

**MANAGEMENT PROGRAMME**

**Term-End Examination**

**December, 2018**

**02883**

**MS-027 (Pre-revised) : WAGE AND SALARY  
ADMINISTRATION**

**MS-027 (Revised) : COMPENSATION AND  
REWARDS MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100  
(Weightage 70%)*

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- Note :** (i) *There are three sections : Section A is for the students who have registered for this course prior to July, 2017. Section B is for the students who have registered for this course July, 2017 onwards. Section C is compulsory for all.*
- (ii) *Attempt any three questions from Section A / Section B. All questions carry 20 marks. Section C is compulsory and carries 40 marks.*
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**SECTION - A  
(Pre Revised)**

1. Explain the concept of 'corporate compensation policy' and highlight the issues involved in it.
2. Discuss the constitutional perspective of wages and enlist the international labour standards on wages.
3. Describe the relevance and the process of pay surveys with examples.

4. Classify different types of incentives and discuss their merits and demerits. What are the pre requisites of effective incentive scheme ?
5. Explain how tax planning for employee compensation is carried out citing examples.

## SECTION - B

(Revised)

1. Explain the behavioural theories of compensation and the related issues.
2. Describe different categories of wages and how various Acts define the term 'wage'.
3. Write notes on the following :
  - (a) Wage boards
  - (b) Pay commissions
4. Define performance linked reward system. Explain the steps in designing the performance linked reward system with the help of examples.
5. Discuss various approaches in designing compensation and briefly map out different alternative system of compensations.

## SECTION - C

**Read the case given below and answer the questions given at the end.**

A large public sector undertaking employing thousands of supervisors got an interim injunction order from the High Court in a case represented by the Employees Union regarding calculation of tax. The stay order was 'not to take into account City Compensatory Allowance (CCA), Dearness Allowance (DA) and Additional Dearness Allowance (ADA) for calculation of net taxable income'. If this stay order was implemented/made applicable to that section of the employees who were members of the Union, most of the staff will be out of the tax net. The matter was brought to the notice of the General Manager by the Accounts Department for advice/orders. The General Manager contacted his close friend and associate, a senior income tax department official, who advised him, to persuade the staff and to take into account CCA, DA and ADA, for calculation of net taxable income and to recover tax from all the employees as due, irrespective of the High Court interim injunction or irrespective of the Union to which they belong. The justification for this advice was that the Direct Taxes Amendment Bill was being passed and that in any case the tax will have to be recovered inclusive of CCA, DA and ADA. The General Manager though reluctant, felt that the advice of his friend should be heeded. The matter was taken to the Personnel Department. The Chief of Personnel held a different view. His view was that the CCA, DA and ADA should not be included in taxable income for the following reasons :

- (1) There are the High Court's interim orders and if not obeyed there may be a contempt petition by the Union.
- (2) When in doubt we should always await the final outcome.
- (3) If we calculate net taxable income without taking CCA, DA and ADA we are not only not violating the High Court's orders but also the staff will feel that we are one with them and not anti-labour.
- (4) The Union will feel happy, since the others who are not members of the Union, can be wooed and they now know the prowess of the Union.

When this was pointed out to the General Manager, he again contacted the income tax official. The official stated that the Amendment Bill is in final stage and is almost passed and it would therefore be wise to recover the full tax taking into account the CCA, DA and ADA to avoid double work and extra labour. The Chief of Personnel did not agree with this view and added that considering the economics of present day with the rising trend in price index, etc., an amount which is not clearly recoverable at present and in doubt but, will become recoverable subsequently should not be recovered now. It should be recovered only later when it becomes clearly due and recoverable. Moreover, this course of action would show to the workers the organisation's good intentions towards their workers, oneness with the staff, abiding law and the impression that 'we care for the Union', though this may involve additional labour and extra work later on. The Chief of Personnel also pointed out that employee/employer relation is

always 'pay now, recover later' and the maxim 'payments due - first preference, recoveries due - in due course' would always create a better industrial climate particularly in the context of our culture and work ethos coupled with the socialistic concept of the Government. It would also be good for the organisation, he argued.

The General Manager was perplexed not only because the high official of the tax department was a well wisher and good friend of the General Manager and his advice was valued, but also in the interest of the company, he did not want strained relations with the tax department.

**Questions :**

- (a) Identify and describe the core issue in this case.
  - (b) If you are the General Manager how will you deal with the situation ?
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