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**MS-27**

**MANAGEMENT PROGRAMME (MP)**

**Term-End Examination**

**June, 2023**

**MS-27 : WAGE AND SALARY ADMINISTRATION**

*Time : 3 Hours*

*Maximum Marks : 100*

*(Weightage : 70%)*

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**Note :** *Attempt any **three** questions from Section A.  
All questions carry 20 marks each. Section B  
is compulsory and carries 40 marks.*

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**Section—A**

1. Describe the concept and role of compensation.  
Describe the functions of a compensation programme.
2. Explain the concept of Employee Stock Options.  
Critically evaluate their advantages and disadvantages.
3. Discuss the salient features of the Minimum Wages Act, 1948 and Payment of Gratuity Act, 1972.

**P. T. O.**

4. Explain the components of traditional and emerging pay structures with illustration.
5. Explain the need and purpose of allowances and fringe benefits given to the employees in an organisation. Discuss with suitable examples.

### **Section—B**

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

The Indian Electric Company is a city based manufacturer of welding machines and motors. When Mr. Nirad Shah established the company in 1970, he was keenly aware of the importance of a highly motivated workforce, and how the company's success, in fact, depended on it. Therefore, Mr. Shah had to ensure that each employee would work as diligently as possible for the good of the organisation.

Mr. Shah realised that the best way to motivate employees would be to link the company's reward and recognition system to its goals. To establish this connection, Shah developed and implemented an incentive system. Its aim was to improve the company's overall performance by allowing contributing workers to share in

the proceeds. The plan rewards employees for turning out quality products efficiently while controlling costs. The system includes the following components :

**Paying by the piece rate** : Production workers are paid according to the number of “pieces” or product units they produce that are not defective. If a customer sends a defective part back to the company, the employee who produced it must repair it on his or her own time.

**Providing year-end Bonus** : To reward workers further for their efforts, Shah introduced a year-end bonus system that gives all workers opportunity to nearly double their base wages. Workers get the bonus if the company’s annual profit increases.

**Providing Stock Options** : Shah also provided his employees with the option of buying company’s stock at a low cost. Employees are also given shares of the company’s stock based on annual profits.

All the above financial incentive payments enabled the employees to earn more and helped to improve their morale and motivation.

***Questions :***

- (a) Identify the major issues in this case in general.
- (b) What are the additional financial incentive schemes you suggest for sustaining the morale and motivation of the employees ?
- (c) Suggest suitable non-financial incentives for further improving the morale and motivation of the employees of Indian Electric Company.