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Total number of printed pages – 3

MBA
MBA 306C

Third Semester Examination – 2013

COMPENSATION MANAGEMENT

QUESTION CODE : C- 520

Full Marks – 70

Time : 3 Hours

Answer Question No. 1 & 2 which are compulsory and any **four** from the rest.

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10
- What is compensation ?
 - Distinguish between minimum wage, fair wage and a living wage.
 - Differentiate between internal equity and external equity.
 - Fringe benefits serve as golden hand-cuffs. Justify.
 - Distinguish between time wage and piece wage system of payment of wages.
 - What are the major advantages of broad banding ?
 - What is wage differential ?
 - What is performance based pay ? What are its major objectives ?
 - Is executive compensation justified ? Give reasons in brief. List out the major components of executive compensation.
 - State the salient features of Minimum Wages Act.
2. LANCO is an engineering company with an employee strength of 1500. It has a system of incentive linked monthly productivity bonus for the shop floor employees, which serves the purpose of rewarding good work. The HR Director, Mr. Gupta has been facing a dilemma, how to evaluate the performance of the middle

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management and how to link it with productivity. After deliberate discussions with individual managers he develops a plan. The plan is designed to enhance team work and provide incentives for improvement and excellence among middle level managers. Briefly the pay will be split into two components, the first consist of 80 % original salary which will be a fixed component and will be determined as before and the second component of 20 % will be flexible and will depend upon the ability of each team as a whole to show a minimum of 5 % improvement in their respective areas. The scheme when discussed with managers, received a number of negative remarks. One manager said that why should their performance depend upon the performance of other members of the team. The new pay scheme makes them team players first and specialists in their areas next. Another objection was that why the good persons in the teams should suffer if the other members were not measuring upto the expectations. Moreover there are a number of external factors which affect the individual and collective performance. For example – If a product suddenly goes out of demand affecting marketability, why should the concerned marketing team be penalized for something beyond its control.

Now Mr. Gupta is in a tight position. The company has been a trend setter in executive compensation in Indian industry as they have been paying the best. Will the new plan ensure that it remains that way. If the plan succeeds LANCO set another trend in executive compensation. But how should he see this plan through.

- (a) Do you think it is proper to evaluate managers on the basis of productivity ?
 - (b) In your opinion, individual performance or team performance is the most suitable criteria for incentive plans
 - (c) If you were the HR director, what would you do ? 10
3. Wage and salary administration seeks to provide justice both to employer and employees, Explain 10
 4. "Job evaluation does not usually price jobs". Discuss. Explain the non quantitative methods of job evaluation in detail along with few merits and demerits. 10

5. Explain the importance of theory of wages. Discuss the Subsistence and wage fund theory of payment of wages. 10
6. "Incentives are monetary benefits to workers in recognition of their outstanding performance". Justify this statement highlighting the importance of payment of incentives. Discuss any two incentive plans and bring out relative merits and demerits. 10
7. Besides wage laws and Industry's ability to pay, the employee's capacity to perform has also become an important determinant of compensation package in the changed economic scenario. Explain this statement along with other factors which determine wage and salary. 10
8. Why should there be a wage policy in India? Discuss the structure and role of wage boards in the Indian context. 10

