



Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2017 - 19)

END TERM EXAMINATION (TERM - V)

Subject Name: **Compensation Management and Its Legal Aspects**

Time: **02.00 hrs**

Sub. Code: **PGH-04**

Max Marks: **45**

Note: 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries 2 Case Studies of 10 marks each, Section B carries 2 questions of 7.5 marks each and Section C carries 5 questions of 2 marks each.

SECTION - A

10×02 = 20 Marks

Q. 1: Case Study:

SAS Pvt Ltd is probably the least-well known major software company, in India. The company makes statistical analysis software (hence the acronym SAS). And the company is growing very rapidly from 1900 employees five years ago, it now has 5400 employees. But SAS is not your typical software company. It is not your typical ‘anything’ company.

At its headquarters, just outside Bangalore, there is a 36,000 square-foot gym for employees. There is a full-length basketball court, pool tables, a private sky-lighted yoga room and workout areas. Outside, there are soccer and cricket fields. Massages are available several times a week and classes are offered in dance and tennis. The company also operates the largest day-care facility in India. To encourage families to eat lunch together, the SAS cafeteria supplies baby seats and high chairs. To encourage families to eat dinner together, the company has a seven-hour work day, five days a week. Unlike many work-obsessive software firms, most SAS employees leave the office by 5pm. Management likes to call its work place culture “relaxed”.

The list of employee amenities at SAS goes on and on. Unlimited tea, coffee and juice. One week paid vacation during Diwali. An on-site health clinic staffed with six nurses and two doctors. Zero cost to employees for health insurance. Casual dress everyday.

Is this any way to run a business? Management thinks so. SAS’s strategy is to make it impossible for people not to do their work. Even though the company provides no stock option plans and salaries no better than the competition, the company has built an unbelievably loyal workforce. Whereas competitors typically have turnover rates above 30 percent, SAS’s rate has never been higher than 5 percent. Management claims that it saves Rs. 75 lakhs a year just in employee replacement-related costs such as recruitment, interviews, moving costs for new hires and lost work time.

Just in case any one wonders if the company makes any money, we’ll add the following. SAS is owned by just two people – Rahul Sharma and Deepak Ahuja. They were recently listed as being in the top 100 richest people in India.

1(A) What possible problems could the management at SAS face (from employees) due to the benefits offered? (5 marks)

1(B) If you are appointed as the HR manager at SAS, what changes would you recommend in the compensation structure? Why? (5 marks)

Q. 2: Case Study:

The New Incentive Plan

The Hotel Paris’s competitive strategy is “To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability.” HR Manager Lisa Cruz must now formulate functional policies and activities that support his competitive strategy, by eliciting the required employee behaviors and competencies

One of Lisa Cruz's biggest pay-related concerns is that the Hotel Paris compensation plan does not link pay to performance in any effective way. Because salaries were historically barely competitive, supervisors tended to award merit raises across the board. So, employees who performed well got only about the same raises as did those who performed poorly. Similarly, there was no bonus or incentive plan of any kind aimed at linking employee performance to strategically relevant employee capabilities and behaviors such as greeting guests in a friendly manner or providing expeditious check-ins and check-outs.

Based on their analysis, Lisa Cruz and the CFO concluded that by any metric, their company's incentive plan was totally inadequate. The percentage of the workforce whose merit increase or incentive pay is tied to performance is effectively zero, because managers awarded merit pay across the board. No more than 5% of the workforce (just the managers) was eligible for incentive pay. And the percentage of difference in incentive pay between a low-performing and a high-performing employee was less than 2%. Lisa knew from industry studies that in top firms, over 80% of the workforce had merit pay or incentive pay tied to performance. She also knew that in high-performing firms, there was at least a 5 or 6% difference in incentive pay between a low-performing and a high-performing employee. The CFO authorized Lisa to design a new strategy-oriented incentive plan for the Hotel Paris's employees. Their overall aim was to incentivize the pay plans of just about all the company's employees.

Lisa and the company's CFO laid out three measurable criteria that the new incentive plan had to meet. First, at least 90% (and preferably all) of the Hotel Paris's employees must be eligible for a merit increase or incentive pay that is tied to performance. Second, there must be at least a 10% difference in incentive pay between a low-performing and high-performing employee. Third, the new incentive plan had to include specific bonuses and evaluative mechanisms that linked employee behaviors in each job category with strategically relevant employee capabilities and behaviors. For example, front-desk clerks were to be rewarded in part based on the friendliness and speed of their checkins and checkouts, and the housekeeping crew was to be evaluated and rewarded in part based on the % of room cleaning infractions.

Q2(A) Discuss what you think of the measurable criteria Lisa and CFO set for the new incentive plan (5)

Q2 (B) Lay out a complete incentive plan (including long term and short term incentives) for the Hotel Paris' hotel managers. (5)

SECTION - B

7.5×02 = 15 Marks

Q. 3: Explain in detail Bonus Act and ESIC Act? Discuss the various amendments done in both the Acts? Karan is working as an account clerk in one of the Pharma company at Delhi. His basic salary is Rs 5400/- per month. The minimum wage in Delhi for Skilled category for Pharma is Rs 11264/-. Calculate the minimum and maximum Bonus.

Q. 4: Develop compensation policy for the sales managers at a consumer durable company. Assume that there are four sales managers: two were hired in May 2018 and the two were hired in December 2018. The compensation policy should address the following: appraisals, raises, holidays, vacation pay, overtime pay, medical insurance and method of pay

SECTION - C

02×05 = 10 Marks

Q. 5 (A): Review the essence of any two wage theories and discuss their contemporary relevance for wage determination

Q. 5 (B): How is a gain sharing plan different from profit-sharing plan? How might gain sharing plan affect attraction and retention of employees?

Q. 5 (C): What are the key considerations in the design of employee benefits program? Also reflect on emerging trends in employee benefits

Q. 5 (D): Should stock option plans be used as a part of executive compensation packages? Why or why not?

Q. 5 (E): Critically analyze the correlation between employee motivation and incentive plans in an organization of your choice.