

**ADVANCED GCE UNIT
BUSINESS STUDIES**

2876

Further People in Organisations

THURSDAY 21 JUNE 2007

Afternoon

Time: 1 hour 30 minutes

Additional materials: Answer Booklet (8 pages)

Candidates may use calculators in this examination.



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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
- Answer **all** questions.
- If you use additional sheets of paper, fasten the sheets to the answer booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is 60.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.

This document consists of **4** printed pages.

Hygienic Disposal Containers Ltd (HDCL)

In 1990, John and Sandra Fothergill began making portable collection units for hospitals and doctors' surgeries for the disposal of surgical waste. The factory is in Llanelli, where unemployment was relatively high when the company began production. This enabled HDCL to pay wages which were below the national average. John took charge of production and Sandra focused on administrative tasks. In recent years she had also taken responsibility for human resources. Six months ago, following John and Sandra's divorce, Sandra had ceased working for HDCL and had not been replaced. 5

In 1992, HDCL employed 20 people. By 2005, staffing had reached the current level of 40 employees. As sales have levelled out, recruitment only occurs when a member of the permanent staff leaves. 10

Production is now managed by Saleem Golam. He is respected by the workforce for his vast knowledge of HDCL's production processes. Saleem has a down to earth approach to management, but has a very short temper. He expects his workforce to show the same dedication to HDCL and product quality as he does himself. This is in direct contrast to John's more laid back approach. Nevertheless, there are times when John decides to interfere with decisions made by Saleem, or other managers. John often tries to influence production schedules in favour of long standing customers who he regards as friends. 15

Manufacture of the body and lids of the disposal units is by a plastic moulding process. Highly skilled machine operators, who have been extensively trained in computer aided manufacture, are responsible for the moulding machines. Assembly, storage and despatch of the disposal units is carried out by unskilled workers. Many of the units have to be customised, especially any large orders placed by big hospitals. 20

Recently HDCL has found it increasingly difficult to recruit workers due to increasing competition for labour in the Llanelli area. Permanent assembly staff complain that their tasks are boring and repetitive. These staff also claim that the wage rates paid by HDCL are too low as changes in the local labour market have meant that many other employers are now offering more favourable hourly rates. Maintaining morale and motivation of HDCL's workforce has also become increasingly difficult for supervisors and managers. 25

The factory operates a 40 hour working week. There is the occasional opportunity to work overtime at the end of normal daily shifts and at weekends to meet any short-term surges in demand. Overtime, often with less than a day's notice, is particularly unpopular with trade union members who form approximately 90% of HDCL's permanent workforce. Consequently John has had to resort to bringing in assembly workers from local employment agencies. These workers often do not turn up for work, or are late, and have little knowledge of the company's methods of working. Permanent staff also complain that the agency workers are inefficient. They dislike the extra responsibility of training agency workers in basic health and safety, and are particularly annoyed that these workers receive a higher daily rate of pay. At the latest trade union meeting, members argued in favour of industrial action if HDCL continues to rely on agency workers to cover labour shortages. The union representative suggested that John should focus his attention on the way that overtime is organised and managed. John, however, would rather investigate the benefits of paying all production workers by performance rather than hourly rates of pay. 30

Purchasing decisions are carried out by Amir Quereshi. He liaises closely with Saleem. Amir has also shown resentment when John changes production schedules. Amir and Saleem claim this has resulted in increasing numbers of reject products, and a deterioration in overall quality. They blame John for not recruiting a new personnel manager, who they believe would have the skills and experience required to solve most of HDCL's current human resource problems. John does not agree, believing this would only add unnecessary extra salary costs in relation to the minimal gains he could envisage from such an appointment. In an attempt to change John's mind about the need to appoint a personnel manager, Amir and Saleem recently gave him some data they had compiled about reject products and customer complaints about product quality. If a customer makes a complaint this means that the entire order has to be returned to HDCL. Amir and Saleem think the data highlights that problems have been increasing directly in proportion to John's increased reliance on agency workers. 45

Table 1: Reject products (December 2006–May 2007)

	Total production	Number of rejects	Origin of rejects	
			(Permanent staff)	(Agency staff)
December	44287	1166	375	791
January	42512	1234	380	854
February	45336	1302	382	920
March	55477	1364	410	954
April	48398	1423	393	1030
May	42433	1497	397	1100
Total	<u>278,443</u>	<u>7986</u>	<u>2337</u>	<u>5649</u>

Table 2: Customer complaints – product quality (Quarter 4, 2006 & Quarter 1, 2007)

	Total number of complaints	Origin of product (traced to individual workers)	
		(Permanent staff)	(Agency staff)
<u>Quarter 4</u> (2006)	55	11	44
<u>Quarter 1</u> (2007)	73	13	60
Total	<u>128</u>	<u>24</u>	<u>104</u>

- 1 (a) (i) Using Table 1, calculate the percentage increase in the number of rejects between December 2006 and May 2007. [2]
- (ii) Using Table 2, calculate the percentage of total complaints made by customers about products assembled by agency workers. [2]
- (b) Analyse **two** possible consequences to HDCL if John continues to use agency workers. [6]
- (c) Discuss methods HDCL could use to reduce the need for agency workers. [16]
- 2 (a) To what extent do you agree with John's view concerning the appointment of a personnel manager? (see lines 47–48) [10]
- (b) Analyse **two** possible implications for HDCL of inadequate health and safety training. [6]
- (c) Evaluate the possible Human Resource implications of a further deterioration of industrial relations at HDCL. [16]

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