

HRM3705

May/June 2014

COMPENSATION MANAGEMENT

Duration 2 Hours

75 Marks

EXAMINERS
FIRST
SECOND
EXTERNAL

MRS ML BEZUIDENHOUT
MISS AM HYRA
MR MA BUYS

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper consists of five (5) pages.

You may not consult notes of any kind, or any person, except the invigilator, during the course of the examination session.

INSTRUCTIONS

- 1 Read the questions carefully
- 2 Write neatly and legibly
- 3 Number all your questions clearly
- 4 Write the numbers of the questions you choose in the allocated column on the cover of your examination answer book

Answer **any three** (3) of the five (5) questions

Question 1

- 1 1 "Green-circle pay rates are dangerous and red-circle pay rates are just expensive"

Evaluate the above statement by differentiating between green-circle and red-circle pay rates. In your response, you also need to (a) indicate when these situations may occur and (b) the possible risk/s to the company (15)

- 1 2 Describe how an employee benefits programme may improve employee attraction, employee retention and employee motivation (10)

Total [25]

Question 2

- 2 1 You are appointed by Global Technologies as the HR Manager. You are required to explain to the Executive Committee the importance of job evaluation in the compensation management context as well as its relationship to internal consistency (10)

- 2 2 Discuss the steps you would follow in developing a total reward strategy (15)

Total [25]

Question 3

- 3 1 As the HR manager of a large financial bank, you are requested to calculate the mean and median of the financial analyst position based on the following market-related salary survey data you received (5)

Company	Annual Salary (R)
A	R455 000
B	R370 000
C	R406 000
D	R560 000
E	R450 000
F	R650 000
G	R730 000

- 3 2 The chief operating officer at the financial institution where you work receives a salary of R680 000 per annum. Based on the salary survey data you received, it indicates that employees with the same position at other organisations, receive a salary of R730 000 per annum. Calculate the compa-ratio for the position and indicate the implications of this ratio for your organisation (10)

- 3 3 Pay compression refers to a serious dysfunction in pay structures. Discuss some of the major effects of pay compression. Also, discuss how companies can minimise or avoid these effects (10)

Total [25]

[TURN OVER]

Question 4

Read the following paragraph and answer the questions that follow

In 2008, South Africa has experienced major "black outs" (electricity cuts) It seemed Eskom has failed to maintain the infra-structure, that whilst their executives earn huge salaries The following was found

" (the) Mail & Guardian and Finweek, revealed that Eskom's executive directors earned R73m in 2005, making them the highest paid executives in the country According to the Mail & Guardian report, Eskom's nearest peer equivalent, Transnet, paid its executive team a relatively modest R28.9m during its last annual reporting period Eskom CEO Thulani Gcabashe earned R13m last year, five times more than Transnet CEO Maria Ramos's R2.6m

The two parastatals are similarly sized in terms of revenue, their respective sales being R46bn for Transnet and R42bn for Eskom Gcabashe's remuneration also exceeded that of Reserve Bank Governor Tito Mboweni, who was paid R2.3m Not far behind Gcabashe were eight Eskom divisional managing directors who took home between R5.7m and R9.2m rand last year.

According to Mail & Guardian, the R6.9m average for the eight divisional executives is extremely generous when compared to high-profile CEO's in the private sector such as Harmony's Bernard Swanepoel (R2.1m), Mittal Steel's Davinder Chugh (R2.6m), Kumba's Con Fauconnier (R4.5m), Caxton's Terry Moolman (R1.98m), Imperial's Bill Lynch (R4.2m), Angloplats's Ralph Havenstein (R5.3m), Discovery's Adrian Gore (R2.3m) and Sasol's Pieter Cox (R5m)"

Source Adapted from Fin24, March 24 2006, Available from <http://www.fin24.com/Business/Investigate-Eskom-salaries-20060324>

4.1 Based on the information provided in the paragraph above, discuss the factors that could result in adverse publicity for these companies in the area of annual incentive payments (10)

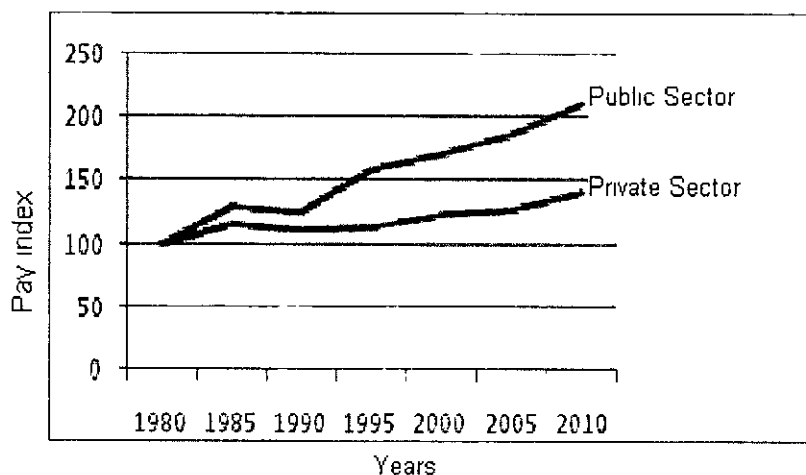
4.2 Critically discuss the possible theoretical explanations for the high executive pay in Eskom (15)

Total [25]

Question 5

Study the three figures below and then answer the questions that follow

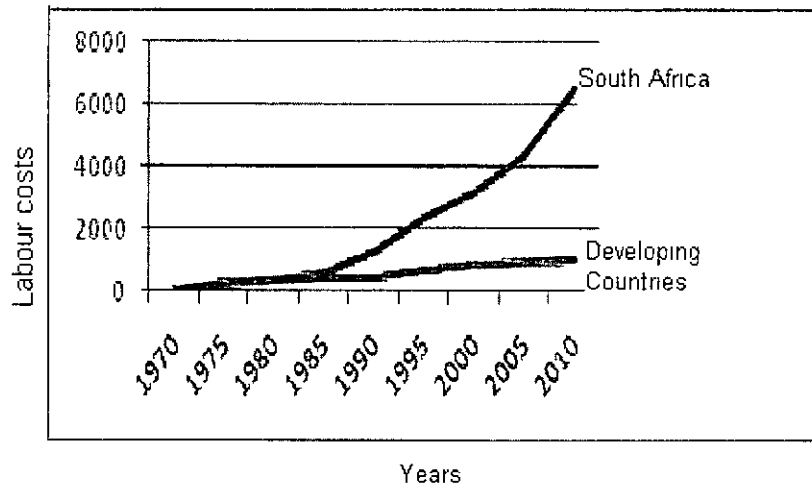
FIGURE 1: PUBLIC AND PRIVATE SECTOR PAY INDEX



Source <http://stats.oecd.org/mei/default.asp?lang=e&subject=19>

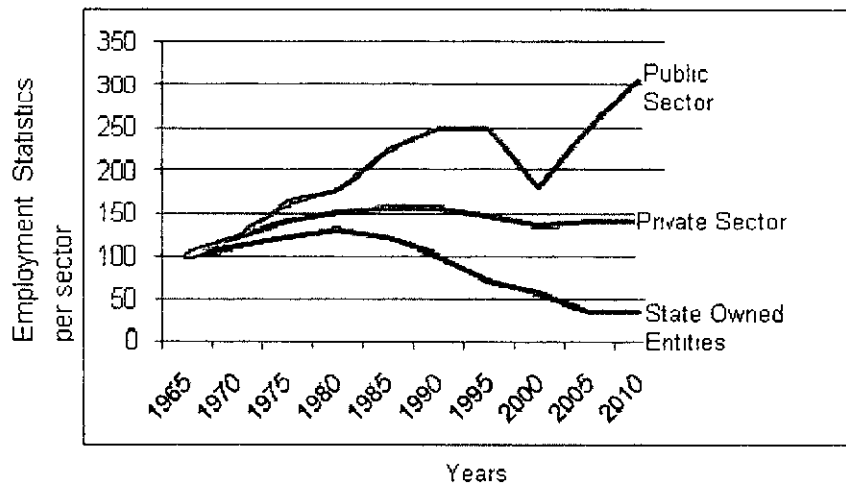
[TURN OVER]

FIGURE 2· SOUTH AFRICA'S NOMINAL UNIT LABOUR COSTS COMPARED WITH DEVELOPING COUNTRIES



Source <http://stats.oecd.org/mei/default.asp?lang=e&subject=19>

FIGURE 3· EMPLOYMENT STATISTICS BY SECTOR



Source <http://stats.oecd.org/mei/default.asp?lang=e&subject=19>

- 5.1 If the private sector follows an innovator business strategy and the public sector follows a cost cutter business strategy, how would the remuneration paid by these sectors differ? (19)
- 5.2 What do the various figures illustrate in terms of pay, labour costs and employment? In your answer you need to indicate the relationship between these three figures (6)

**Total [25]
Total for paper [75]**

CHECKLIST	✓
Did you complete 3 questions?	
Did you complete all you personal particulars on the cover of the examination answer book?	
Did you indicate the numbers of the questions you chose on the cover of the examination answer book?	