

Case 20

Exercise – Pay Package

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Seniors versus Juniors

Hi-Tech Electronics Limited was established in 1978 in Faridabad. It produces and markets all types of electronic goods. It has been one among the top five companies as for the level of technology and one among the top three companies regarding marketing of the products. The company's policies and practices concerning human resource management are top in the country. The company's salary administration policies and practices were taken as guidelines not only by the other companies but also by various wage boards and pay commissions in the country. But this company has been struggling a lot because of a minor problem relating to administration of salary-benefits. The problem is stated hereunder:

The company employed nearly 400 young graduates and post-graduate engineers, just three years back. These employees formed the cream of the company's present human resource. Of course, the older generation of the company's employees also formed the cream of the company's human resource while they were young. The older employees occupied higher positions in all the departments, including Human Resource Department. The company's salary policy and benefits policy were formulated five years back mainly on the basis of the older employees' desire. As such, salaries are fixed at very low level compared to other similar industries and the benefit schemes include an exhaustive list of benefits, including all types of retirement benefits. The cost of retirement benefits would be nearly 25 per cent of the cost of the present staff of the company.

The young employees demand the management to pay immediately whatever it can pay rather than providing extensive fringe benefits. According to them, the pay-*packet* motivates them much more than benefits which they get mostly in kind. But the older employees' view that fringe benefits benefit much *more* than currency, which taxes them heavily. The company asked the personnel manager to settle the issue.

Questions

1. What is the crucial issue in this case?
2. If you are the personnel manager of the company, whom do you satisfy?
3. Is the company's basic benefit programme in need of change? Suggest the basis.

Maximum time to solve this case study: 25 minutes.

Taken from the question paper on Human Resource Management for MBA (Part II, Semester IV) of Shivaji University, held in June 2000.