

**October-November 2011**

Master of Business Administration (MBA) Examination  
IV Semester

**Compensation management**

Time : 3 Hours ]

[ Max. Marks : 80

**Note :** Section A is of 60 marks and attempt any four questions. Section B is of 20 marks which is compulsory.

**Section-A**

1. "Job Evaluation is an anatomy of Job." Discuss. Discuss quantitative methods of Job Evaluation.
2. Why Individual as well as Group Incentive Plans both are important for motivating employees in an organisation? Highlight Individual or Group Incentive plan.
3. Write a short essay on Payment of Bonus Act, 1965.
4. Throw light on deductions which may be made from wages as per The Payment of Wages Act, 1936.
5. Highlight the procedure for fixing and revising minimum wages under The Minimum Wages Act, 1948.
6. (a) Briefly discuss various alternative methods of wages payment with their merits and demerits,  
(b) Discuss Retirement Benefits in brief.
7. Write short notes on : (any two)
  - (a) ESOP
  - (b.) Intra and Inter Industry Differentiates in Compensation.
  - (c) Non Financial Incentives.

**Section-B**

8. Analyze the case and answer the specific questions.

**SUBRAMANIAM'S DILEMMA**

Shivram Gears, a medium sized gear manufacturing public limited company based at Faridabad with its head office at New Delhi, was established by a young and dynamic entrepreneur Sunil Sanghi. It was a small scale industrial unit in the year 1962 with a total workforce of 20 persons.

**Company Background**

The small scale industry of the 60s grew into a private limited company of 70s and ultimately a public limited company in the 80s. The company,

sold its products to heavy vehicle and two-wheeler industries. They also had a huge replacement market served through their distribution network. A charter of demands (Annexure I) was submitted to the factory manager R. P. Chaddha on November 20, 1995 by the representative union, the Engineering Mazdoor Sangh (EMS), demanding a better wage structure. Chaddha forwarded the notice of change to R. Subramaniam (GM-HRM). As he read it, he could foresee a dark cloud hovering over the sunny relations existing between the management and workers.

### **The Brewing of Dispute**

The company had a workforce of 2400 with staff to worker ratio being 1:3. The workers were categorised into skilled, semi-skilled and unskilled. The organization had been enjoying industrial harmony and not even a single man day had been lost since 1983 due to strike. The organization had two trade unions, the Engineering Mazdoor Sangh (EMS) and the Engineering Shramik Sangathan (ESS). The representative union as per the Haryana Industrial Relations Act (HIRA) was EMS, which had the right to negotiate on behalf of the employees. However, EMS did not enjoy support of the majority of workers in the organization whose allegiance was more towards the rival trade union, the ESS. In addition, the workers were known to change their allegiance frequently.

The wage rates of the workers were much above the Minimum Wages Act (Annexure II). In fact, the wage rates were fixed in accordance with the industry norms so as to ensure a low manpower turnover. The wage rates in theory were governed by the wage settlement agreement between the management and workers. Apart from the existing wage structure, the management also offered other incentive schemes to further motivate the workforce (Annexure III). The revisions in the same were considered along with the wage revisions.

### **Chronological Order of Events**

**November 20, 1995.** On receiving the charter of demands from the union, the negotiations commenced. The GM (HUM), the factory manager and the personnel officer along with other departmental heads scrutinised the notice of change, calculated the costs and studied its implications. They even compared the practices in the industrial units in the surrounding area as well as in the other engineering units specially in view of the new demands. Since the wage settlement agreement was to expire on 31st December, 1995 it was decided by the management that they would not discuss this issue till January, 1996 and the same was intimated to the representative union.

**December 28, 1995.** A notice of dispute was served by the representative

union to the conciliation officer for registering an industrial dispute in the factory. This prevented the workers from going on strike, which was in the interest of the management.

**January 28, 1996 to September 9, 1996.** During this period, a series of negotiations were carried out between the representative union and the management in the presence of the conciliation officer in order to evolve a wage structure which could be acceptable to both the disputing parties. The management was represented by R. Satish (Personnel Officer), P. K. Mishra (Finance), S. K. Bhatia (Production) and was headed by R. Subramaniam, GM (HRM) and the union was represented by the union leader R. K. Joshi and 13 other members of the union. The management had a clear strategy and they offered a package deal to increase the wages in himpsum by Rs. 1907/- for the unsjdllled workers and a proportionate increase in the other categories. However, the offer was unacceptable to the union. Negotiations continued and finally both parties agreed to a lumpsum increase of Rs. 400/- for the unskilled workers. The break-up of this amount was jointly decided by both the parties (Annexure IV).

**September 11, 1996.** On September 11, the new wage settlement was signed between the representative union and the management and a copy of the agreement was placed on the notice board.

**September 18, 1996.** On September 18, Chaddha received a letter from the other union, ESS which registered its objections against a clause included in the wage settlement agreement. According to this clause one-time deduction of 7% from the arrears (for the period of January 96-September 96) was to be made and credited to the building fund which was to be used by EMS for its union activities. Since management was bound by law to negotiate with EMS, they took no notice of the letter by ESS despite the fact that it had membership of more workers.

**October 7, 1996.** The payment of the arrears was made on October 7, 1996 alongwith the salary of September 1996 in the same envelope after deduction of 7% for the building fund. The workers refused to accept the envelope, and for the first time since 1983, there was agitation in the factory, they gharoed the management bringing work to a halt.

Now what should Subramaniam do ?

### **Annexure I**

#### **Charter of Demands**

1. There should be an increment of Rs. 250/- in the basic salary.
2. The existing rate of increment should be doubled.

3. The HRA should be increased from Rs. 80 to Rs. 200.
4. \*Washing allowance of Rs. 50/- per month.
5. \*Conveyance allowance of Rs. 100/- per month.
6. \*An education allowance of Rs. 100/-month.
7. \*Canteen allowance of Rs. 10/- per day.
8. The attendance based incentive should be increased from Rs. 50 to Rs. 100.

There was no demand related to the working conditions in the organization.

\*These were new demands.

## Annexure II

### Wage Structure

Basic + DA + HRA + conveyance + attendance bonus

Worker	Wages as per Minimum Wages Act	Actual Wages in 1997
Unskilled	Rs. 1439	2171.55
Semi-skilled	Rs. 1543	2213.00
Skilled	Rs. 1653	2322.55

## Annexure III

1. Attendance based Incentive Scheme :  
One casual leave would be credited to the account of the employee who has 100%, attendance in a particular month.
2. Production Incentive Scheme :
  - (a) For achieving 50% production target, per cent raise in incentive nil.
  - (b) For achieving 51% to 65%, 66% to 75% and 90% of the production target, the raise in incentive is 1.75%, 2.75% and 3.25% respectively of the prevailing incentive.
  - (c) For achieving 100% production target, a minimum of Rs. 147 to maximum of Rs. 437/-.

## Annexure IV

Comparison of the wage before and after the wage settlement

Nature of worker	1.1.93 to 31.12.95	Present wage structure w.e.f. January 1996
Unskilled	1143 + DA + 80 + 25	1253 + 683.55 + 180 + 55 = 2171.55
Semi-skilled	1185 + DA + 80 + 25	1295 + 683.55 + 180 + 55 = 2213.00
Skilled A	1294 + same as above	1404 + 683.55 + 180 + 55 = 2322.55
Skilled B	1317 + same as above	1427 + 683.55 + 180 + 55 = 2345.55
Skilled C	1381 + same as above	1491 + 683.55 + 180 + 55 = 2409.55
Skilled D	1500 + same as above	1610 + 683.55 + 180 + 55 = 2528.55