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MANAGEMENT PROGRAMME (MP)

Term-End Examination

June, 2025

MS-27 : COMPENSATION AND REWARDS MANAGEMENT

Time : 3 Hours *Maximum Marks : 100*

(Weightage : 70%)

Note : *Attempt any **three** questions from Section A. Each question carries 20 marks. Section B is compulsory and carries 40 marks.*

Section—A

1. Explain the behavioural theories of compensation and the related issues.
2. Enlist the objectives of various laws on minimum wages and equal remuneration. Discuss the methods for fixation/revision of

minimum wages under the Minimum Wages Act, 1948.

3. Define performance linked reward system. Explain the steps in designing the performance linked reward system with the help of examples.

4. Discuss various approaches in designing compensation and briefly map out different alternative system of compensations.

5. Define job evaluation. Explain any *two* methods of job evaluation and their merits and demerits.

Section—B

6. Read the following case and answer the questions given at the end :

The Indian Electric Company is a city based manufacturer of welding machines and motors. When Mr. Nirad Shah established the company in 1970, he was keenly aware of the importance of a highly motivated workforce, and how the company's success, in fact, depended on it. Therefore, Mr. Shah had to ensure that each employee would work as diligently as possible for the good of the organisation.

Mr. Shah realised that the best way to motivate employees would be to link the company's reward and recognition system to its goals. To establish this connection, Shah developed and implemented an incentive system. Its aim was to improve the company's overall performance by allowing contributing workers to share in the proceeds. The plan rewards employees for turning out quality products efficiently while controlling costs. The system includes the following components :

Paying by the piece rate : Production workers are paid according to the number of "pieces" or product units they produce that are not defective. If a customer sends a defective part back to the company, the employee who produced it must repair it on his or her own time.

Providing year-end Bonus : To reward workers further for their efforts, Shah introduced a year-end bonus system that gives all workers opportunity to nearly double their base wages. Workers get the bonus if the company's annual profit increases.

Providing Stock Options : Shah also provided his employees with the option of buying company's stock at a low cost. Employees are also given shares of the company's stock based on annual profits.

All the above financial incentive payments enabled the employees to earn more and helped to improve their morale and motivation.

Questions :

(a) Identify the salient issues of this case in general.

(b) What are the additional financial incentive schemes you suggest for sustaining the morale and motivation of the employees ?

(c) Also suggest suitable non-financial incentives for further improving the morale and motivation of the employees of Indian Electric Company.

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