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MANAGEMENT PROGRAMME

Term-End Examination

June, 2016

MS-27 : WAGE AND SALARY ADMINISTRATION

Time : 3 hours *Maximum Marks : 100*
(Weightage 70%)

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.*

SECTION - A

1. Explain the concept and role of compensation. Describe the functions of a compensation programme.

2. Explain the concepts of Living Wage, Fair Wage and Minimum Wage. Briefly describe the definition of wages under various labour legislation.

3. What is job evaluation ? Discuss various objectives of job evaluation. Briefly describe any two methods of job evaluation.

4. Define and discuss incentives and the pre-requisites for the effective incentive scheme. Briefly explain the various incentive plans and their respective merits and demerits.

5. Write short notes on **any three** of the following :

   (a) Managerial Compensation

   (b) Downsizing

   (c) Salient features of Equal Remuneration Act, 1976

   (d) Tax implications on compensation to employees

   (e) Time and piece rate system of wage payment

SECTION - B

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

   P & Company is an engineering industry, engaged in manufacturing of drawing office equipments products, for the past three decades. The products are very well received in the market. The market share for the product used to be around seventy five per cent and during the earlier part of the decade, the Company had been enjoying a monopolistic market. They retain the status in the market, the management laid down great stress on quality and productivity from the initial stage itself. The Company had been monitoring the productivity levels closely and had an individual incentive scheme during the last two decades.

During the last ten years, the life cycle of the Company came to a sudden halt with the advent of electronic systems like CAD/CAM. The Company had, therefore, to launch some new products. This new product entailed additional investments on machineries. The Company had also to induct additional manpower. The additional manpower were all raw hands requiring training - an extra expenditure. The bonus, as per the Payment of Bonus Act, depended on allocable and allowable surpluses. A dispute with regard to the bonus had arisen.

During the year in dispute, since there has been a heavy investment on the new project, the interest charges and the depreciation completely wiped out the profits. Therefore, as per the Payment of Bonus Act, the maximum bonus of 8.33 per cent only was to be offered. This was not acceptable to the workers as they have been receiving bonus of a minimum of 20 per cent all these years and were reluctant to accept a cut in the monetary rewards. They had thus, served a strike notice.

The Personnel Officer suggested that, since the Payment of Bonus Act is finance oriented, it does not necessarily reflect the productivity efforts of the employees, since during the year, the profits could be depressed due to depreciation and interest charges on account of heavy investments. The Management should also ensure maximum cooperation from the employees to maximise productivity and employment. The Personnel Officer felt that if the payments are made based on the Bonus Act, it will only result in de-motivating the employees during a crucial period. He suggested to link the bonus with productivity. This had, thus become a grievance and he suggested that the Management should pay 20 per cent as bonus, part of the payment being paid under the pretext of good industrial relations.

Questions :

(a) Identify the key issues in this case.

(b) Critically review the approach of personnel officers.

(c) If you are the Personnel Officer how will you handle the case ?