

Internal Assessment Test - III

Sub:	Compensation and Benefits						Code:	17MBAHR403	
Date:	22/11/2018	Duration:	90 mins	Max Marks:	40	Sem:	III	Branch:	MBA

	Marks	OBE	
		CO	RBT
<b>Part A - Answer Any Two Full Questions (16*02=32 Marks)</b>			
1(a) What is expatriate pay?	[02]	CO1	L1
(b) Explain the elements of expatriate compensation.	[06]	CO3	L4
(c) Describe the strategic choices in global compensation.	[08]	CO3	L2
2(a) Define: Merit Pay?	[02]	CO1	L1
(b) Write detailed note on compensation strategy for special groups	[06]	CO2	L5
(c) Discuss in detail: Pay-for-Performance Plans	[08]	CO3	L2
3(a) What is BBOPs.	[02]	CO1	L1
(b) Describe the legal issues under payment of wages act, 1936	[06]	CO2	L2
(c) Summarize the pay components and methods of payments in detail.	[08]	CO3	L5
<b>Part B - Compulsory (01*08=08 marks)</b>			
4 Compensation and pay is an important feature of human resource management. Remuneration does not simply compensate employees for their efforts but has an impact on the recruitment and retention of talented people.			
<b>Questions</b>			
(a) How then should employees be compensated for their work activity?	[08]	CO3	L1

Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7
CO1:	Gain insights of various conceptual aspects of Compensation and Benefits.	1a, 2a, 3a						
CO2:	Determine the performance based compensation system for business excellence		3b		2b,		1c	
CO3:	Understand the Legal & Administrative Issues in Compensation Global Compensation		1b, 1c		2c, 3c		4a	

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1 - *Knowledge application*; PO2 - *Analytical and logical thinking*; PO3 - *Team work*; PO4 - *Leadership*; PO5 - *life-long learning*; PO6 - *Analyze and practice aspects of business*; PO7- *Personal and Societal growth*;

## Answer Keys

### Part A

**1 (a)** Those individuals whose citizenship is that of employer's base country is called as expatriate pay

**1 (b)**

#### EXHIBIT 16.10 Common Allowances in Expatriate Pay Packages

Financial Allowances	Social Adjustment Assistance
Reimbursement for tax return preparation	Emergency leave
Tax equalization	Home leave
Housing differential	Company car/driver
Children's education allowance	Assistance with locating new home
Temporary living allowance	Access to western health care
Goods and services differential	Club membership
Transportation differential	General personal services (e.g., translation)
Foreign service premium	Personal security (manager and family)
Household furnishing allowance	General culture-transition training (manager)
Currency protection	Social events
Hardship premium	Career development and repatriation planning
Completion bonus	Training for local-culture customs (manager)
<b>Family Support</b>	Orientation to community (manager and family)
Language training	Counseling services
Assistance locating schools for children	Rest and relaxation leave
Training for local culture's customs (family)	Domestic staff (excluding child care)
Child care providers	Use of company-owned vacation facilities
Assistance locating spousal employment	

**1 (c)** Strategy refers to the fundamental directions that an organization chooses

– Corporate level: “What business should we be in?”

– Business unit level: “How to gain and sustain competitive advantage?”

– Functional level: “How should total compensation help gain and sustain competitive advantage?”

A strategic perspective focuses on those compensation choices that help the organization gain and sustain competitive advantage

**2 (a)** Merit Pay system links increases in base pay (called merit increases).

**2 (b)** Ans. Supervisors; Corporate directors; Top management executives; Professional employees; Sales staff & Contingent workers

Strategies: Supervisory Pay

– Key base salaries of supervisors to an amount exceeding highest paid employee

– Pay supervisors for scheduled overtime

Trend in supervisory compensation

– Increased use of variable pay

– More than half of all companies have a variable pay component for supervisors

Corporate Directors

– Directors are much more active in decision making and somewhat less prone to grant huge salaries to the CEO

– Approximately two-thirds of boards now include more outside directors than inside directors

– In exchange for meeting at least quarterly a typical director receives about \$55,000 in cash and incentives and a total of about \$150,000

Executives

■ Pay is linked to company performance

– Company performance exceeds industry standards, big bonuses and stock payouts follow

– Poor financial performance means much smaller pay packages

■ Ways to rein in executive compensation

– Use of tally sheet

– Increase government regulation

▪ Stockholders can vote/ propose limits to compensation

Explanations for CEO Compensation

■ Social comparisons

– Executive salaries bear a consistent relative relationship to pay of lower-level employees

- Economic approach
- Agency theory

2 (c)

- Pay-for-Performance Plans: Short Term
  - Merit Pay
  - Lump-Sum Bonuses
  - Individual Spot Awards
  - Individual Incentive Plans
- Team Incentive Plans
  - Team Compensation
  - Gain-Sharing Plans
  - Profit-Sharing Plans
  - Earning-ar-risk plans
- Long Term:
  - ESOPs – Employee Stock Ownership Plans
  - Performance Plans
  - BBOPs – Broad Based Option Plans

**3 (a)** BBOPs – Broad Based Option Plans: BBOPs are stock grants: the company gives employees shares of stock over a designated time period.

**3(b)** Ans. The Payment of Wages Act, 1936

- ✓ Regular and prompt payment of wages
- ✓ To prevent the exploitation of wage earner by prohibiting arbitrary fines and deductions for his wages
- ✓ It also stipulates the rate of payment for overtime work and penal deductions for participation in illegal strikes
- ✓ The act is applicable to all those employed in factories/establishment declared as factories under section 85 of the factories act, 1948, etc and drawing less than Rs 6500 per month

**3 (c)** Basic Wage + Dearness Allowance + Allowances

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**METHODS OF PAYMENT**

There is a distinct and clear attempt in the remuneration system that seeks to compensate an employee for different terms of contribution. Different methods of payment exist. Exhibit 17.5 shows the relationship between contribution and method of remuneration. For most kinds of contributions, be it normal or extra, the methods could be more than one. For example, the normal method of remuneration for contribution measured in terms of time could be on hourly, daily, weekly or monthly rate. Similarly, the incentives paid for extra contributions can be calculated in several ways. Some of them are discussed in the following section.

Kind of Contribution	Method of Payment	
	For Normal Contribution	For Extra Contribution
1. Time	Basic wage + fixed allowance	Overtime wages
2. Skill	Basic wage based on job evaluation + allowance	Higher basic wage + allowance through promotion
3. Effort	Basic wage based on job evaluation + allowances	Incentive bonus and merit increments
4. Ideas	Suggestion rewards	---
5. Response	Basic wage based on job sibility evaluation + allowances	Higher basic wage + allowances through promotion
6. Working condition	Basic wage based on job evaluation + allowances	Higher basic wage + allowances
7. Cooperation	Continued payment of basic wage + allowances	Incentive bonus
Continued service	Time scale increment in basic wage	Promotion and fringe benefits

**EXHIBIT 17.5 Contribution-Remuneration Linkage**

Pay by Results = Individual PBR + Group PBR + Plant / Enterprise PBR

**Part B**

- 4 (a) Open Ended answers. However, the answers which they present should be justified with the relevant illustrations.