Time: 2:30 hours **Marks: 75**

Note- 1) All questions are compulsory.
2) Figures to the right indicate full marks.
3) Support your answer with illustration and diagram.

I Answer the following (Any Two) (15)

1. Explain various benefits of compensation with reference to health, personal, safety, welfare and social security?
2. Explain 3 Ps of compensation
3. What are models of compensation?

II Answer the following (Any Two) (15)

1. Explain factors contributing to wage differentials?
2. What prerequisites are required for an effective incentive system?
3. Explain Residual Claimant Theory and Marginal Productivity Theory.

III Answer the following (Any Two) (15)

1. Explain compensation for Corporate Directors and CEOs?
2. What are features of Human Resource Accounting?
3. What are advantages and disadvantages of Cafeteria Approach?

IV Answer the following (Any Two) (15)

1. Explain about Employee Compensation Act in India.
2. Explain Pay restructuring in Mergers and Acquisition
3. How to follow ethics in compensation management?

V Case Study (15)

Joe Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The company was family owned and located in a small eastern town. It had approximately 250 employees and was the largest employer in the community. Black was the member of the family that owned Acme, but he had never worked for the company prior to becoming the president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of this problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors. However, there were no similar supervisory jobs in which there were both male and female job incumbents. When asked, the Hr director said she thought the female supervisors may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster, that a modified ranking method of job evaluation should be used, and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees.

Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had for choices relative to the female supervisors:

1. To do nothing.
2. To gradually increase the female supervisors salaries.
3. To increase their salaries immediately.
4. To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do.

Questions

1. What would you do if you were Black?	(5 M)
2. How do you think the company got into a situation like this in the first place?	(5 M)
3. Why would you suggest Black pursue the alternative you suggested?	(5 M)

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