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MS-27

MANAGEMENT PROGRAMME (MP)

Term-End Examination

June, 2022

**MS-27 : COMPENSATION AND REWARDS
MANAGEMENT**

Time : 3 Hours

Maximum Marks : 100

(Weightage : 70%)

Note : *Attempt any **three** questions from Section A.*

*All questions carry 20 marks each. Section **B**
is compulsory and carries **40** marks.*

Section A

1. Enumerate wage theories. Explain any **two** of them with suitable examples.
2. Enlist the objectives of various laws on minimum wages and equal remuneration. Discuss the methods for fixation/revision of minimum wages under the Minimum Wages Act, 1948.

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3. Define job evaluation. Explain any two methods of job evaluation and their merits and demerits.
4. Explain the components of traditional and emerging pay structures with illustration.
5. Discuss the need for allowances, perquisites and benefits. Enlist various allowances that companies provide to their employees.

Section—B

Innovating Consulting Limited is a leading organization providing consulting services to the banking and financial sector in the country. The company was established by a team of six principal consultants who were working in various reputed consulting organizations and had a minimum experience of 20 years. Initially, the company obtained business because of the contacts of the principal consultants. During a brainstorming discussion, the six consultants decided to increase the scope of activities and cover other emerging sectors such as telecom, retailing, etc. Further, they also thought of increasing the headcount of the organization and decided to design the organizational structure as shown in Figure.

After deciding on the organizational the structure next issue was structuring the compensation

package. After detailed deliberations the following compensation packages were agreed upon.

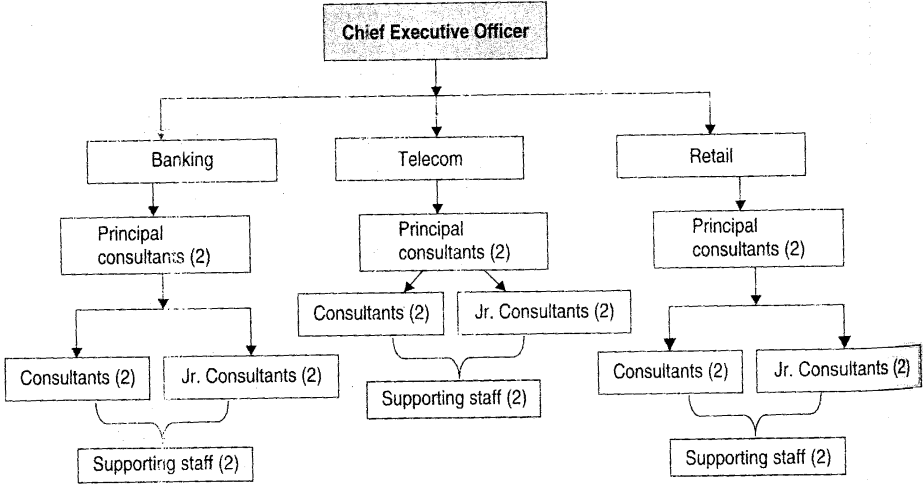


Fig. : Organizational Structure of Innovating Consulting

S. No.	Designation	Pay-scale (per annum)
1.	Chief Executive Officer	₹ 22,00,000 – ₹ 18,00,000
2.	Principal Consultants	₹ 8,00,000 – ₹ 5,00,000
3.	Jr. Consultants	₹ 5,00,000 – ₹ 3,00,000
4.	Supporting Staff	₹ 2,00,000 – ₹ 1,50,000

The next challenge faced while deciding the compensation structure was to provide the total figure to the concerned candidate and give the option to him or her to fix the break-up of the components or alternately to fix the break-up of the remuneration. The company initially decided to save expenditure on compensation by recruiting consultants and other staff from medium-sized consultants or beginners rather than internationally reputed consulting agencies. Another reason influencing this decision was that the company felt that high-fliers would not have any organizational loyalty but would try to execute their personal agendas. Accordingly, the company advertised for and recruited the required personnel. After functioning for over two years, it discovered that its revenue had become stagnant and, in fact, observed that apart from the banking and finance group, which included the founders and principal consultants, the other two areas, that is, the telecom and retailing group, were not

growing at all. After reviewing the situation, the company decided to recruit high-fliers in these two areas, who could bring in more business because of their contacts. But thus the company was forced to offer higher compensation packages to the new employees. This led to discontent, and the existing employees began to deliberately delay the pace of work.

Questions :

1. If you were the CEO, how would you manage the existing employees vis-à-vis the high-fliers ?
2. Critically analyse the compensation structure vis-à-vis the organizational structure.
3. Can you suggest a better compensation structure for the organization ?