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**Internal Assessment Test 2– Oct 2016**

Subject:	COMPENSATION & BENEFITS					Code:	14MBAHR303			
Date:	28.10.2016	Duration:	90 Mins	Max Marks:	50	Semester:	III	Branch:	MBA	
Note: Answer any 2 question in Part-A, Part-B & Part-C. Part-D is compulsory										

**Part A**

1(a).define external competitiveness.

Ans. External competitiveness refers to how competitive a business is in its organization's pay (or compensation) in relation to its competitors. If an organization pays more to its employees (including all the components of the compensation package such as base pay, options, benefits, etc.) than its competitors, it will have better chances of **attracting** better talent and **retaining** it. However, this may result in higher **labor cost** and (possibly) reduced profits

1(b). list the conditions for successful pay for performance.

Ans. 1) Understand the company's overall business strategy.  
2) Identify root causes of poor performance.  
3) Identify the company's key strategic objectives.  
4) Create an integrated set of financial and strategic objectives.  
5) Define clear objectives for employees.  
6) Communicate the objectives.  
7) Prepare to remain engaged.  
8) Communicate with employees on all aspects of performance.  
9) Finally, remember the plan is not an end unto itself.

1(c).outline the reasons for conducting wage survey?

Ans.

- 1) Measure Employee Satisfaction
- 2) Measure Employee Engagement
- 3) Examine Workplace Climate
- 4) Understand the Reasons for an Employee's Departure
- 5) Holistic Perspective of Employees

**Part B**

2(a). write a detailed note on pay grades.

Ans . Pay grades are an integral part of the pay structure. The top or maximum rate of pay of a pay grade states that this the most that work produced by someone holding a job in this grade is worth to the organisation .the bottom, on the other hand, places a minimal value on the contributions of the assigned job(s).the distance between the minimum and the maximum recognises the range of performance and experience of incumbents in the assigned job.

Characteristics of pay grades :

- 1.Each grade provides for a range of pay,although single rate pay grade structure do exist.

2. within a pay grade range there is minimum a midpoint & maximum pay.
3. the range from the minimum to maximum within with single pay grade can vary from 20 to 100 percent.

(B). examine the role of employee contribution pay for performance

ans. **1) Understand the company's overall business strategy:** You must gain a deep understanding of the strategic context that the plan is intended to support. Review the company's mission, business goals and objectives, the HR strategy, and the compensation philosophy. They are the foundation of the company's management framework that the incentive compensation plan will need to align with and reinforce.

**2) Identify root causes of poor performance:** What is driving the need for improved performance, teamwork, or employee engagement? Challenge whether you only have a pay problem, or are there other factors that need to be addressed?

**3) Identify the company's key strategic objectives.** Specifically, what do you want to improve: customer satisfaction, productivity, quality, new products or process improvement? Assign different weights to these objectives based on impact, importance, and your degree of confidence in your ability to measure results.

**4) Create an integrated set of financial and strategic objectives.** The goals must reflect a balance of financial results and the key business drivers. Set a range of financial and strategic performance levels and commensurate reward levels. Provide payout opportunities that are consistent with the value of the performance and meaningful to employees.

c) Suggest how you will motivate your employee when the external market is not good also write note on social security benefits.

**Define clear objectives for employees.** Participants must have a clear line of sight to the goal. They must understand the actionable measures that they can impact that determine revenues, costs, productivity, or profits.

**Communicate the objectives.** Notify employees of expectations early in your goal-setting process. Allow time for managers and employees to align business unit, team, and individual objectives with company objectives.

**Prepare to remain engaged.** Expect this to be an ongoing and iterative process. Refresh your plan each year based on business conditions and updated goals and objectives. If this is your first pay-for-performance plan, start out by piloting a plan in a segment of your business.

## Part C

3(a). Highlight the roles and responsibilities of employee benefits

ans.

LINE MANAGER:

1. Attend training programs and stay current on legal issues relevant to benefits and services
2. work with Hr professionals to ensure alignment of the benefits plan with strategic business objectives.
3. work with employees to ensure that the benefit & services satisfy them and encourage.

HR PROFESSIONALS:

1. Ensure that all policies and practices are consistent with legal requirement
2. with line manager ensure alignment of the benefits plan with strategic business objectives
3. work with line managers to provide employees with the tools to make sound benefit choices

EMPLOYEES:

1. Take responsibility for understanding the available benefits and services.
2. May participate in determining new benefits and services as the employers strategic objective change.

3. participate in surveys designed to assess benefits preferences and benefits satisfaction

(b). define the pay discrimination and discuss the legal issues involved in compensation ans. Such compensation includes **salary**, overtime **pay**, bonuses, stock options, profit sharing and bonus plans, life insurance, vacation and holiday **pay**, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits

legal issues are :

A. Divergent concerns of different stakeholders.

B. problems in ensuring legal compliance for minimum pay legislation.

c. increasing inequity/disparity between and among employees at the same and different skill level and different sectors (private & public sector)

D. Cost cutting competition resulting in lowering labour standard

E. pay differentials are not based on skill differentials, but ownership, business strategy, and sectoral differences

F. differing preferences of old and new employees in another issue

(C). examine payment of wages act as per the legal framework of compensation

**ans : OBJECT OF THE ACT**

The Payment of Wages Act regulates the payment of wages to certain classes of persons employed in industry and its importance cannot be under-estimated. The Act guarantees payment of wages on time and without any deductions except those authorised under the Act. The Act provides for the responsibility for payment of wages, fixation of wage period, time and mode of payment of wages, permissible deduction as also casts upon the employer a duty to seek the approval of the Government for the acts and permission for which fines may be imposed by him and also sealing of the fines, and also for a machinery to hear and decide complaints regarding the deduction from wages or in delay in payment of wages, penalty for malicious and vexatious claims. The Act does not apply to persons whose wage is Rs. 10,000 or more per month. The Act also provides to the effect that a worker cannot contract out of any right conferred upon him under the Act.

**"wages" [sec 2 (iv)]** means all remuneration (whether by way of salary allowances or otherwise) expressed in terms of money or capable of being so expressed which would if the terms of employment express or implied were fulfilled be payable to a person employed in respect of his employment or of work done in such employment and includes

(a) any remuneration payable under any award or settlement between the parties or order of a court;

(b) any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;

(c) any additional remuneration payable under the terms of employment (whether called a bonus or by any other name);

(d) any sum which by reason of the termination of employment of the person employed is payable under any law contract or instrument which provides for the payment of such sum whether with or without deductions but does not provide for the time within which the payment is to be made;

(e) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force, but does not include -

(1) any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms

of employment or which is not payable under any award or settlement between the parties or order of a court;

(2) the value of any house-accommodation or of the supply of light water medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the State Government;

(3) any contribution paid by the employer to any pension or provident fund and the interest which may have accrued thereon;

(4) any travelling allowance or the value of any travelling concession;

(5) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment; or

(6) any gratuity payable on the termination of employment in cases other than those specified in sub-clause (d).

#### Part D

4(a) salary survey are used to define compensation packages justify. Outline the steps in designing a survey and how will you interpret the survey results.

Ans. Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the the business needs, goals, and available resources.

Compensation may be used to:

- recruit and retain qualified employees.
- increase or maintain morale/satisfaction.
- reward and encourage peak performance.
- achieve internal and external equity.
- reduce turnover and encourage company loyalty.
- modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertize those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool.

Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt be the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expence of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels.

Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing, gain sharing.

Steps :-

- Define the goals of the research

- Convert the goals to research questions
- Convert the research questions to hypotheses
- Convert the testable research questions to null hypotheses
- Write the individual survey items to answer the research questions
- Test your survey until you are satisfied with its validity
- Test the reliability of a survey

Interpretation :-

Ask the right questions. Effective interpretation starts with the survey itself

1. For open-ended questions, start broad and drill down. ...
2. Filter for key phrases. ...
3. Display results visually. ...
4. Use other data to understand (and sometimes discount) results. ...
5. Interpret through the lens of your goals—both overarching and current.