

Human Resource Management, 15e (Dessler)
Chapter 11 Establishing Strategic Pay Plans

1) Which of the following terms refers to all forms of pay or rewards going to employees and arising from their employment?

- A) salary
- B) employee benefits
- C) wage reimbursement
- D) employee compensation

Answer: D

Explanation: D) Employee compensation refers to all forms of pay going to employees and arising from their employment. It has two main components, direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations).

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

2) Which of the following is NOT a type of direct financial payment?

- A) wages
- B) insurance
- C) incentives
- D) commissions

Answer: B

Explanation: B) Employee compensation refers to all forms of pay going to employees and arising from their employment. It has two main components, direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations).

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

3) Which of the following terms refers to pay in the form of financial benefits, such as insurance?

- A) direct financial payments
- B) out-of-pocket expenses
- C) indirect financial payments
- D) sales commissions

Answer: C

Explanation: C) Employee compensation has two main components: direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations).

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

4) John is a sales representative in a jewelry store. He typically works 40 hours per week and his pay is completely based on his sales. He earns a 5% commission for every sale he makes. Which of the following terms best describes John's situation?

- A) pay for performance
- B) indirect financial compensation
- C) time-based compensation
- D) piecework pay

Answer: A

Explanation: A) John earns sales commissions, which means he receives pay for performance. Piecework ties compensation to the number of pieces a worker produces, and John is selling rather than making jewelry.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

5) Which of the following factors has the LEAST effect on the design of an organization's pay plan?

- A) legal
- B) union
- C) company vision
- D) company policy

Answer: C

Explanation: C) The factors that determine the design of any pay plan include legal, union, company strategy and policy, and equity. A firm's vision indicates what the firm wants to become in the future, and it has less of an impact on pay plan design than the other factors.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

6) Which of the following was enacted in 1931 for the purpose of setting wage rates for laborers and mechanics employed by contractors working for the federal government?

- A) Walsh-Healey Public Contract
- B) Fair Labor Standards Act
- C) Civil Rights Act
- D) Davis-Bacon Act

Answer: D

Explanation: D) The 1931 Davis-Bacon Act allows the secretary of labor to set wage rates for laborers and mechanics employed by contractors working for the federal government.

Amendments provide for paid employee benefits.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

7) Which of the following sets basic labor standards for employees working on any government contract that amounts to more than \$10,000?

- A) Davis-Bacon Act
- B) Walsh-Healey Public Contract
- C) Fair Wages Act
- D) Fair Labor Standards Act

Answer: B

Explanation: B) The 1936 Walsh-Healey Public Contract Act sets basic labor standards for employees working on any government contract that amounts to more than \$10,000 and addresses wages, safety, and overtime.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

8) Which compensation-related law contains provisions for minimum wage, maximum hours, overtime pay, equal pay, record-keeping, and child labor?

- A) Davis-Bacon Act
- B) Fair Wages Act
- C) Fair Labor Standards Act
- D) Walsh-Healey Public Contract

Answer: C

Explanation: C) The Fair Labor Standards Act, originally passed in 1938 and since amended many times, contains minimum wage, maximum hours, overtime pay, equal pay, record-keeping, and child labor provisions that are familiar to most working people. It covers the majority of U.S. workers—virtually all those engaged in the production and/or sale of goods for interstate and foreign commerce.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

9) Which of the following issues is NOT addressed by the Fair Labor Standards Act?

- A) record-keeping
- B) overtime pay
- C) child labor
- D) termination

Answer: D

Explanation: D) The Fair Labor Standards Act, originally passed in 1938 and since amended many times, contains minimum wage, maximum hours, overtime pay, equal pay, record-keeping, and child labor provisions that are familiar to most working people. The termination of an employee is not addressed by the FLSA.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

10) Which law makes it illegal to discriminate against any individual with respect to compensation because of race, color, religion, sex, or national origin?

- A) Fair Labor Standards Act
- B) Title VII of the Civil Rights Act
- C) Equal Pay Act
- D) Taft-Hartley Act

Answer: B

Explanation: B) Title VII makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

11) According to the Fair Labor Standards Act, what rate of normal pay would a covered employee receive for working more than 40 hours in a workweek?

- A) 50%
- B) 100%
- C) 150%
- D) 200%

Answer: C

Explanation: C) A provision in the FLSA governs overtime pay. It says employers must pay overtime at a rate of at least one-and-a-half times normal pay for any hours worked over 40 in a workweek.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

12) Jill works as a cashier at a grocery store. She earns \$10 an hour (or \$400 for a 40-hour week). Last week, she worked 46 hours. What is the minimum amount that Jill earned last week?
A) \$460
B) \$490
C) \$520
D) \$550

Answer: B

Explanation: B) The FLSA says employers must pay overtime at a rate of at least one-and-a-half times normal pay for any hours worked over 40 in a workweek. Jill worked 46 hours in one week, so she was paid for 6 of those hours at a rate equal to one-and-a-half times the hourly rate of \$10. The 6 overtime hours were at a rate of \$15, so Jill earned at least \$490.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

13) Joseph worked 6 hours of overtime this week but has decided to take time off instead of overtime pay. How many hours will Joseph receive in time off from work?

- A) 3 hours
- B) 6 hours
- C) 9 hours
- D) 18 hours

Answer: C

Explanation: C) According to the FLSA, if an employee receives time off for overtime hours instead of money, the employer must compute the number of hours granted off at the one-and-a-half times rate. Jack would get 9 hours off for the 6 hours of overtime.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

14) Which of the following is true for employers who use independent contractors?

- A) Fair Labor Standards Act overtime requirements do not apply.
- B) Social Security taxes are higher than for regular employees.
- C) Federal income taxes are charged at a reduced rate.
- D) Payroll taxes are paid by the employer.

Answer: A

Explanation: A) For employers, there are advantages to claiming that someone is an independent contractor. For one thing, the FLSA's overtime and most other requirements do not apply. For another, the employer does not have to pay unemployment compensation payroll taxes, Social Security taxes, or city, state, and federal income taxes or compulsory workers' compensation for that worker.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

15) In most cases, which of the following occupations is NOT exempt from the overtime provisions of the Fair Labor Standards Act?

- A) physicians
- B) engineers
- C) paralegals
- D) teachers

Answer: C

Explanation: C) Teachers, doctors, engineers, and architects are typically exempt from the FLSA overtime provisions. Paralegals are considered nonexempt.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

16) Which of the following jobs is most likely categorized as nonexempt from the overtime pay provisions of the Fair Labor Standards Act?

- A) taxicab driver
- B) personnel director
- C) newspaper writer
- D) computer systems analyst

Answer: C

Explanation: C) Newspaper writers are usually considered nonexempt, so they may earn overtime pay. Scientists, cab drivers, personnel directors, and computer systems analysts are typically exempt employees who are not eligible for overtime pay.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

17) Anita, a manager at a department store, needs to determine whether one of her employees is exempt or nonexempt under the Fair Labor Standards Act. Which of the following would be the best resource for Anita?

- A) organizational chart
- B) performance appraisal
- C) business plan
- D) job description

Answer: D

Explanation: D) In all but the clearest situations, managers should carefully review the job description to determine if a job is exempt or nonexempt. Make sure, for instance, that the job currently does, in fact, require that the person perform, say, an exempt-type supervisory duty.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

18) Which of the following states that employees of one sex may not be paid wages at a rate lower than that paid to employees of the opposite sex for doing roughly equivalent work?

- A) Americans with Disabilities Act
- B) Title VII of the Civil Rights Act
- C) Social Security Act
- D) Equal Pay Act

Answer: D

Explanation: D) The Equal Pay Act, an amendment to the Fair Labor Standards Act, states that employees of one sex may not be paid wages at a rate lower than that paid to employees of the opposite sex for doing roughly equivalent work.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

19) Which act regulates vesting rights and portability rights?

- A) Fair Labor Standards Act
- B) Title VII of the Civil Rights Act
- C) Employer Retirement Income Security Act
- D) Equal Pay Act of 1963

Answer: C

Explanation: C) The Employee Retirement Income Security Act (ERISA) provided for the creation of government-run, employer-financed corporations to protect employees against the failure of their employers' pension plans. In addition, it sets regulations regarding vesting rights and regulates portability rights (the transfer of an employee's vested rights from one organization to another).

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

20) Which of the following terms refers to the ownership employees build up in their pension plans should their employment with a firm end prior to retirement?

- A) portability
- B) equity
- C) vesting
- D) shares

Answer: C

Explanation: C) ERISA sets regulations regarding vesting rights. Vesting refers to the equity or ownership the employees build up in their pension plans should their employment terminate before retirement.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

21) Which of the following laws has the LEAST amount of influence on compensation decisions?

- A) Americans with Disabilities Act
- B) Labor Management Relations Act
- C) Family and Medical Leave Act
- D) Age Discrimination in Employment Act

Answer: B

Explanation: B) The ADA, Family and Medical Leave Act, and the Age Discrimination in Employment Act all impact compensation decisions made by organizations. The Labor Management Relations Act prohibited unfair union labor practices and enumerated the rights of employees as union members and has no impact on compensation issues.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

22) Bonnie, a data analyst, needs to take time off from work to care for her elderly mother. According to the Family and Medical Leave Act, what is the maximum number of weeks of unpaid, job-protected leave that Bonnie may take?

- A) 4
- B) 6
- C) 12
- D) 16

Answer: C

Explanation: C) The Family and Medical Leave Act aims to entitle eligible employees, both men and women, to take up to 12 weeks of unpaid, job protected leave for the birth of a child or for the care of a child, spouse, or parent.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

23) Which of the following gives employees the right to organize, bargain collectively, and engage in concerted activities for the purpose of collective bargaining?

- A) Equal Pay Act
- B) Civil Rights Act
- C) Fair Labor Standards Act
- D) National Labor Relations Act

Answer: D

Explanation: D) The National Labor Relations Act of 1935 (Wagner Act) and related legislation and court decisions legitimized the labor movement. It gave unions legal protection, and granted employees the right to unionize, to bargain collectively, and to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

24) What has historically been the key issue in collective bargaining?

- A) wage rates
- B) income security
- C) health care benefits
- D) cost-of-living adjustments

Answer: A

Explanation: A) Historically, the wage rate has been the main issue in collective bargaining. However, unions also negotiate other pay-related issues, including time off with pay, income security, cost-of-living adjustments, and health care benefits.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

25) Which of the following issues would LEAST likely be negotiated by unions?

- A) income security
- B) time off with pay
- C) health care benefits
- D) unpaid medical leave

Answer: D

Explanation: D) Historically, the wage rate has been the main issue in collective bargaining. However, unions also negotiate other pay-related issues, including time off with pay, income security, cost-of-living adjustments, and health care benefits. Unpaid medical leave is addressed by the Family and Medical Leave Act.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

26) Which of the following terms refers to a compensation plan that advances a firm's strategic goals?

- A) strategic management
- B) performance pay plan
- C) aligned reward strategy
- D) workers' compensation package

Answer: C

Explanation: C) The compensation plan should advance the firm's strategic aims, so management should produce an aligned reward strategy. This means creating a bundle of rewards—a total reward package including wages, incentives, and benefits—that aims to produce the employee behaviors the firm needs to support and achieve its competitive strategy.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

27) Homelife, a national chain of high-end furniture stores, employs nearly 800 workers. In the past few years, the company's market share has dropped significantly, and employee turnover has increased. Upper management is considering the implementation of a new compensation policy in its efforts to turn the company around. Historically, the company has paid all employees similarly with some variation for seniority but no distinction between high and low performers.

Which of the following questions is LEAST relevant to Homelife's decision to develop an aligned reward strategy?

- A) What compensation programs should Homelife use to reinforce necessary employee behaviors?
- B) How well does Homelife's current compensation program match the company's strategic aims?
- C) What compensation programs should Homelife use to reinforce desired employee behaviors?
- D) What are the results of Homelife employee salary surveys in regards to wage satisfaction?

Answer: D

Explanation: D) An aligned reward strategy links a firm's compensation plan with its strategic aims. Homelife can create a total reward package including wages, incentives, and benefits that will generate the employee behaviors the firm needs to support and achieve its competitive strategy. Questions about employee behaviors and compensation are relevant, but a question about salary surveys is not.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

28) Which of the following is the LEAST likely way that an employer would address a cost-of-living differential?

- A) paying a nonrecurring amount spread over one to three years
- B) paying a nonrecurring, lump sum amount
- C) raising an employee's base salary
- D) raising commission percentages

Answer: D

Explanation: D) Employers handle cost-of-living differentials in several ways. One is to give the transferred person a nonrecurring payment, usually in a lump sum or perhaps spread over one to three years. Others pay a differential for ongoing costs in addition to a one-time allocation or simply raise the employee's base salary.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

29) What theory of motivation states that people are strongly motivated to maintain a balance between what they perceive as their contributions and their rewards?

- A) Two-factor theory
- B) Equity theory
- C) Learned needs theory
- D) Expectancy theory

Answer: B

Explanation: B) The equity theory of motivation postulates that people are strongly motivated to maintain a balance between what they perceive as their inputs or contributions, and their rewards. Equity theory states that if a person perceives an inequity, a tension or drive will develop in the person's mind, and the person will be motivated to reduce or eliminate the tension and perceived inequity.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

30) Which of the following is NOT one of the forms of equity related to compensation issues?

- A) group
- B) external
- C) individual
- D) procedural

Answer: A

Explanation: A) Managers address external, internal, individual, and procedural equity when considering compensation issues.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

31) Which form of equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies?

- A) distributive
- B) internal
- C) external
- D) procedural

Answer: C

Explanation: C) External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

32) Jason is an information systems technician in a town in North Carolina with a population of 100,000. He receives an annual salary of \$35,000. He recently found out that a nearby town with a similar population pays people in the same position \$40,000 annually. With which form of equity is Jason most concerned?

- A) distributive
- B) procedural
- C) internal
- D) external

Answer: D

Explanation: D) External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

33) Which form of equity refers to the fairness of a job's pay rate in comparison to other jobs within the same company?

- A) external
- B) internal
- C) distributive
- D) individual

Answer: B

Explanation: B) Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company. For instance, is the sales manager's pay fair when compared to what the production manager is earning?

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

34) Trevor, a sales manager at IBM, recently learned that an IBM human resources manager with comparable responsibilities and spans of control earns a higher salary than Trevor. Which form of equity is of most concern to Trevor?

- A) external
- B) internal
- C) distributive
- D) individual

Answer: B

Explanation: B) Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company, such as between managers in different departments.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

35) Which form of equity refers to the fairness of an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company, based on each individual's performance?

- A) internal
- B) distributive
- C) individual
- D) procedural

Answer: C

Explanation: C) Individual equity refers to the fairness of an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company, based on each individual's performance. Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company, such as between managers in different departments.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

36) Audrey is a lawyer in a mid-size firm in Chicago. She recently learned that another lawyer who joined the firm at the same time earns a lower salary than she does. Which form of equity is most relevant to Audrey's situation?

- A) internal
- B) distributive
- C) individual
- D) procedural

Answer: C

Explanation: C) Individual equity refers to the fairness of an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company, based on each individual's performance.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

37) Which form of equity refers to the perceived fairness of the processes used to make decisions regarding the allocation of pay?

- A) internal
- B) distributive
- C) individual
- D) procedural

Answer: D

Explanation: D) Procedural equity refers to the "perceived fairness of the processes and procedures used to make decisions regarding the allocation of pay."

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

38) External equity refers to _____.

- A) how a job's pay rate in one company compares to the job's pay rate in other companies
- B) the fairness of an individual's pay as compared to a co-worker's pay for the same job
- C) the perceived fairness of the processes and procedures used to make decisions about compensation
- D) the use of salary surveys and job evaluation comparisons to monitor pay levels within an industry

Answer: A

Explanation: A) External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

39) Which of the following best defines internal equity?

- A) how a job's pay rate in one company compares to the job's pay rate in other companies
- B) how fair the job's pay rate is, when compared to other jobs within the same company
- C) the fairness of an individual's pay as compared to a co-worker's pay for the same job
- D) the perceived fairness of the processes and procedures used to make compensation decisions

Answer: B

Explanation: B) Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

40) Which of the following is used to maintain internal equity?

- A) job analysis comparisons
- B) organizational charts
- C) incentive pay
- D) salary surveys

Answer: A

Explanation: A) Managers use job analysis and job evaluation comparisons of each job to maintain internal equity.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

41) What type of equity is a manager most likely trying to maintain through the use of performance appraisals and incentive pay?

- A) internal
- B) external
- C) individual
- D) procedural

Answer: C

Explanation: C) Managers use performance appraisal and incentive pay to maintain individual equity.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

42) Beth, a small business owner, wants to ensure external equity when establishing pay rates. Beth should most likely _____.

- A) use wage curves to price each pay grade
- B) compare performance appraisals
- C) conduct a salary survey
- D) check online pay sites

Answer: C

Explanation: C) The first step in establishing pay rates involves conducting a salary survey of what other employers are paying for comparable jobs to ensure external equity.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

43) Homelife, a national chain of high-end furniture stores, employs nearly 800 workers. In the past few years, the company's market share has dropped significantly, and employee turnover has increased. Upper management is considering the implementation of a new compensation policy in its efforts to turn the company around. Historically, the company has paid all employees similarly with some variation for seniority but no distinction between high and low performers.

Which of the following, if true, best supports the argument that Homelife executives should primarily address internal equity issues when developing a new compensation plan?

- A) Homelife employees receive annual performance appraisals at which time they set career goals.
- B) Salary surveys indicate dissatisfaction among the Homelife managers in different departments.
- C) Online pay sites show the pay range for sales associates at both Homelife and its competitors.
- D) Homelife pays its sales managers commissions in addition to base salaries and health benefits.

Answer: B

Explanation: B) Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company. In this case, surveys indicate that managers in different departments at Homelife are dissatisfied with their earnings.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

44) Homelife, a national chain of high-end furniture stores, employs nearly 800 workers. In the past few years, the company's market share has dropped significantly, and employee turnover has increased. Upper management is considering the implementation of a new compensation policy in its efforts to turn the company around. Historically, the company has paid all employees similarly with some variation for seniority but no distinction between high and low performers.

Which of the following, if true, best supports the argument that Homelife should distribute salary surveys before establishing new pay rates?

- A) Homelife executives want to identify benchmark jobs before determining the worth of other jobs.
- B) Homelife executives plan to use the compensable factors emphasized by the Equal Pay Act.
- C) Computerized job evaluation systems will be used by Homelife to generate questionnaires.
- D) A wage curve needs to be established by Homelife for the purpose of federal compliance.

Answer: A

Explanation: A) Employers use salary surveys to price benchmark jobs. Benchmark jobs are the anchor jobs around which they slot their other jobs, based on each job's relative worth to the firm.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 11.1 List the basic factors determining pay rates.

45) Financial benefits like employer-paid insurance and vacations are not a part of employee compensation.

Answer: FALSE

Explanation: Employee compensation refers to all forms of pay going to employees and arising from their employment. It has two main components, direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations).

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

46) Indirect payments that contribute to an employee's compensation include variable pay like commissions and bonuses.

Answer: FALSE

Explanation: Employee compensation refers to all forms of pay going to employees and arising from their employment. It has two main components, direct financial payments like salaries, commissions, and bonuses and indirect financial payments, which include health benefits.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

47) Direct financial payments may be based on increments of time and on performance.

Answer: TRUE

Explanation: Direct financial payments include wages, salaries, and commissions. They may be based on time worked or on performance, such as units produced.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

48) Performance-based pay is more popular than time-based pay among most employers in the U.S.

Answer: FALSE

Explanation: Time-based pay is still the foundation of most employers' pay plans. Blue-collar workers get hourly or daily wages, for instance, and others, like managers, tend to be salaried and paid by the week, month, or year. The second direct payment option is to pay for performance, which ties compensation to the amount of production the worker turns out.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

49) According to the Davis-Bacon Act, when employees work more than 40 hours per week, employers must pay overtime at a rate of at least one-and-a-half times the normal pay for any hours worked over 40 in a workweek.

Answer: FALSE

Explanation: According to provisions in the Fair Labor Standards Act, employers must pay overtime at a rate of at least one-and-a-half times normal pay for any hours worked over 40 in a workweek. The Davis-Bacon Act sets wage rates for laborers employed by contractors working for the federal government.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

50) Employers prefer to give time off in lieu of overtime pay because they only have to grant the same number of hours off as the employee worked overtime, while overtime pay is calculated at 150% of normal pay.

Answer: FALSE

Explanation: According to the FLSA, both overtime pay and time off for overtime work must be calculated at the one-and-a-half times rate.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

51) Because the minimum wage is set by the Fair Labor Standards Act, there is no variation from state to state in the minimum wage paid to hourly workers.

Answer: FALSE

Explanation: The FLSA sets a minimum wage, which sets a floor for employees covered by the act. Many states and cities have their own minimum wage laws, so the minimum wage varies from state to state.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

52) According to the FLSA, agricultural employees, live-in maids, and taxi drivers are always eligible for overtime pay.

Answer: FALSE

Explanation: However, certain employees are always exempt from overtime pay provisions. They include, among others, agricultural employees, live-in household employees, taxicab drivers, and motion picture theater employees.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

53) The Equal Pay Act states that employees of one sex may not be paid wages at a rate lower than that paid to employees of the opposite sex for doing roughly equivalent work.

Answer: TRUE

Explanation: The Equal Pay Act is an amendment to the Fair Labor Standards Act. The Equal Pay Act states that employees of one sex may not be paid wages at a rate lower than that paid to employees of the opposite sex for doing roughly equivalent work.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

54) Portability rights refer to an employee's ability to transfer his or her vested rights from one organization to another.

Answer: TRUE

Explanation: ERISA sets regulations regarding vesting rights and portability rights. Vesting refers to the equity or ownership the employees build up in their pension plans should their employment terminate before retirement, and portability rights is an employee's ability to transfer his or her vested rights from one organization to another.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

55) While laws exist to protect against discrimination in compensation based on gender and age, no law protects against such discrimination against persons with disabilities.

Answer: FALSE

Explanation: The Americans with Disabilities Act prohibits discrimination against qualified persons with disabilities in all aspects of employment, including compensation.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

56) The provision of the Family and Medical Leave Act that entitles employees to take up to 12 weeks of unpaid, job-protected leave for the birth of a child only applies to women.

Answer: FALSE

Explanation: The Family and Medical Leave Act aims to entitle eligible employees, both men and women, to take up to 12 weeks of unpaid, job-protected leave for the birth of a child or for the care of a child, spouse, or parent.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

57) According to the court system, the test that distinguishes an independent contractor from an employee is whether or not the firm provides the worker with health insurance benefits.

Answer: FALSE

Explanation: There is no single rule or test for determining whether an individual is an independent contractor or a bona fide employee. Instead, the courts will look at the total activity or situation. The major consideration is this: The more the employer controls what the worker does and how he or she does it, the more likely it is that the courts will find the worker is actually an employee. Health insurance benefits are not a distinguishing factor.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

58) Wage rate has been the main issue negotiated by unions in collective bargaining.

Answer: TRUE

Explanation: Historically, the wage rate has been the main issue in collective bargaining. However, unions also negotiate other pay-related issues, including time off with pay, income security, cost-of-living adjustments, and health care benefits.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

59) A union is entitled to know the salary of each employee it is representing.

Answer: TRUE

Explanation: The Wagner Act created the National Labor Relations Board (NLRB) to oversee employer practices and ensure that employees receive their rights. Employers must give the union a written explanation of the employer's wage curves and provide the union with its members' salaries.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

60) External equity refers to how fair the job's pay rate is when compared to other jobs within the same company.

Answer: FALSE

Explanation: External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies. Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company.

Difficulty: Easy

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

61) What are the two primary ways to make direct financial payments to employees? How does compensation for managers or professionals differ from compensation for clerical or production workers at a firm?

Answer: There are two basic ways to make direct financial payments to employees: base them on increments of time or on performance. Time-based pay is still the foundation of most employers' pay plans. Blue-collar and clerical workers get hourly or daily wages, for instance, and others, like managers or Web designers, tend to be salaried and paid by the week, month, or year. The second direct payment option is to pay for performance. Piecework and sales commissions are examples of performance-based compensation. Developing compensation plans for managers or professionals is similar in many respects to developing plans for any employee. The basic aim is the same: to attract and keep good employees. Managerial jobs tend to stress harder to quantify factors like judgment and problem solving more than do production and clerical jobs. There is also more emphasis on paying managers and professionals based on results—based on their performance or on what they can do—rather than on the basis of static job demands like working conditions. So, job evaluation, although still important, usually plays a secondary role to non-salary issues like bonuses, incentives, market rates, and benefits.

Difficulty: Hard

Chapter: 11

Objective: 1, 4

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

62) What are the advantages for employers of claiming that someone doing work for them is an independent contractor rather than an employee? What generally makes a worker classified as an "independent contractor"?

Answer: There are many advantages to organizations. The Fair Labor Standards Act does not apply to independent contractors. The employer does not have to pay unemployment compensation, payroll taxes, Social Security taxes, or city, state, and federal income taxes.

In general, an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. However, there is no single rule or test. Instead, the courts will look at the total situation. The major consideration is this: The more the employer controls what the worker does and how he or she does it, the more likely it is that the courts will find the worker to be an employee, not an independent contractor.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

63) What are your compensation options if you are an employer who needs to transfer an employee from a low cost-of-living area to a high cost-of-living area?

Answer: Employers have different ways of handling cost-of-living differentials. One is to give the transferred person a nonrecurring payment in a lump sum amount. Another is to pay a differential for ongoing costs in addition to a one-time allocation. Others simply raise the employee's base salary.

For international transfers, companies can go with a home-based or host-based salary plan.

With a home-based salary plan, an international transferee's base salary reflects his or her home country's salary. The employer then adds allowances for cost-of-living differences—housing and schooling costs, for instance. This is a reasonable approach for short-term assignments, and avoids the problem of having to change the employee's base salary every time he or she moves.

In the host-based plan, the firm ties the international transferee's base salary to the host country's salary structure. In other words, the manager from New York who is sent to France would have his or her base salary changed to the prevailing base salary for that position in France, rather than keep the New York base salary. The firm usually tacks on cost-of-living, housing, schooling, and other allowances here as well.

Most multinational enterprises set expatriates' salaries according to the home-based salary plan.

Difficulty: Moderate

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

64) Explain the equity theory of motivation. What are the four forms of equity?

Answer: Equity theory states that people are strongly motivated to maintain a balance between what they perceive as their inputs or contributions and their rewards. If a person perceives an inequity, a tension or drive will develop in the person's mind and the person will be motivated to reduce or eliminate the tension and perceived inequity. The four forms are external, internal, individual, and procedural. External equity refers to how a job's pay rate in one company compares to the job's pay rate in other companies. Internal equity refers to how fair the job's pay rate is when compared to other jobs within the same company. Individual equity refers to the fairness of an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company, based on each individual's performance.

Procedural equity refers to the perceived fairness of the processes and procedures used to make decisions regarding the allocation of pay.

Difficulty: Hard

Chapter: 11

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 11.1 List the basic factors determining pay rates.

65) Which of the following is used to anchor the employer's pay scale?

A) grades

B) job metric

C) benchmark job

D) human resource metric

Answer: C

Explanation: C) Benchmark jobs are the anchor jobs around which employers slot their other jobs, based on each job's relative worth to the firm.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

66) Which of the following terms refers to a systematic comparison done in order to determine the worth of one job relative to another?

A) job analysis

B) job evaluation

C) job description

D) job classification

Answer: B

Explanation: B) Job evaluation aims to determine a job's relative worth. The job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another. Job evaluation eventually results in a wage or salary structure or hierarchy.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

67) Central basic factors that establish how several jobs compare to one another and that determine the pay for each job are called _____.

- A) compensable factors
- B) job evaluation factors
- C) ranking factors
- D) analysis factors

Answer: A

Explanation: A) Firms can compare several jobs by focusing on certain basic factors the jobs have in common. Compensation management specialists call these compensable factors. They are the factors that establish how the jobs compare to one another and that determine the pay for each job.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

68) In most cases, the majority of the members on a job evaluation committee are _____.

- A) managers
- B) employees
- C) HR specialists
- D) union representatives

Answer: B

Explanation: B) A job evaluation committee usually consists of about five members, most of whom are employees. Management has the right to serve on such committees, but employees may view this with suspicion.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

69) Which of the following is NOT one of the typical methods used by job evaluation committees to determine the worth of a job?

- A) ranking
- B) point method
- C) job classification
- D) paired comparison

Answer: D

Explanation: D) A job evaluation committee will probably use one of the following methods: ranking, job classification, or point method. Paired comparison is a method for ranking employee performance.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

70) When using the job evaluation method of job classification, raters categorize jobs into groups of similar jobs called _____.

- A) classes
- B) sections
- C) grades
- D) cohorts

Answer: A

Explanation: A) Job classification is a simple, widely used method in which raters categorize jobs into groups with roughly the same value for pay purposes. The groups are called classes if they contain similar jobs.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

71) Which of the following best describes the point method of job evaluation?

- A) ranking each job relative to all other jobs based on pay grade
- B) categorizing jobs into grades and classes based on specific rules
- C) deciding which jobs have a higher number of compensable factors
- D) identifying and quantifying the compensable factors present in a job

Answer: D

Explanation: D) The point method is a quantitative technique that involves identifying several compensable factors, each having several degrees, as well as the degree to which each of these factors is present in the job.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

72) Which job evaluation method is a quantitative technique involving the identification of several compensable factors and the degree to which each of these factors is present in the job?

- A) ranking method
- B) point method
- C) job grading method
- D) job classification method

Answer: B

Explanation: B) The point method is a quantitative job evaluation method in which a number of compensable factors are identified and then the degree to which each of these factors is present on the job is determined.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

73) Which job evaluation method is used by most modern employers?

- A) job classification method
- B) job grading method
- C) ranking method
- D) point method

Answer: D

Explanation: D) The point method of job evaluation is the most popular job evaluation method today. Job classification, job grading, and ranking are less popular.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

74) What are the two primary components of computerized job evaluations?

- A) compensable factors and benchmark jobs
- B) grade definitions and factor comparisons
- C) structured questionnaires and statistical models
- D) structured questionnaires and grade definitions

Answer: C

Explanation: C) Most computerized job evaluation systems have two main components. A structured questionnaire and a statistical model streamline the job evaluation process.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

75) The market-based approach to setting rates involves conducting formal or informal salary surveys to determine what others in the relevant labor markets are paying for particular jobs.

Answer: TRUE

Explanation: Employers use two basic approaches to setting pay rates: market-based approaches and job evaluation methods. Many firms, particularly smaller ones, simply use a market-based approach. Doing so involves conducting formal or informal salary surveys to determine what others in the relevant labor markets are paying for particular jobs. They then use these figures to price their own jobs.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

76) Salary surveys are used by firms to collect data on employee benefits as well as wage rates for the purpose of pricing jobs.

Answer: TRUE

Explanation: Salary surveys are aimed at determining prevailing wage rates. A good salary survey provides specific wage rates for specific jobs. Formal written questionnaire surveys are the most comprehensive, but telephone surveys and newspaper ads are also sources of information.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

77) The Equal Pay Act focuses on three compensable factors—know-how, problem solving, and accountability.

Answer: FALSE

Explanation: The Equal Pay Act emphasizes four compensable factors—skills, effort, responsibility, and working conditions.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

78) An advantage of the job classification method is that the objective nature of the system makes it easy to write the class and grade descriptions.

Answer: FALSE

Explanation: The disadvantage of the classification method is that it is difficult to write the class or grade descriptions, and considerable judgment is required to apply them. Yet many employers use this method with success.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

79) If a job evaluation committee uses the ranking method, then the pay grade consists of all jobs that fall within two or three ranks.

Answer: TRUE

Explanation: A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation. With the ranking method, the grade consists of all jobs that fall within two or three ranks.

Difficulty: Moderate

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

80) Large corporations are more likely than small businesses to use a market-based approach to setting pay rates because it is easier for a large firm to conduct formal job evaluations.

Answer: FALSE

Explanation: Employers use two basic approaches to setting pay rates: market-based approaches and job evaluation approaches. Many firms, particularly smaller ones, simply use a market-based approach. The market-based approach bases pay rates on what other firms are paying and does not involve conducting a job evaluation.

Difficulty: Easy

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

81) The point method of job evaluation is the most frequently used job evaluation method, but it is also associated with lawsuits involving comparable worth. In a brief essay, explain the point method of job evaluation and why it is problematic for firms in regards to comparable worth.

Answer: The point method is a quantitative technique. It involves identifying (1) several compensable factors, each having several degrees, as well as (2) the degree to which each of these factors is present in the job. Assume there are five degrees of "responsibility" a job could contain. Further, assume you assign a different number of points to each degree of each factor. Once the evaluation committee determines the degree to which each compensable factor (like "responsibility" and "effort") is present in the job, it can calculate a total point value for the job by adding up the corresponding points for each factor. The result is a quantitative point rating for each job. Comparable worth has implications for job evaluation. Virtually every comparable worth case that reached a court involved the use of the point method of job evaluation. By assigning points to dissimilar jobs, point plans facilitate comparability ratings among different jobs. Perhaps the wisest approach is for employers to price their jobs as they see fit (with or without point plans), but to ensure that women have equal access to all jobs. In other words, eliminate the wage discrimination issue by eliminating sex-segregated jobs..

Difficulty: Hard

Chapter: 11

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 11.2 Define and give an example of how to conduct a job evaluation.

82) Which of the following is NOT one of the compensable factors emphasized in the Equal Pay Act?

A) skills

B) accountability

C) responsibility

D) working conditions

Answer: B

Explanation: B) The Equal Pay Act emphasizes four compensable factors—skills, effort, responsibility, and working conditions.

Difficulty: Moderate

Chapter: 11

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

83) A _____ is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.

- A) wage curve
- B) benchmark
- C) pay grade
- D) class

Answer: C

Explanation: C) A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.

Difficulty: Easy

Chapter: 11

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

84) Which of the following shows the relationship between the value of the job and the average pay for this job?

- A) benchmark
- B) pay grade
- C) scatter plot
- D) wage curve

Answer: D

Explanation: D) The wage curve shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation. You'll typically use a wage curve to help assign pay rates to each pay grade (or to each job).

Difficulty: Easy

Chapter: 11

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

85) The purpose of the wage curve is to _____.

- A) show the relationship between the value of the job and the current average pay rates
- B) equate jobs of similar difficulty or importance as established by job evaluation
- C) choose benchmark jobs within each pay grade
- D) cluster jobs into logical groupings

Answer: A

Explanation: A) The purpose of the wage curve is to show the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.

Difficulty: Hard

Chapter: 11

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

86) Phil, the owner of Eastline Electronics, recently learned that the current rate being paid for the position of engineering assistant at his firm falls significantly below the wage line. Which of the following steps should Phil most likely take to correct this problem?

- A) enact a pay freeze for that job
- B) assess a decrease in wages
- C) pay a one-time bonus
- D) provide a pay raise

Answer: D

Explanation: D) If the current rates being paid for any of your jobs or grades fall well above or below the wage line, raises or a pay freeze for that job may be in order. In this case, a pay raise is appropriate because the rate is below the wage line.

Difficulty: Hard

Chapter: 11

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

87) Which of the following terms refers to a series of steps or levels within a pay grade?

- A) pay metric
- B) pay range
- C) wage class
- D) wage curve

Answer: B

Explanation: B) The term pay range refers to a series of steps or levels within a pay grade. It lets the employer take a more flexible stance in the labor market.

Difficulty: Easy

Chapter: 11

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

88) Which of the following questions is most relevant to developing a market-competitive pay system?

- A) What is the ranking of each job?
- B) What is the relevant labor market?
- C) What percentage of workers are contingent?
- D) What are the local and federal pay regulations?

Answer: B

Explanation: B) With a market-competitive pay system, the employer's actual pay rates are competitive with those in the relevant labor markets. Rankings are more relevant to the job evaluation method of setting pay rates.

Difficulty: Moderate

Chapter: 11

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 11.3 Explain in detail how to establish a market-competitive pay plan.

89) Richard was recently offered a position as vice president of marketing at a national retail chain. As a top executive at the firm, Richard will most likely be compensated with all of the following EXCEPT _____.

- A) stock options
- B) pension plans
- C) sales commissions
- D) supplemental life insurance

Answer: C

Explanation: C) Compensation for a company's top executives usually consists of four main elements: base pay, short-term incentives like bonuses, long-term incentives, and executive perks such as pension plans and supplemental life insurance. Sales commissions are not a typical compensation for top executives.

Difficulty: Moderate

Chapter: 11

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

90) What is the primary purpose of offering an executive stock options in a compensation package?

- A) providing the executive with guaranteed bonuses
- B) encouraging the executive to increase the firm's value
- C) enabling the firm to decrease the executive's base pay
- D) offering the executive long-term retirement security

Answer: B

Explanation: B) Long-term incentives aim to encourage the executive to take actions that drive up the value of the company's stock and include things like stock options; these generally give the executive the right to purchase stock at a specific price for a specific period.

Difficulty: Hard

Chapter: 11

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

91) Job evaluations are used to determine the pay scale of all employees in an organization from hourly workers to the CEO.

Answer: FALSE

Explanation: For top executive jobs (especially the CEO), job evaluation typically has little relevance, but job evaluations are used for other positions in a firm. Top executive compensation depends on job complexity, the employer's ability to pay, and the executive's human capital.

Difficulty: Moderate

Chapter: 11

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

92) Most organizations use a market-pricing approach when determining compensation for professional employees such as engineers and scientists.

Answer: TRUE

Explanation: Most employers use a market-pricing approach when compensating professional employees. They price professional jobs in the marketplace as best they can, to establish the values for benchmark jobs. Then they slot these benchmark jobs and their other professional jobs into a salary structure.

Difficulty: Moderate

Chapter: 11

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

93) In a brief essay, discuss the purpose of job evaluations. Discuss the similarities and differences between job evaluations conducted for managerial positions and lower level positions at a firm.

Answer: Job evaluation aims to determine a job's relative worth. The job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another. Job evaluation eventually results in a wage or salary structure or hierarchy (this shows the pay rate for various jobs or groups of jobs). The basic principle of job evaluation is this: Jobs that require greater qualifications, more responsibilities, and more complex job duties should receive more pay than jobs with lesser requirements. Many employers use job evaluation for pricing managerial jobs in most large firms. The basic approach is to classify all executive and management positions into a series of grades, each with a salary range. As with non-managerial jobs, one alternative is to rank the executive and management positions in relation to each other, grouping those of equal value. However, firms also use the job classification and point evaluation methods, with compensable factors like position scope, complexity, and difficulty. Job analysis, salary surveys, and the fine-tuning of salary levels around wage curves also play roles.

Difficulty: Hard

Chapter: 11

Objective: 2, 4

AACSB: Analytical Thinking

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

94) What are the primary factors involved in determining compensation for a firm's CEO? What reasons best explain compensation reductions for top executives in recent years?

Answer: For a CEO position, job evaluation typically has little relevance. One recent study concluded that three main factors: job complexity (span of control, the number of functional divisions over which the executive has direct responsibility, and management level), the employer's ability to pay (total profit and rate of return), and the executive's human capital (educational level, field of study, work experience) accounted for about two-thirds of executive compensation variance. There are various reasons why boards are clamping down on executive pay. The Dodd-Frank law of 2010 requires American companies give shareholders a "say on pay." Law firms are filing class-action suits demanding information from companies about their senior executives' pay decisions. As of 2007, the Securities and Exchange Commission (SEC) required filing more compensation-related information, including a detailed listing of all individual "perks" or benefits if they total more than \$100,000. As of 2005, the Financial Accounting Standards Board required that most public companies recognize as an expense the fair value of the stock options they grant. The Sarbanes-Oxley Act makes executives personally liable, under certain conditions, for corporate financial oversight lapses.

Difficulty: Hard

Chapter: 11

Objective: 4, 5

AACSB: Analytical Thinking

Learning Outcome: 11.4 Explain how to price managerial and professional jobs.

95) A company using competency-based pay compensates employees for all of the following EXCEPT _____.

A) behaviors

B) job title

C) knowledge

D) skills

Answer: B

Explanation: B) Competency-based pay occurs when a firm pays wages based on an employee's knowledge, skills, behaviors, and abilities rather than for the job title that he or she holds.

Difficulty: Easy

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

96) Homelife, a national chain of high-end furniture stores, employs nearly 800 workers. In the past few years, the company's market share has dropped significantly, and employee turnover has increased. Upper management is considering the implementation of a new compensation policy in its efforts to turn the company around. Historically, the company has paid all employees similarly with some variation for seniority but no distinction between high and low performers.

Which of the following, if true, best supports the decision by Homelife executives to implement competency-based pay?

- A) Homelife will be using the comparable worth method of determining pay to avoid legal problems.
- B) Most Homelife managers are men, but executives hope to increase the number of minority women working for the company.
- C) Homelife plans to organize employees into teams, provide regular training, and frequently assess workers' skills and knowledge.
- D) In an effort to save money, Homelife will be reducing the employee training budget over the next three years.

Answer: C

Explanation: C) When used in conjunction with team-building and worker involvement programs, competency-based pay appears to lead to higher quality and lower absenteeism. Comparable worth and minority hiring are irrelevant to competency-based pay.

Difficulty: Hard

Chapter: 11

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

97) _____ means collapsing salary grades and ranges into just a few wide levels, each of which contains a relatively wide range of jobs and salary levels.

- A) Comparable worth
- B) Job evaluation
- C) Broadbanding
- D) Job grading

Answer: C

Explanation: C) Broadbanding means collapsing salary grades into just a few wide levels or bands, each of which contains a relatively wide range of jobs and pay levels. A company may create broadbands for all its jobs or for specific groups such as managers or professionals.

Difficulty: Easy

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

98) Which of the following terms refers to the requirement to pay men and women equal wages for jobs of roughly equivalent value to the employer?

- A) strategic compensation
- B) comparable worth
- C) broadbanding
- D) job grading

Answer: B

Explanation: B) Comparable worth refers to the requirement to pay men and women equal wages for jobs that are of comparable (rather than strictly equal) value to the employer.

Comparable worth may involve comparing quite dissimilar jobs.

Difficulty: Easy

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

99) Which of the following job evaluation methods is associated with almost every comparable worth lawsuit?

- A) job classification method
- B) job grading method
- C) ranking method
- D) point method

Answer: D

Explanation: D) Virtually every comparable worth case that reached a court involved the use of the point method of job evaluation. By assigning points to dissimilar jobs, point plans facilitate comparability ratings among different jobs.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

100) According to many experts, which of the following would most likely reduce the wage gap between men and women?

- A) education
- B) union intervention
- C) federal legislation
- D) competency-based pay

Answer: A

Explanation: A) Education may reduce the wage gap. Studies suggest that schooling's impact on earnings is greater for females than for males, other things equal. This may be because education reduces the male–female earnings gap attributable to female discrimination.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

101) Which of the following is LEAST likely a benefit of using competency based pay?

- A) supporting a firm's talent management process
- B) developing an efficient and legally defensible wage curve
- C) aiding in the implementation of a high-performance work system
- D) encouraging the development of skills needed for a firm's strategic goals

Answer: B

Explanation: B) First, paying for competencies enables companies to encourage employees to develop the competencies the companies require to achieve their strategic aims. Second, paying for measurable competencies provides a focus for the employer's talent management process. Third, traditional pay plans can backfire if a high-performance work system is your goal.

Difficulty: Hard

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

102) Advocates of competency-based pay assert that the system encourages employees to develop the knowledge, skills, and behaviors a firm needs to achieve its strategic goals.

Answer: TRUE

Explanation: Experts assert that paying for competencies enables companies to encourage employees to develop the competencies the companies require to achieve their strategic aims.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

103) The primary advantage of broadbanding is that it provides greater flexibility into employee assignments.

Answer: TRUE

Explanation: Companies create broadbands for several reasons. The basic advantage is that it injects greater flexibility into employee assignments. It is especially sensible where firms organize into self-managing teams.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

104) In the broadest sense, comparable worth may mean comparing jobs that are very dissimilar such as nursing to fire fighting.

Answer: TRUE

Explanation: Comparable worth refers to the requirement to pay men and women equal wages for jobs that are of comparable (rather than strictly equal) value to the employer. Thus, comparable worth may mean comparing quite dissimilar jobs, such as nurses to truck mechanics or secretaries to technicians.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

105) A key issue in comparable worth is whether women should be paid equal wages for jobs that are truly equal to men's or just comparable to men's jobs.

Answer: TRUE

Explanation: The question "comparable worth" seeks to address is this: Should you pay women who are performing jobs equal to men's or just comparable to men's the same as men? If it's only for equal jobs, then the tendency may be to limit women's pay to that of the other, lower-paid jobs in which women tend to predominate.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

106) Due to federal legislation, greater opportunities for higher learning, and more women in the workforce, women in the U.S. earn approximately 90% as much as men.

Answer: FALSE

Explanation: Women in the United States earn only about 80% as much as men despite more opportunities for education and an increase of working women.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

107) Competency-based pay systems offer employers more flexibility but are less efficient than traditional job evaluation methods.

Answer: TRUE

Explanation: Job evaluation is more efficient than competency-based pay systems. However, competency-based pay offers firms more flexibility because workers are compensated for their skills and knowledge rather than a specific job title.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

108) In a brief essay, compare and contrast the use of pay ranges with broadbanding.

Answer: There are several reasons to use pay ranges for each pay grade. First, it lets the employer take a more flexible stance in the labor market. For example, it makes it easier to attract experienced, higher-paid employees into a pay grade at the top of the range, since the starting salary for the pay grade's lowest step may be too low to attract them. Pay ranges also let companies provide for performance differences between employees within the same grade or between those with different seniorities. Companies create broadbands for several reasons. The basic advantage is that it injects greater flexibility into employee assignments. It is especially sensible where firms organize into self-managing teams. However, broadbanding can be unsettling, particularly for new employees. "There's a sense of permanence in the set of job responsibilities often attached to job titles," one manager says. That sense of permanence isn't nearly as clear when employees move frequently from project to project and job to job.

Difficulty: Hard

Chapter: 11

Objective: 3, 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

109) What are the key differences between competency-based pay and traditional job-based pay? Which method would you prefer if you were an employee? Why?

Answer: With job-based pay (JBP), the employee receives the pay attached to the job regardless of whether the employee has the necessary competency for performing the job. With competency-based pay (CBP), the supervisor certifies employee competency prior to any pay increases. With JBP, pay changes when one switches jobs. With CBP, one must demonstrate proficiency prior to getting a raise. Also, one could do a lower-paying job but still receive a higher pay based on skill. JBP systems may tie pay to grade or seniority. CBP pays for competencies, not seniority. There is more advancement possible with CBP plans than with JBP. CBP enhances organizational flexibility because workers' skills are applicable to more jobs, and therefore more portable.

Difficulty: Hard

Chapter: 11

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.

110) What are the five main elements of a competency-based pay plan?

Answer: Most competency-based pay plans contain five elements. The employer defines specific required skills and chooses a method for basing the person's pay on his or her skills. A training system lets employees acquire skills. There is a formal competency testing system. And, the work is designed so that employees can easily move among jobs of varying skill levels.

Difficulty: Moderate

Chapter: 11

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 11.5 Explain the difference between competency-based and traditional pay plans.