

MANAGEMENT PROGRAMME

Term-End Examination

June, 2013

02661

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 role of Compensation and its structure in framing the corporates policy of an organization.
2. Explain the constitutional perspective on wages including the norms for fixation of wages. Discuss the role played by the International Labour organisation on protection of wages.
3. Define and differentiate between bonus and fringe benefits, how are they linked to social security. What are the components of pay packet ?

4. What is performance 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) Tax planning
 - (b) Voluntary Retirement Scheme (VRS)
 - (c) Equal pay for equal work
 - (d) ESOP
 - (e) Minimum wage

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 salient issues of 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.
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