

MANAGEMENT PROGRAMME

Term-End Examination

June, 2009

00187

MS-27 : WAGE AND SALARY ADMINISTRATION

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- 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.
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SECTION - A

1. Discuss the concept of living, minimum and need based minimum wage. Critically examine, how minimum wage differs from need based minimum wage.
2. Describe the basic wage component of pay packet. Why dearness allowance is an integral part of pay packet ?
3. Explain various steps in designing a performance linked reward scheme. Discuss current issues and trends in linking performance with reward system.

4. Explain the concept of tax planning. Describe the tax planning for employee compensation with suitable examples.
5. Write short notes on any *three* of the following :
 - (a) Stock options
 - (b) Managerial compensation
 - (c) Time and piece rate of wage payment
 - (d) Retiral benefits
 - (e) Collective bargaining as a method of wage fixation.

SECTION - B

6. *Read the following case and answer the questions given at the end.*

CASE 1

A financial institution has just decided to open a branch at Bhimunipatnam, an exclusive resort located about 20 miles from Waltair, a large city. There is no bank at present in Bhimunipatnam.

The financial institution is anxious to determine the appropriate wage for the clerical staff it expects to hire. Clerks in the city office at Waltair receive a starting wage of Rs. 1,000 per month. As a matter of company policy these wages rates have been set at mid point of the range for financial institutions in Waltair.

A survey at local business at Bhimunipatnam indicates that the 'going rate' for qualified clerical personnel varies between Rs. 1,200 - Rs. 1,400 a month. This higher rate in Bhimunipatnam may be attributed, in part, to the substantially higher cost of living in this resort town, the limited number of young people seeking employment and the fact that there are no other financial institutions in Bhimunipatnam. Banks in Waltair have traditionally paid lower wages than other businesses, on the ground that banks offer better working conditions and higher prestige.

Questions :

- (a) What amount, should the financial institution fix as its hiring rate for clerical personnel ?
- (b) What factors should be considered in making the decision ?

CASE 2

Mr. C. S. Sharma joined in 1970 in Indian Institute of Technology - a premier educational institution in the country imparting higher level education in technology. His job demands higher level and latest knowledge, higher level teaching skill, and other skills in introducing and practicing different teaching methods and bringing coordination between the institute and industry. The institute implemented the pay scales in 1976 recommended by the University Grants Commission which were at par with the pay scales of teachers in Universities and Colleges. The demands of the jobs in Universities and Colleges are quite low compared to those of the Institute.

The pay of Mr. Sharma has been fixed at that level of Mr. Singh, who joined the Institute in 1974 as the University Grants Commission did not

recommend any weightages for the teachers who put up less than five year's experience. Mr. Sharma was quite unhappy over the parity of salary of the teachers of the institute with those of University teachers and College teachers on the one hand and equalizing his pay with his junior Mr. Singh on the other hand.

The Institute again revised the pay scales of the teachers in 1987 based on the pay scales recommended by the University Grants Commission in 1986. University Grants Commission again maintained parity in pay scales of Institute teachers, University teachers and College teachers. The pay scale of Mr. Sharma was revised and it was fixed at Rs. 3,700 which was equal to the pay of Mr. Singh, Mr. Kulkarni, who joined the institute in 1984 and Mr. Prasad, who joined the Institute in 1986.

Mr. Sharma rushed to the chambers of the Director of the Indian Institute of Technology on 20th July, 1988 and told him he was quitting the job in the Institute and he was going to join Government Degree College, Rajahmundry. He further said that he was going to get the same salary in a small town. The Director was shocked after listening to Mr. Sharma.

Questions :

- (a) Do you justify the decision made by Mr. Sharma ?
- (b) Do you suggest any measures to stop Mr. Sharma from quitting the job ?
- (c) Do you think that there is something wrong with the Institute pay practices and the University Grants Commission's recommendations ? If yes, what are they ? How do you rectify them ?

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