



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **FOUR** **SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 462

COURSE TITLE: EMPLOYEE COMPENSATION

EXAMINATION DURATION: 3 HOURS

DATE: 07/05/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **FOUR (4)** printed pages

please turn over



QUESTION ONE (COMPULSORY)

Read the case below and answer the questions that follow

MALACHAKE TAKES OVER AT PEPO JEMA HOTEL

Pepo Jema Hotel was establishment five years ago by Mr. Sinatabu. It is located in one of the satellite towns that have sprung up around Nairobi County. The hotel was established to cater for the recreational needs of the middle class residents of the town. It offers wide range of food items and drinks, with a particular bias towards African themes. It is also popular for the wide range of music pieces played for the comfort and entertainment of customers.

Sinatabu, the owner manager of the hotel, believes in exercising utmost thrift. He does not believe in giving workers more than what is strictly necessary. As such, at inception, the policy was to offer low salary as possible for most of the workers. Apart from managerial staff, the salary was far below the statutory minimum requirements. This was deliberately so designed in order to avoid having to pay the statutory minimum dedications from the employer's salaries kitty. There were no formal employment agreements with the employees. Verbal agreements were made between individual employees and Mr. Sinatabu who also doubled as the Human Resource Manager. The employees, especially the customer contact staff, were expected to augment their earning with "gift" from customer, which would depend on their individual relationship with such customers.

Pepo Jema Hotel does not have structured performance management systems in place. There are no published job descriptions for the non- managerial employees at the hotel. Floor supervisors are expected to monitor the performance of employees under them on daily basis and submit a report on the same to senior management. However, the supervisor are seen to be more in league with their staff than with management and are mostly to be found having animated discussion with the workers. Any losses incurred by the workers in the course of serving customers, as well as any breakages of utensils are recovered from the concerned worker's salary.

Overtime, there has been increased supervisory attention being focused on the management of the hotel by the regulatory authorities. One of the areas of concern by the authorities has been the level of compliance to the various regulations applicable to the hotel industry. It is for this reason that the hotel management decided to recruit a human resource manager. Mr. Mlachake was accordingly hired, with a brief to infuse professionalism in human resource management at the hotel, and especially so as regards employee remuneration and salary administration.



Mlachake, as his priority, decided to regularize employment terms for employees. His initial focus was on the long –serving employees who were still serving as casual. He conducted salary reviews for the employees in relation to their perceived performance records. This was in preparation for their promotion. Tausi, a long serving waiter, was subsequently promoted to assistant floor manager. She was however surprised that her salary increase was much less than that of her colleague, Mwendu pole, who was given an additional bonus.

Mlachake also sought to address the issue for non- monetary benefits for the employees. He was particularly concerned about the odd and long working hours for the employees as well as the lack of readily available and affordable accommodation for them near the hotel. He was also concerned about the issue of transport at night that was relatively expensive. Provision of meals to employees was another issue since hitherto, they had not been expected to eat from the hotel, unless they paid fully for the food. He also sought to address the issue of employees sustaining injuries in the course of their work. The remain reason for the concern was the apparent low morale of employees. Being more inclined to the humanistic school of management thought, Mlacheke always sought to boost employee morale whenever he worked.

QUESTIONS

- (a) Explain the demerits of the salary structure that Mr. Sinatabu had maintained at the inception of Pepo Jema Hotel. **[10 marks]**
- (b) Outline the limitation of the performance management process adapted at Pepo Jema Hotel. **[5 marks]**
- (c) Highlight the reasons that may account for the lower salary increment accorded to Tausi on Promotion **[5 marks]**
- (d) Explain the specific non- monetary benefits that Mlachake could introduce to enhance employee morale at Pepo Jema Hotel. **[5 marks]**

QUESTION TWO

- (a) Outline the **FIVE** issues that employee compensation policy of a firm should address **[5 marks]**
- (b) Highlight the circumstances under which a trade union would be able to influence the level of rewards accorded to workers in an organization. **[5 marks]**
- (c) Define work study and explain the objectives of carrying out work study in employee compensation context. **[5 marks]**



QUESTION THREE

- (a) Highlight the reasons that may make it necessary for a firm to carry out job evaluation for its workers. **[5 marks]**
- (b) Explain **FIVE** benefits that a firm may derive from adopting a total reward approach to its employee compensation scheme. **[5 marks]**
- (c) Identify reasons that make it necessary for an organization to align the rewards with external market. **[5 marks]**

QUESTION FOUR

- (a) Explain the factors that a human resource manager should consider in determining the salary to be paid to a newly recruited employee **[7 marks]**
- (b) Briefly discuss **FOUR** theories of employee compensation **[8 marks]**

QUESTION FIVE

- (a) Describe the component of employee compensation **[10 marks]**
- (b) Highlight the factors that may influence the base rate payment for a category of workers in an organization **[5 marks]**

QUESTION SIX

- (a) Describe the lawful deduction that may be made on an employee's salary as outlined in the employment Act, 2007 law of Kenya **[5 marks]**
- (b) Outline benefits of developing and implementing effective pay structure to an organization **[5 marks]**
- (c) Outline **FIVE** factors that may lead to ineffective job analysis exercise in an organization **[5 marks]**

