

**PGDM, 2019-21**  
**Compensation Management**  
**DM- 521**

**Trimester – V, End-Term Examination: December, 2020**

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No. on every page of the question paper; writing anything except the Roll No. will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously. Students are allowed to carry calculator.

| Sections | No. of Questions to attempt  | Marks | Total Marks |
|----------|--|-------|-------------|
| A        | 3 long answer questions with internal choices and CILO covered<br><b>Note:</b> Attempt either (a) or (b) from each question in this section. | 3*10  | 30          |
| B        | Compulsory Case Study  | 20    | 20          |
|          |  |       | <b>50</b>   |

**SECTION - A**

**Q.1 (a)** Harish has been working with JBW Company Limited as a skilled worker in the operations department since December, 2015 with a salary of Rs. 20,000/ per month. The plant is located in Rajasthan. This year the company has decided to give maximum bonus i.e. 20%. The break-up of his salary is as follows:

Basic: Rs. 10,000/-

Dearness Allowance: @17% of Basic: Rs. 1,700/-

HRA: Rs. 1800/-

Canteen Allowances: Rs. 2500/-

Conveyance Allowances: Rs. 4000/-

The minimum wage for the skilled worker in Rajasthan is Rs. 6474/-.

Harish has raised a complaint stating that this year he has received a less amount of Bonus than he used to. Now the issue has come to you. Being the Head of Compensation and Benefits, you are required to address his issue and explain to him how much amount he would receive. From the time office, you received the attendance record for Harish.

| Month          | April | May | Jun<br>e | Jul<br>y | Au<br>g | Sep<br>t. | Oc<br>t. | No<br>v. | De<br>c. | Ja<br>n. | Fe<br>b | Marc<br>h |
|----------------|-------|-----|----------|----------|---------|-----------|----------|----------|----------|----------|---------|-----------|
| Attenda<br>nce | 25    | 15  | 15       | 28       | 31      | 30        | 31       | 15       | 27       | 14       | 28      | 13        |

- 10 Marks (CILO – 3)

OR

**Q.1 (b)**

(i) Understanding of Set on and Set off is very essential while calculating Bonus under payment of Bonus Act, 1965. Explain 4 Marks (CILO – 3)

(ii) Mohit is working with MNC Private Ltd. As a worker, he gets Rs. 200/ (Basic+DA) per day. The company has laid off Mohit. You are required to explain how much lay off compensation Mohit would be receiving under S different situations.

- 4 Marks (CILO – 3)

(iii) Roneet had worked in Leva Limited for 7 years 8 months. His last drawn wages (Basic+DA) is 9800/ per month. Calculate the retrenchment compensation for him.

- 2 Marks (CILO – 3)

**Q2(a)** Gain sharing plan not only reflects management philosophy that emphasizes employee involvement but also it serves as a compensation tool for motivating the employees. With suitable examples, discuss both Rucker and Scanlon Plan.

- 10 Marks (CILO – 1)

OR

**Q2(b)** Imagine yourself as a Director of an educational Institute. What would be the 'Total Returns' that would be offered to the faculty members so as to make them more motivated and productive? Elaborate. 10 Marks (CILO – 1)

**Q3 (a)**

(i) As an expert of Compensation and Benefits, you have chosen Know How, Problem Solving and Accountability as the three criteria for evaluating the Job. A, B, C and D are the four jobs under one class which you have picked up. You are required to rank these jobs. The paired comparison ratings for criteria and options are given below.

- 6 Marks (CILO – 2)

|                 | Know How | Problem Solving | Accountability |
|-----------------|----------|-----------------|----------------|
| Know How        | 1        | 0.25            | 0.33           |
| Problem Solving |          | 1               | 0.5            |
| Accountability  |          |                 | 1              |

In terms of Criteria Know How,

|       | Job A | Job B | Job C | Job D |
|-------|-------|-------|-------|-------|
| Job A | 1     | 0.25  | 4     | 0.166 |
| Job B |       | 1     | 4     | 0.25  |
| Job C |       |       | 1     | 0.2   |
| Job D |       |       |       | 1     |

In terms of Criteria, Problem Solving,

|       | Job A | Job B | Job C | Job D |
|-------|-------|-------|-------|-------|
| Job A | 1     | 2     | 5     | 1     |
| Job B |       | 1     | 3     | 2     |
| Job C |       |       | 1     | 0.25  |
| Job D |       |       |       | 1     |

In terms of Criteria Accountability,

|       | Job A | Job B | Job C | Job D |
|-------|-------|-------|-------|-------|
| Job A | 1     | 4     | 3     | 0.2   |
| Job B |       | 1     | 0.25  | 1     |
| Job C |       |       | 1     | 0.166 |
| Job D |       |       |       | 1     |

(ii) Dearness Allowance and HRA has been used as an adjustment to base pay.  
Elucidate. (4marks)

- 4 Marks (CILO – 2)

**OR**

**Q3 (b)**

(i) With suitable example/s, list out the HR (Recruitment, Performance management and Learning and Development) and Compensation strategy for the company which follows

- i. Innovation Strategy
- ii. Cost Cutting Strategy

- 5 Marks (CILO – 2)

(ii) Point Method is the most commonly used Job Evaluation approach. Using suitable examples, justify your answer.

- 5 Marks (CILO – 2)

**SECTION – B**

Henry has a master's degree in Business Administration from one of the top institutes of the country. Wherever he had been earlier as a senior executive, he always proved his credentials and therefore used to be suitably rewarded for his efforts and caliber. However, in his last assignment in a paint manufacturing organization, he felt that his contribution was not duly recognized as much as it should have been. He continued in that organization for some time and one day he resigned from his job and joined another organization as its Chief Operating Officer (COO).

Henry got very confused when he found that though the organization had been sustaining itself but most of its highly competent employees and executives were not happy. Henry, therefore, convened a meeting and invited all the departmental heads but in the case of HR department, he invited all the executives who had been with the organization for more than five years. Without wasting any time, he came to the main issue. He told all the members present in the meeting that he has been with this organization for the last few months, but based on his observations, he feels that while employees, by and large, appear to be happy, the most competent people do not appear to be so. The company, therefore, will have to pay a price for it sooner than later. Hence, the problem demands an immediate solution. He invited suggestions from all concerned. The meeting was called off. In about a month, whatever

suggestions were received, they were looked into and whichever appeared to be sound and implementable, were executed, but nothing came out of it.

One day when Henry was handed over the cheque for his monthly salary, all of a sudden he felt as if he has got the solution of the problem. He immediately called Mr. Franklin, the Vice President of the company and the HR Head. He asked them that they should go through all the HR processes, especially with regard to salary thoroughly and brief him within a couple of days. He asked them, in particular, the changes effected in any process during the last two years, because he had the feedback that earlier the highly competitive executives, who appear to be disheartened now, were quite happy.

During the next couple of days, Mr. Franklin and the HR head had three sittings. Having examined all the documents related to HR processes in operation now and also consulting other staff of HR department, the duo came to the conclusion that no major changes have taken place during the last two years except in case of determining pay. Earlier, salary was competency based, but for the last one year the basis was changed from competency based to team based. Consequently, the now aggrieved highly competitive executives who were earlier paid on the basis of their competence, are presently being paid on the basis of performance of their teams, as a result of which, their pay has been slightly adversely affected. The duo prepared a detailed report. Besides other things, they also worked out the total pay paid to the aggrieved executives individually year wise during the last two years. On comparing the pay received by each of these aggrieved executives during the last year, when each of them was paid on the basis of performance of their respective teams, with the pay received by each of them during the year earlier, when each of them was paid on that basis of their competences, it was found that all of them got 2-3 per cent less pay in the last year.

After receiving the detailed report, Mr. Henry convened a meeting inviting Mr. Franklin and the HR head to join him in the meeting. They discussed the whole issue and Mr. Henry asked them to think over the matter, find out a solution and report back to him.

**Questions:**

- Q4.** Identify the main cause of the present grievance of the highly competitive executives.  
- 6 Marks (CILO – 2)
- Q5.** Visualize the factors that might have been responsible for the company to change the mode of determining pay from competency based to team based. What precautions should have been taken before switching over to team based mode?  
- 8 Marks (CILO – 2)
- Q6.** What will be your stand if you are asked to resolve the problem now?  
- 6 Marks (CILO – 2)

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