

00645

**MANAGEMENT PROGRAMME**

**Term-End Examination**

**June, 2017**

**MS-027 : WAGE AND SALARY  
ADMINISTRATION**

*Time : 3 hours*

*Maximum Marks : 100*

*(Weightage 70%)*

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- Note :** (i) *There are two Sections A and B.*  
(ii) *Attempt any three questions from Section - A. Each question carries 20 marks.*  
(iii) *Section - B is compulsory and carries 40 marks.*
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**SECTION - A**

1. Explain the concept of compensation and its role in organization. What are the highlights of an effective compensation planning ?
2. Discuss the purpose and application of the payment of Wages Act, 1936. Explain the permissible deductions which can be applied.
3. Explain the concept of internal and external equity, and its role in compensation management.
4. What is performance linked reward system ? Describe the various steps involved in designing a performance linked - reward system.

5. Write short notes on any three of the following :
- (a) Downsizing
  - (b) Stock Options
  - (c) Collective bargaining
  - (d) VRS
  - (e) Wage Board

### SECTION - B

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

The National Manufacturing Company reached an agreement with the Union on a production incentive scheme to increase production. The company had an unprecedented demand for its goods and the Union agreed for the incentive scheme. The management was pleased with the assurance of the Union leader to personally undertake the task of implementing the scheme. The management promised to give him a free hand if he could assist in increasing production.

The Union did increase production to almost double the original level. As a result, the Union gained importance. Any problem could be sorted out by the Union by its direct access to the Chief Executive.

The incentive scheme benefited primarily the Union members. The scheme was inequitable as some workers got disproportionately large incentives, some low and some no incentive at all. The second feature was that as the incentive was linked to the Consumer Price Index (CPI), the distortion got further accentuated. However, when the Union tried to misuse its new found powers, the management struck back one day by taking disciplinary actions against all the leaders and the Union found all of a sudden that it was without a leader.

Another Union arrived on the scene and the leader had established a rapport with the Chief Executive, and this new Union faithfully followed the tenets of the management but as a price extracted some benefits for its members exclusively. The Union saw to it that production became its exclusive responsibility and it had a hot-line with the Chief Executive for any problem resolution.

As the years passed, the Union started agitating for improvement in the wage scales. Because of the incentive scheme, the company found that any improvement in the basic wage would pose greater problems and the primary question before the management was to delink the CPI from the incentive scheme. The Union refused to delink the CPI from the incentive scheme as some of its members were earning an amount equal to, if not more than the salary, as an incentive itself. At the same time workmen with no incentive and being grade barred began to lose. And this resulted in discontentment amongst the workmen. But the dilemma could not be resolved and this led to an explosive situation.

A third union emerged on the scene and this led to intense inter-union rivalry resulting in indiscipline, loss of production, and violence within the factory premises, as a result of which the company declared a lockout.

When the plant reopened after four months, the Union in power lost its credibility and the new Union had the complete support of the workmen. The new Union leader could develop a rapport not only with the workmen but also with the management and expected the management to

solve the problem of not having revised the wage scales for a long period. But this was not an easy task as there were a lot of inequalities that the management wanted to set right.

The Union, though agreeing with the management, would not agree for a cut in the wage in any manner to set right the inequalities. The Union not only wanted to cling to the beneficial aspects of the incentive scheme but also insisted that the management somehow give an increase in the basic wages. The management was being drawn into a vicious circle of the incentive scheme being inequitable, but when the Union's attention was being brought to the high incentive categories, it reverted to the low basic wage theme. The management remained in a quandry as regards how to convince the workmen, to win over the constituency of workmen and make managers effective and regain supremacy in production.

**Questions :**

- (a) Discuss the issues that caused the problem.
  - (b) Give suggestions for solving the problems.
  - (c) Suggest various principles and strategies the management has to keep in mind while formulating a wage incentive scheme for the employees.
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