

Thursday 14 June 2012 – Afternoon

A2 GCE BUSINESS STUDIES

F295/01/RB People in Organisations

RESOURCE BOOKLET

To be given to candidates at the start of the examination.

Duration: 2 hours



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–6 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- The information contained within this Resource Booklet is based on one or more real businesses.
- This document consists of 4 pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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Him and Hers Ltd (HHL)

Georgina and Joe Cobbs established Him and Hers Ltd (HHL) in 2006. HHL is already a recognised brand for unique designer T-shirts. The average retail price of one of its T-shirts is £40, with some being priced at well over £100. The T-shirts are aimed at both sexes who have high incomes and want to be fashionable.

For each design only a certain number are produced in order to enhance the exclusivity of the T-shirts. Plain T-shirts are imported from the Far East and then screen-printed, with additional features being sewn on by skilled machinists in order to create the finished T-shirts.

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Georgina and Joe are also well known for their forward thinking with regard to the manner in which they run the business and their relationship with the employees. Georgina is responsible for all staff and the day-to-day running of the business; whereas Joe is responsible for the financial aspects and long-term planning of the business.

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The demand for HHL's T-shirts has continued to grow significantly. This has meant that Georgina and Joe have had to cope with the consequences of this significant increase in demand.

The employees who produce the finished products used to be paid on an hourly basis. This was:

- normal working week = 35 hours
- pay rate for normal working week = £9 per hour
- additional hours worked = £13 per hour

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Due to the increase in demand it was decided to change to a piece rate system. At the same time some forms of non-financial rewards were introduced for all staff.

Joe had thought that changing to a piece rate system would lead to higher wages for the 15 employees. However, the total annual wage bill actually fell (See Table 1).

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Table 1 – Annual Wage Bill

	Total wage bill
Old system of payment	£273,000
New system of payment	£225,000

Georgina had read that other businesses use even more non-financial rewards and the workforces involved had received them most favourably. For example, she had read that one particular business now spent more time with its employees on a one-to-one basis to find out their views and to offer praise when it was deserved. Georgina wanted to adopt a similar approach.

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She also wanted to offer all the employees at HHL shares in the business. She suggested she was prepared to give away about 35% of the shares to the employees, telling Joe it would be a 'step in the right direction'. Joe was not so sure.

"I already spend nearly all my time just sorting out the finances of the business. Why should they have a share in the ownership of what we have built up?" said Joe.

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He also pointed out to Georgina that much of his time had been spent updating the contracts of employment. "If we start giving the employees shares, I will probably have to redo all the contracts of employment!", Joe added.

Georgina had already suggested that getting the employees of HHL involved in the decision-making process would save money in the long run. “I can see many advantages for the business if we give them shares”, said Georgina in a slightly frustrated manner. 35

Later that day, Georgina invited Albert into her office to find out what he thought of the changes which had been made. Albert is one of HHL’s more experienced machinists and has been with the company since it started. At the same time she thought it would be an ideal opportunity to find out what his view would be if shares were offered to the employees. 40

She quickly realised that there would need to be several further incentives if employees were to be happy with the changes already made. Albert told Georgina that some of the less experienced workers had ‘lost’ quite a bit of money under the piece rate system but his wages had actually stayed about the same. 45

Albert liked the idea of actually owning some shares as he told Georgina. “I really would be involved and owning part of HHL would be very special to me.”

He also made it quite clear that he enjoyed the sessions when a team of employees looked at specific problems at their workstations and they had the opportunity to make suggestions to Georgina as to how to solve them. 50

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