

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 3 – EXAMINATION – WINTER 2018**

**Subject Code: 3539233****Date: 11/12/2018****Subject Name: Compensation Management****Time: 10:30 am to 01:30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** Explain the following terms: **14**
- (a) Financial Reward
  - (b) Convergence and Divergence Policy
  - (c) Intrinsic and Extrinsic reward
  - (d) Flexible Benefits and Fringe Benefits
  - (e) Total Reward
  - (f) Bonus
  - (g) Team Pay
- Q.2** (a) What do you understand by reward management? Briefly explain components of reward system and its interrelationship. **07**
- (b) Write a note on Towers and Perrin Model of Total Reward Management **07**
- OR**
- (b) Define Strategic Reward. Discuss its characteristics and guideline principles. **07**
- Q.3** (a) “Rewarding sales and customer service staff would be different as compared to rewarding manual and knowledgeable workers” – Justify. **07**
- (b) What are the criteria for effectiveness of financial rewards? Enlist the Dos and Don'ts of using financial incentives. **07**
- OR**
- Q.3** (a) “Arogyam”, a retail medicine chain got a license to sell medicines of various pharma companies. It gives weightage to the competencies of Medical Representatives. Design a competency based pay plan for them. **07**
- (b) Write a brief note on various types of employee benefits HR department choose to offer these days to the employees. **07**
- Q.4** (a) Explain provisions related to Maternity Benefit Act, 1981 **07**
- (b) Discuss payment of wages act 1936, for rules of deduction and enforcement of the act. **07**
- OR**
- Q.4** (a) What did you understand from Mediclaim policy? Briefly discuss salient features of it. **07**
- (b) Explain the various elements of directors and senior executives pay with examples and also mention the various reasons for tremendous growth of executive pay. **07**

**Q.5**

**CASE STUDY:**

Pareek Laboratories came into existence in 1989 as a medium sized pharmaceutical company with just two generic products and 34 employees. In a span of 30 years, it has grown astonishingly and now emerged as the second best in the country. The company's staff list comprises 8200 talented employees. It is marketing nearly 625 branded products in 58 countries. It has also been successful in introducing 20 products in a year on an average, which itself is an indicator of strength of its human resources.

The company has a full-fledged HR department under the stewardship of HR Director Mr Nikesh Verma. HR department, through sustained measures and a meticulous approach, has fostered loyalty and job involvement among the members of the company. Since its inception, the labour turnover rate of the company has been far less than the industry average, except for the past two years, including the current year particularly at the executive levels. Company is much concerned about it and wants to reduce the executive turnover at the earliest before too much damage is done.

Many of the serving executives have blamed the pay revision conducted two years back as responsible for this trend. In the last pay revision, the company moved from a narrow-graded pay structure to a broad-graded one. Consequently, the number of pay grades were reduced and kept to a minimum in the revised pay structure. Junior-level executives complained that they got a raw deal in the new pay grade fixation and the pay difference between their level and the higher level (middle-level executives) became unacceptably large. The executives also found fault with the job evaluation techniques followed for determining the internal worth of the jobs. They felt that the ranking method adopted in job evaluation was highly subjective and functionally erratic. The junior-level executives also alleged that the job evaluation committee had evaluated persons instead of positions at executive levels and that was responsible for the anomalies in the pay grade allocation. They wanted the HR department to undertake a fresh and objective evaluation of jobs and reallocate pay grades on the basis of the result of a new job evaluation.

However, the HR department, which takes overall responsibility for job evaluation and pay revisions, resolutely rejected the accusations made by junior level executives. It maintained that the job evaluations were conducted in the most objective manner. The HR people also stated that the large differences between the pay scales of junior executives and those of the middle-level ones were due to the recent increase in the duties and responsibilities of the middle-level managerial jobs and not due to any flaw in the job evaluation or pay revision process. But the junior-level managers were not prepared to accept the explanation of the HR people and kept asking for a fresh exercise to fix the worth of each job in the managerial levels and reallocate pay grades.

Now, the management is in an acute dilemma. If it concedes the request of the junior-level managers and orders a fresh job evaluation and pay grade fixation for them, it might send wrong signals to other sections of the employees and they also might seek revisions. If it does not concede their request; it may not be possible to reduce the high executive turnover. Finally, the management has instructed the HR department to come out with some plausible solutions to this serious issue.

- (a) Do you agree with the contention of the junior-level executives that flawed job evaluation and pay grade fixation are responsible for the labour turnover problems of the company? Justify your answer. **07**
- (b) According to you, who is to be blamed for the high level of executive attritions prevailing in the company? Why? **07**

**OR**

- Q.5** (a) If you were to be the HR director, how would you have responded to the criticisms of the executives? **07**
- (b) What will be your suggestions to solve the present imbroglio faced by the management? **07**

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