

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (MARKETING) / PGDM (SERVICE MANAGEMENT)
V TRIMESTER (Batch 2022-24)
END TERM EXAMINATION, JANUARY 2024

Course Name	COMPENSATION MANAGEMENT	Course Code	20327
Max. Time	2 Hours	Max. Marks	40

INSTRUCTIONS:

- a. All the questions are compulsory.
- b. Be precise and objective in your answers.

Q.1 India's payroll compliance landscape is multifaceted, encompassing various acts, regulations, and statutory requirements. The key legislations include the Payment of Wages Act, Minimum Wages Act, Employee Provident Fund (EPF) Act, Employee State Insurance (ESI) Act, and the Income Tax Act, among others. Create a payslip structure applying all the essential "Indian Statutory Requirements" and CTC heads as per the components and respective deductions. **(10 Marks)**

Q.2 "Incentive is a bribe given to employees to perform their jobs effectively, which they are anyway paid to do". Critically evaluate the statement and justify your answer with appropriate reasoning. **(10 Marks)**

Q.3 There is a marked difference in the expectations of employers and employees, when it comes to compensation. How should a compensation manager deal with them, and arrive at the right balance? Going by the conversation as given below, elaborate what causes a Comp Manager/Rewards professional to be in a situation where he/she has to make such a choice and explain the choice that you would take to strike the right balance. **(10 Marks)**

Employer's Perspective	Employee's Perspective
"I carry all the risks of running a business. If business goes down, I lose everything."	"I do not want anything to do with risks of the business. I do my honest work and should get paid for it irrespective."
"I would much rather prefer paying everything in variable pay. If I make money, I am only happy to share."	"I need certainty. I would much rather take everything as fixed pay. I cannot afford the month to month variations."
"It would be so nice if I could flex my workforce in tune with my business. I would always prefer a flexible workforce."	"I need the surety and security of a job. My family depends on it. I would always take a permanent job over contractual work."
"When I pay fixed pay, I expect employees to perform exceptionally as well. Why should I be incentivizing any further for getting better performance."	"Fixed pay is my current market value. You cannot get anything cheaper than that. If the employer is pushing us for more, we should get paid extra as well."
"I cannot guarantee future increases or payments. It will depend on business performance."	"I need increases every year irrespective of business performance. I do not control inflation and increase in cost of living."

Q4. Caselet: Compensation Strategy at Elgi Equipments – A road to Zero Attrition

The Central Pay Commission has set a minimum wage for blue-collar workers in India at Rs 18,000 per month. This implies companies are now liable to pay their blue-collar workers equal to or more than Rs 18,000 on monthly basis. However, this is just not the case. A report published by SalaryBox reveals that more than 65 per cent of blue-collar workers spread across 850 districts in India get less than Rs 15,000 and less than 15 per cent earn an average salary of Rs 25,000 per month.

A manufacturing firm Elgi Equipments has two major manufacturing factories in India and in Italy. While those blue-collar workers working in the Italy factories would receive Rs 30 lakh per year, Indian workers would receive only Rs 10-11 lakh yearly. The technology for that factory was all going from the Indian unit and there the company was still profitable. This is when the company realised the major pay inequality existing within the organisation and decided to create an equitable company where blue-collar workers are paid equally to their peers in different countries. Jairam Varadaraj, Managing Director, Elgi Equipments, believes Indian companies have earned a name worldwide for products manufactured at their Indian plants "It is time for them to now adopt a compensation model for their blue-collar workers here that is commensurate with global standards," he says.

To make it objective and transparent, Varadaraj explains that the entire compensation system for blue-collar employees is driven by co-created baskets that reflect the standards of living. The team comprising both HR representatives and blue-collar worker representatives identify different categories of items, for example, food, education, financial security and personal grooming. Currently, there are 12 categories. They then define the guiding principle for each category, for example, items under 'health' must further be classified as 'physical, mental and social wellbeing'. The team then sorts them into 'need to have', 'nice to have', 'durable', 'non-durable' and 'recurring' items. It ensures the items are relevant for different stages of an employee's lifecycle and obtains feedback from the employees, their families, and dieticians and conducts a market survey to gather prices for the proposed basket. The cost of the basket is then refined after mapping the cost to the company's affordability value. As a result, the company has almost zero attrition among its blue-collar employees.

Qa) Compare compensation management practices in other manufacturing firms and Elgi Equipments and elaborate the practices that Varadaraj must have taken to eliminate pay inequality. **(5 Marks)**

Qb) Outline a compensation plan for your firm to achieve zero attrition in align with Hay's Model and Varadaraj's Model. **(5 Marks)**
