefore tends to draw attention of Board of Directors (BOD) and management of organization to the need for effective and efficient reward and compensation system capable of improving employees' performance and enhance organizational productivity.

a. Statement of the Problem

Some organizations over the years see employee as additional cost as well as liability to their operations, hence do not remunerate them appropriately, and where it is more appropriate, the compensation is not commensurate with the efforts and skills that workers put into the organization's activities, instead of paying attention on how employees will be compensated appropriately, some organizations concentrate more on other resource, such as materials, machines and money. The effort is more on how to improve the production process with little or no consideration for human efforts.

This had led to the inability of such organizations to attain their set objective, organization success relies heavy on how much attention pay to its employees' reward policies. It is in view of this that the study seeks to know how reward and compensation system in organization affect the performance of employees as well as that of the organization in general.

b. Objectives of the Study

The major objective of this study is to examine and assess the impact (if any) of reward and compensation system on the productivity of employee in an organization. The specific objectives therefore, are to;

1. Draw the attention of management to prompt, timely and adequate compensation of employee
2. Analyze the available reward package and how it affect employees and organizational performance
3. Ascertain the need for management to create a conducive working environment by providing both physical and psychological incentives to make employees more committed to organizational goals
4. Encourage a good reward and compensation policy which should be channeled toward increasing organizational productivity.

c. Significance of the Study

The importance of this study cannot be overemphasized due to the fact that, it holds a lot benefit to ensure continuous existence and survival of organizations, the study will be great benefit to manager or human resource department of organization regarding the identification of effective reward and compensation, system, it cost and benefit on organizational operations, harmonizing employees and organizational interest to avoid sub-optimality etc.

In addition, the study clarifies the argument on whether effective reward and compensation system adds value to organizational activities, which will enable organizations take profitable side on whether to compensate employees or not. This research due to adequate review of various up-to-date literature is a source of material to post and undergraduate

		<p>student and as well as researchers who may intend to undergo a study on the subject matter in future.</p> <p>Knowledge they say, is power this research work exposed the researcher to many practical issues on human resource, reward and compensation system and the respective relationship that exist between effective reward and compensation system, productivity customer patronage as well as organization productivity and profitability. In addition, the study was an avenue for the researcher to study some materials text book, journals, annual reports etc which on ordinary activity would not have thought of. Finally, the study serves and meet one of the pre-national diploma in management from Kaduna Polytechnic Kaduna.</p>			
	a.	Examine the benefits of prompt compensation to employees in the organization and how can a reward package affect the performance of an employee in an organization?	6	Level 4	CO4
	b.	Evaluate the ways in which employers can encourage employees.	6	Level 5	CO5
Q. 2		Answer Any one from the following.			
	a.	You are the manager of 10 people in a large organization. All of them become very suspicious and upset when they receive a memo from the HR department saying their jobs are going to be evaluated. Recommend how can you try to reassure them?	6	Level 5	CO5
	b.	"Employee Stock Option Plans (ESOP) /Equity Incentive Plans are one of the most important tools to attract, encourage and retain Employees." Evaluate the statement in the context of increasing equity interests among the employees.	6	Level 5	CO5
Q. 3		Answer Any one from the following.			
	a.	A manufacturing organization has to recruit a large number of both skilled and unskilled workers. These workers are easily available given the present economic conditions. Your company believes there is no need to pay the workers above the minimum wage set by the state government. However, you personally feel that since the company is capable of paying more (due to high profit margins and a sound financial position), fair wages should be paid to the workers. Examine the situation and Relate your views accordingly.	6	Level 4	CO4
	b.	A particular organization, engaged in the business of pharmaceutical drugs, offers the best salaries in the industry to its employees. The company has started losing talented employees due to increase in inter-industry job mobility. Initially, the company did not pay any attention to this issue, as it can get skilled manpower from its relatively small competitors, become of its competitive compensation package. However, its talent flight has now become so acute that the company has decided to opt for an industry benchmark of their compensation packages. As a team leader of this project, analyse the situation and examine your action plans detailing the types of industries that you may like to benchmark	6	Level 4	CO4

Q. 4		Answer Any two from the following.			
	a.	Refer to the following inputs and elements of CTC to be offered to Mumbai based candidate selected for Head – Human Resources: - CTC 55 LPA - Fixed to variable pay % is 90 to 10% - Basic salary 45 - 50% of Fixed component - LTA – Rs 150000 - Annual bonus- Rs. 120000 - All monthly allowances (HRA, Conveyance, Education) as per the IT Act - Medclaim premium – Rs 32500 Questions A. Calculate PF contribution per month B. Calculate Gratuity contribution C. Calculate per month gross and net salary with each component mentioned separately D. Applying the concept of CTC Design, prepare a Final CTC on Fixed pay in a structured format.	6	Level 3	CO3
	b.	Identify the factors that influence internal pay structures. Based on your own experience, which ones do you think are the most important? Why?	6	Level 3	CO3
	c.	Identify the non-monetary benefits you would choose for marketing executives of an insurance company?	6	Level 3	CO3
Q. 5		Answer Any two from the following.			
	a.	Job analysis has been considered the cornerstone of human resource management. Explain how does it support managers making pay decisions?	6	Level 2	CO2
	b.	How would you interpret whether to use job-based or person-based structures?	6	Level 2	CO2
	c.	Explain the factors determine the relevant market for a survey? Why is the definition of the relevant market so important?	6	Level 2	CO2
Q. 6		Answer Any two from the following.			
	a.	How does job evaluation translate internal alignment policies (loosely coupled versus tight fitting) into practice? What does (a) organization strategy and objectives, (b) flow of work, (c) fairness, and (d) motivating people’s behaviours toward organization objectives have to do with job evaluation?	6	Level 1	CO1
	b.	How would you design a survey for setting pay for Machine Operators? How would you design a survey for setting pay for Commercial Managers? Do the issues differ? Will the techniques used and the data collected differ? Why or why not?	6	Level 1	CO1
	c.	It is said “Philosophy of an organization is derived from the founder’s assumptions and beliefs”. In light of the above statement define the role of HR Philosophy in Compensation & Benefits.	6	Level 1	CO1