

Human Resource Management, 15e (Dessler)
Chapter 13 Benefits and Services

1) The indirect financial and nonfinancial payments employees receive for continuing their employment with a company are called _____.

- A) compensation
- B) salary
- C) benefits
- D) remuneration

Answer: C

Explanation: C) Benefits—indirect financial and nonfinancial payments employees receive for continuing their employment with the company—are an important part of just about everyone's compensation. They include things like health and life insurance, pensions, time off with pay, and child-care assistance.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

2) Nonfinancial payments like health and life insurance, pensions, time off with pay, and child care facilities are examples of _____.

- A) competency-based incentives
- B) variable pay
- C) benefits
- D) bonuses

Answer: C

Explanation: C) Benefits are indirect financial and nonfinancial payments employees receive for continuing their employment with the company. They include things like health and life insurance, pensions, time off with pay, and child-care assistance.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

3) Which of the following benefits is required by federal or state law?

- A) unemployment insurance
- B) disability insurance
- C) health insurance
- D) pensions

Answer: A

Explanation: A) Federal law requires that employers provide unemployment insurance, but disability insurance, health insurance, and pensions are optional for employers.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

4) All of the following benefits are required by federal or state law EXCEPT _____.

- A) workers' compensation
- B) unemployment insurance
- C) disability insurance
- D) maternity leave

Answer: C

Explanation: C) Workers' compensation and unemployment insurance are required by federal and/or state laws. Maternity leave is covered under the Family Medical Leave Act. Disability insurance is not required.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

5) Which of the following terms refers to benefits for time not worked, such as unemployment insurance, vacation and holiday pay, and sick pay?

- A) supplemental pay benefits
- B) employee assistance
- C) financial incentives
- D) premium benefits

Answer: A

Explanation: A) Pay for time not worked—also called supplemental pay benefits—is the most costly benefit. Common time-off-with-pay periods include holidays, vacations, jury duty, funeral leave, military duty, personal days, sick leave, sabbatical leave, maternity leave, and unemployment insurance payments for laid-off or terminated employees.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

6) Keith works as a construction foreman, and he is viewed as a reliable, competent employee. Keith was recently injured in a car accident while on vacation, and his injuries are so severe that he will not be able to return to work. Which of the following would most likely provide Keith with benefits?

- A) group life insurance
- B) unemployment insurance
- C) workers' compensation insurance
- D) supplemental unemployment benefits

Answer: B

Explanation: B) Unemployment insurance provides benefits if a person is unable to work through no fault of his or her own. Workers' compensation is for on-the-job injuries, and supplemental unemployment benefits provide a guaranteed annual income when certain industries are forced to shut down temporarily. Keith did not die, so group life insurance would provide no benefits.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

7) Which of the following provides pay to an employee when he or she is temporarily out of work because of illness?

- A) sick leave
- B) severance pay
- C) supplemental pay
- D) workers' compensation

Answer: A

Explanation: A) Sick leave provides pay to employees when they're out of work due to illness. Most sick leave policies grant full pay for a specified number of sick days—usually up to about 12 per year.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

8) What is the maximum number of weeks of unpaid leave that an employee may take under the Family and Medical Leave Act?

- A) six
- B) ten
- C) twelve
- D) sixteen

Answer: C

Explanation: C) Private employers of 50 or more employees must provide eligible employees (women or men) up to 12 weeks of unpaid leave for their own serious illness, the birth or adoption of a child, or the care of a seriously ill child, spouse, or parent.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

9) All of the following are true statements regarding the application of the Family and Medical Leave Act EXCEPT _____.

- A) employers must receive advance notice and medical certification from the employee
- B) eligible employees must have worked for the employer for at least one year
- C) employees must be employed at job sites with at least 50 employees
- D) up to 12 weeks must be granted in a 12-month period

Answer: A

Explanation: A) Employers may require employees to provide advance notice and medical certification, but this is not a requirement. Employees are eligible for up to 12 weeks of leave if they have worked for the employer for at least 1 year and if the employer has at least 50 workers on site.

Difficulty: Hard

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

10) To be eligible for leave under the Family and Medical Leave Act, an employee must have worked _____ hours during the past twelve consecutive months.

- A) 850
- B) 1000
- C) 1250
- D) 1600

Answer: C

Explanation: C) Employees are eligible if they have worked for the employer for at least 1 year and for 1,250 hours over the last 12 months.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

11) Eric has worked full-time for a large manufacturing company for over three years. Eric and his wife have recently adopted a baby, and Eric wants to take time off from work to care for the child. Which of the following laws most likely applies to Eric's situation?

- A) Pregnancy Discrimination Act
- B) Family and Medical Leave Act
- C) Title VII of the Civil Rights Act
- D) Health Insurance Portability and Accountability Act

Answer: B

Explanation: B) Private employers of 50 or more employees must provide eligible employees (women or men) up to 12 weeks of unpaid leave for their own serious illness, the birth or adoption of a child, or the care of a seriously ill child, spouse, or parent.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

12) The Family and Medical Leave Act _____.

- A) provides guidelines regarding what rates of return employers should use in computing their pension plan values
- B) ensures that an employer must grant an employee up to 12 weeks of leave in a 12-month period for the birth or care of a newborn child, placement of a child for adoption, to care for a spouse, child, or parent with a serious health condition, or to care for the employee's own serious health condition
- C) prohibits an employer's health plan from using incentives to encourage employees to leave the hospital after childbirth after less than the legislatively-determined minimum stay
- D) sets minimum requirements for protecting individuals' health-care data accessibility and confidentiality

Answer: B

Explanation: B) The FMLA of 1993 ensures that an employer must grant an employee up to 12 weeks of leave in a 12-month period for the birth or care of a newborn child, placement of a child for adoption, to care for a spouse, child, or parent with a serious health condition, or to care for the employee's own serious health condition.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

13) Which of the following is NOT an employer cost associated with granting leave to employees under the Family and Medical Leave Act?

- A) paying temporary workers
- B) recruiting replacement workers
- C) paying employee for time not worked
- D) compensating for lower productivity of new workers

Answer: C

Explanation: C) FMLA leaves are usually unpaid, but they're not costless. The costs associated with hiring temporary replacements, training them, and compensating for their lower productivity can be considerable.

Difficulty: Hard

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

14) Rita was terminated from her position as an accounts manager with Carson Financial, Inc. On her last day at work, Rita received a check for \$3,500. Which of the following did Rita most likely receive from Carson Financial?

- A) merit pay
- B) annual bonus
- C) severance pay
- D) performance pay

Answer: C

Explanation: C) Many employers provide severance pay, a one-time separation payment when terminating an employee. Severance pay is a humanitarian gesture, and it reduces the chances of litigation from disgruntled former employees.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

15) All of the following are typical reasons that employers provide severance pay when downsizing EXCEPT _____.

- A) reducing litigation chances
- B) ensuring good public relations
- C) reassuring remaining employees
- D) adhering to government requirements

Answer: D

Explanation: D) Employers are not required to provide severance pay. It is a humanitarian gesture and good public relations. It also reduces the chances of litigation from disgruntled former employees and helps reassure employees who stay on after the employer downsizes its workforce.

Difficulty: Hard

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

16) Elizabeth works at an auto manufacturing firm that recently shut down for five weeks to change machinery. However, during the shutdown, Elizabeth was able to maintain her standard of living because of the firm's _____.

- A) supplemental unemployment benefits
- B) workers' compensation insurance
- C) disability insurance
- D) severance pay

Answer: A

Explanation: A) Supplemental unemployment benefits are cash payments that supplement the employee's unemployment compensation, to help the person maintain his or her standard of living while out of work. They generally cover three contingencies: layoffs, reduced workweeks, and facility relocations.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Application of Knowledge

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

17) Which of the following requires employers to treat women affected by pregnancy, childbirth, or related medical conditions the same as any employee not able to work, with respect to all benefits?

- A) Family and Medical Leave Act
- B) Pregnancy Discrimination Act
- C) Comprehensive Omnibus Budget Reconciliation Act
- D) Health Insurance Portability and Accountability Act

Answer: B

Explanation: B) The Pregnancy Discrimination Act requires employers to treat women affected by pregnancy, childbirth, or related medical conditions the same as any other employees not able to work, with respect to all benefits. The FMLA allows employees to take medical leave for the birth of a child.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

18) Benefits are an important aspect of employee compensation, and they involve the direct financial payments employees receive for remaining with an employer.

Answer: FALSE

Explanation: Benefits are indirect financial and nonfinancial payments employees receive for continuing their employment with the company. Direct financial payments are salaries and bonuses.

Difficulty: Easy

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

19) Health care costs have dropped significantly in recent years due to government intervention and the increased use of HMOs.

Answer: FALSE

Explanation: Health care costs are rising, not dropping. Since 2012, health care premiums have risen about 4%, to a total of \$15,745 for family coverage and may rise more under the new Patient Protection Affordable Care Act.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

20) Employee benefits account for a little over one-third of wages and salaries.

Answer: TRUE

Explanation: Employee benefits account for approximately 37% of wages and salaries (or about 28% of total payrolls).

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

21) Legally required benefits, such as unemployment insurance, are more costly to employers than health insurance.

Answer: TRUE

Explanation: Legally required benefits (like unemployment insurance) are the most expensive benefits costs, followed by health insurance.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

22) Supplemental pay benefits can provide employees with time-off-with-pay for jury duty, vacations, funerals, and military responsibilities.

Answer: TRUE

Explanation: Pay for time not worked—also called supplemental pay benefits—is the most costly benefit, because of the large amount of time off that most employees receive. Common time-off-with-pay periods include holidays, vacations, jury duty, funeral leave, military duty, personal days, sick leave, sabbatical leave, and maternity leave.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

23) Most employees in America receive fourteen days of leave after working for a company for one year.

Answer: FALSE

Explanation: On average, American workers get 9 days of leave after 1 year's employment.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

24) Documenting employee absences, conducting exit interviews, and requiring written approval for personal leave are employer methods for controlling unemployment insurance costs.

Answer: TRUE

Explanation: Employers spend thousands of dollars on unemployment taxes, which would not be necessary if they protected themselves with extensive documentation. Employers can control unemployment insurance costs by recording employees' absences, requiring advance written approval for personal leave, and conducting exit interviews to produce information for protesting unemployment claims.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

25) Federal law requires private sector employers to grant a minimum amount of paid vacation leave.

Answer: FALSE

Explanation: It is up to the discretion of private firms to decide how many leave days to offer employees, if any.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

26) Pooled paid leave plans combine sick leave, vacation, and personal days into a single leave pool and have been blamed for increasing employee absenteeism.

Answer: FALSE

Explanation: Pooled plans lump together sick leave, vacation, and personal days, and they have been shown to reduce employee absences.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

27) The stipulations of the Family and Medical Leave Act apply to private employers of 50 or more employees.

Answer: TRUE

Explanation: Private employers of 50 or more employees must provide eligible employees (women or men) up to 12 weeks of unpaid leave for their own serious illness, the birth or adoption of a child, or the care of a seriously ill child, spouse, or parent.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

28) Since leaves associated with the Family and Medical Leave Act do not require employers to pay salaries, employers are not financially affected.

Answer: FALSE

Explanation: FMLA leaves are usually unpaid, but they're not costless. The costs associated with hiring temporary replacements, training them, and compensating for their lower productivity can be considerable.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

29) What benefits are required by federal or state laws? What benefits are discretionary on the part of employers? Describe the basic nature of several of these benefits.

Answer: Benefits required by law include Social Security, unemployment insurance, workers' compensation, and leaves under the FMLA. Discretionary benefits include disability, health, and life insurance, pension plans, executive perks, paid time off, employee assistance programs, and family-friendly benefits.

Difficulty: Moderate

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

30) What is sick leave? Why is sick leave problematic for many employers? Discuss some ways organizations can reduce sick leave related costs.

Answer: Sick leave provides pay to employees when they are out of work due to illness. Most sick leave policies grant full pay for a set number of sick days and the sick days accumulate over time. The problem with sick leave is that many employees use sick leave for reasons other than illness. Some use the days as vacation or to take care of family issues, personal needs, and stress. Such absenteeism costs U.S. employers perhaps \$100 billion per year, with personal illness accounting for about a third of the absences.

Employers use several tactics to reduce excessive sick leave absence. Some repurchase unused sick leave at the end of the year by paying their employees a sum for each unused sick day. The problem is that legitimately sick employees may come to work. Others hold monthly lotteries in which only employees with perfect monthly attendance are eligible for a cash prize. At Marriott, employees can trade the value of some sick days for other benefits. Others aggressively investigate all absences, calling absent employees at home. Many employers use pooled paid leave plans (or "banks"). These plans lump together sick leave, vacation, and personal days into a single leave pool.

Difficulty: Hard

Chapter: 13

Objective: 1

AACSB: Analytical Thinking

Learning Outcome: 13.1 Name and define each of the main pay-for-time-not-worked benefits.

31) Who contributes funds for workers' compensation benefits?

- A) state governments
- B) federal government
- C) insurance providers
- D) employers

Answer: D

Explanation: D) Employers must carry workers' compensation insurance, which is the source of workers' compensation benefits. State governments, federal governments, and insurance providers do not contribute to workers' compensation funds.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

32) Which of the following provides income and medical benefits to employment-related accident victims or their dependents?

- A) severance pay
- B) family and medical leave
- C) workers' compensation
- D) health insurance benefits

Answer: C

Explanation: C) Workers' compensation laws aim to provide sure, prompt income and medical benefits to work-related accident victims or their dependents, regardless of fault.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

33) Employers must provide employees who have work-related injuries with all of the following EXCEPT _____.

- A) cash benefits
- B) medical services
- C) hospital services
- D) time off with full pay

Answer: D

Explanation: D) Employers must provide cash benefits and medical, surgical, and hospital services. Time off with pay is not an aspect of workers' compensation claims.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

34) Which of the following conditions must be met for an injured employee to earn workers' compensation from the employer?

- A) The employee was injured while on the job.
- B) The employee suffered the injury through no fault of his or her own.
- C) The employee worked full-time for the employer for a minimum of 12 months.
- D) The employee received adequate job training to understand the position's requirements.

Answer: A

Explanation: A) For workers' compensation to cover an injury or work-related illness, one must only prove that it arose while the worker was on the job. It does not matter that he or she may have been at fault; if the person was on the job when the injury occurred, he or she is entitled to workers' compensation.

Difficulty: Hard

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

35) Which of the following is a popular workers' compensation cost-control measure that involves coordinating the medical care and health insurance coverage for each injured employee?

- A) nurse management
- B) case management
- C) health maintenance
- D) medical rehabilitation

Answer: B

Explanation: B) Case management is a popular cost-control option. It is "the treatment of injured workers on a case-by-case basis by an assigned manager, usually a registered nurse, who coordinates with the physician and health plan to determine which care settings are the most effective for quality care and cost."

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

36) Which health benefit is offered by almost all employers?

- A) vision insurance
- B) chiropractic insurance
- C) prescription drug coverage
- D) health maintenance organization

Answer: C

Explanation: C) Prescription drug coverage is offered by 98% of employers.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

37) Which of the following is a prepaid health care system that provides medical services for employees who pay a nominal fee?

- A) PPO
- B) HMO
- C) DMO
- D) ESOP

Answer: B

Explanation: B) Many employers offer membership in a health maintenance organization (HMO) as a hospital/medical insurance option. It provides routine medical services to employees who pay a nominal fee. PPOs require higher fees due to having more provider options.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

38) _____ are groups of health care providers that contract with employers, insurance companies, or third-party payers to provide medical care services at a reduced fee.

- A) PPOs
- B) HMOs
- C) DMOs
- D) ADDs

Answer: A

Explanation: A) Preferred provider organizations (PPOs) are a cross between HMOs and the traditional doctor-patient arrangement: They are "groups of health care providers that contract with employers, insurance companies, or third-party payers to provide medical care services at a reduced fee."

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

39) The primary difference between health maintenance organizations and preferred provider organizations is that _____.

- A) PPOs are less costly than HMOs
- B) HMOs are more flexible than PPOs
- C) HMOs offer mental health services while PPOs do not
- D) PPOs allow patients to choose from a list of doctors without referrals

Answer: D

Explanation: D) Unlike HMOs, PPOs let employees select providers (such as doctors) from a relatively wide list, and see them in their offices, often without gatekeeper doctor approval. The providers agree to provide discounts and submit to certain utilization controls, such as on the number of diagnostic tests they can order.

Difficulty: Hard

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

40) All of the following are the most likely reasons that mental health costs are rising EXCEPT _____.

- A) widespread drug and alcohol problems
- B) more mental health referrals by specialists
- C) mental health claims triggering health care claims
- D) laws requiring employers to offer mental health benefits

Answer: B

Explanation: B) Mental health costs are rising. Reasons include widespread drug and alcohol problems, an increase in states that require employers to offer minimum mental health benefits, and the fact that mental health claims tend to trigger other health care claims.

Difficulty: Hard

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

41) Which of the following sets minimum mental health care benefits?

- A) Civil Rights Act
- B) Employee Mental Health Act
- C) Americans with Disabilities Act
- D) Mental Health Parity Act

Answer: D

Explanation: D) The Mental Health Parity Act of 1996 (as amended in 2008) sets minimum mental health care benefits; it also prohibits employer group health plans from adopting mental health benefits limitations without comparable limitations on medical and surgical benefits.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

42) Which of the following requires that most private employers continue to make health benefits available to terminated or retired employees and their families for a period of time?

- A) FMLA
- B) COBRA
- C) OSHA
- D) ADA

Answer: B

Explanation: B) COBRA—Consolidated Omnibus Budget Reconciliation Act—requires most private employers to continue to make health benefits available to separated employees and their families for a time, generally 18 months after separation. The former employee must pay for the coverage.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

43) The Consolidated Omnibus Budget Reconciliation Act _____.

- A) prohibits an employer's health plan from using incentives to encourage employees to leave the hospital after childbirth after less than the legislatively-determined minimum stay
- B) limits the ability of health plans to set annual or lifetime maximums on mental and nervous disorder benefits
- C) requires that most private employers continue to make health benefits available to terminated or retired employees and their families for a period of time
- D) sets minimum requirements for protecting individuals' health-care data accessibility and confidentiality

Answer: C

Explanation: C) COBRA—Consolidated Omnibus Budget Reconciliation Act—requires most private employers to continue to make health benefits available to separated employees and their families for a time, generally 18 months after separation. The former employee must pay for the coverage.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

44) COBRA requires most private employers to continue to make health benefits available to terminated or retired employees and their families for a period of time, generally _____ months.

- A) 6
- B) 12
- C) 18
- D) 24

Answer: C

Explanation: C) COBRA—Consolidated Omnibus Budget Reconciliation Act—requires most private employers to continue to make health benefits available to separated employees and their families for a time, generally 18 months after separation.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

45) Which of the following is NOT a true statement about the Protection and Affordable Care Act of 2010?

- A) Employers must offer health insurance coverage to employees who work at least 30 hours per week.
- B) Employers will be required to pay a 20% excise tax on high-cost health insurance plans.
- C) Contributions to health care flexible spending accounts have been capped at \$2,500.
- D) Health plans with dependent coverage must expand eligibility up to age 26.

Answer: B

Explanation: B) In 2018, a 40% excise tax on high cost health insurance plans goes into effect. Employers must offer coverage to employees including those working at least 30 hours per week, contributions to health care flexible spending arrangements will be limited to \$2500 as of January 1, 2013, and individual and group health plans that already provide dependent coverage must expand eligibility up to age 26.

Difficulty: Hard

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

46) Which of the following represents the largest proportion of all reported disabilities?

- A) respiratory diseases
- B) cardiovascular diseases
- C) mental illness
- D) cancer

Answer: C

Explanation: C) The World Health Organization estimates that more than 34 million people in the United States between the ages of 18 and 64 suffer from mental illness. Mental illnesses represent about 24% of all reported disabilities, more than disabling injuries, respiratory diseases, cardiovascular diseases, and cancer combined.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

47) Which of the following best describes the purpose of the Newborn Mother's Protection Act?

- A) guarantee pension plans and health insurance coverage for female employees who have recently given birth
- B) prohibit employer health plans from using incentives to encourage employees to leave the hospital after childbirth sooner than legally required
- C) prevent employers from discriminating against women affected by pregnancy or childbirth in respect to benefits coverage
- D) set minimum requirements for accessing the health records of female employees

Answer: B

Explanation: B) The Newborn Mother's Protection Act of 1996 prohibits employers' health plans from using incentives to encourage employees to leave the hospital after childbirth after less than the legislatively determined minimum stay.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

48) All of the following are preventive services offered by employers as part of their wellness programs EXCEPT _____.

- A) anti-smoking incentives
- B) low-cost immunizations
- C) case management services
- D) stress management

Answer: C

Explanation: C) Case management is a method used by employers to save money in workers' compensation claims.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

49) In which of the following can employers and employees deposit pretax wages to pay for non-catastrophic medical expenses?

- A) health maintenance organizations
- B) health benefits funds
- C) health savings accounts
- D) deferred savings plans

Answer: C

Explanation: C) The Medicare Modernization Act of 2003 allows employers to establish tax-free health savings accounts (HSA). After the employer, employee, or both deposit pretax (and thus tax sheltered) pay in the employees' HSAs, employees or their families can use their HSA funds to pay for "low dollar" (not catastrophic) medical expenses.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

50) All of the following are health care cost-control methods used by employers EXCEPT _____.

- A) requiring employees to pay high premiums
- B) benefits purchasing alliances
- C) requiring disability insurance
- D) encouraging medical tourism

Answer: C

Explanation: C) Requiring disability insurance is not a common health care cost-control method.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

51) Which of the following provides lower rates for the employer or employee and includes all employees regardless of health or physical condition?

- A) workers' compensation insurance
- B) group life insurance
- C) disability insurance
- D) pension plans

Answer: B

Explanation: B) In addition to hospitalization and medical benefits, most employers provide group life insurance plans. Employees can usually obtain lower rates in a group plan. And group plans usually accept all employees—including new, nonprobationary ones—regardless of health or physical condition.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

52) About how many million people work part-time in the United States?

- A) 1
- B) 5
- C) 11
- D) 19

Answer: D

Explanation: D) About 19 million people work part-time in the United States.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

53) In addition to the funds contributed by employers, each state also contributes to funds for workers' compensation.

Answer: FALSE

Explanation: Every state has its own workers' compensation law and commission, and some run their own insurance programs. However, most require employers to carry workers' compensation insurance with private, state-approved insurance companies. Neither the state nor the federal government contributes any funds for workers' compensation.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

54) In most states, workers' compensation benefits have no time limit, so injured employees may receive monetary and medical compensation for the duration of their employment.

Answer: FALSE

Explanation: Most states have a time limit—such as 500 weeks—for which benefits can be paid.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

55) If an employee is injured at work due to a blatant disregard for company safety policies, the company is not required to pay workers' compensation.

Answer: FALSE

Explanation: For workers' compensation to cover an injury or work-related illness, one must only prove that it arose while the worker was on the job. It does not matter that he or she may have been at fault.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

56) Employers are prohibited from inquiring about an applicant's past workers' compensation history by the Americans with Disabilities Act.

Answer: TRUE

Explanation: ADA provisions generally prohibit employers from inquiring about an applicant's workers' compensation history.

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

57) Disability insurance provides income protection for salary loss due to illness or accident.

Answer: TRUE

Explanation: Disability insurance provides income protection for salary loss due to illness or accident. Benefits usually range from 50% to 75% of the employee's base pay if he or she is disabled.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

58) The Consolidated Omnibus Budget Reconciliation Act requires the government to provide health insurance to terminated or retired employees and their families through the Medicare system.

Answer: FALSE

Explanation: The Consolidated Omnibus Budget Reconciliation Act requires most private employers to continue to make health benefits available to separated employees and their families for a time, generally 18 months after separation. The former employee must pay for the coverage.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

59) The Medicare Modernization Act allows employers to establish tax-free health savings accounts.

Answer: TRUE

Explanation: The Medicare Modernization Act of 2003 allows employers to establish tax-free health savings accounts (HSA). The assumption is that this will motivate employees to utilize less expensive health care options, and thus avoid big deductibles.

Difficulty: Easy

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

60) What policy issues must employers address when developing benefit plans? What federal laws influence employers' pension and health plans?

Answer: In developing benefit plans, employers must address numerous policy issues including 1) what benefits to offer; 2) who receives coverage; 3) whether to include retirees in the plan; 4) whether to deny benefits to employees during the initial "probationary" periods; 5) how to finance benefits; 6) the degree of employee choice in determining benefits; 7) cost-containment procedures; and 8) how to communicate benefits options to employees. COBRA, ERISA, FMLA, HIPAA, and the ADA have significant impacts on employers' pension and health plans.

Difficulty: Hard

Chapter: 13

Objective: 1, 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

61) As an HR manager, you need to control costs associated with unemployment insurance. What are steps you can take to protect your employer from paying unemployment claims for employees who were dismissed for inadequate performance?

Answer:

- Keep a documented history of lateness, absence, and warning notices
- Warn chronically late employees before discharging them
- Have a policy that three days' absence without calling is reason for automatic discharge
- Request a doctor's note on return to work after absence
- Make written approval for personal leave mandatory
- Stipulate date for return to work from leave
- Obtain a signed resignation statement
- Mail job abandonment letters if an employee fails to return on time following a leave
- Document all instances of poor performance
- Require supervisors to document the steps taken to remedy the situation
- File the protest against a former employee's unemployment claim on time
- Use proper terminology on claim form and attach documented evidence regarding separation
- Attend hearings and appeal unwarranted claim
- Check every claim against the individual's personnel file
- Routinely conduct exit interviews to produce information for protesting unemployment claims

Difficulty: Moderate

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

62) Private employers forced to downsize are required to provide COBRA coverage, and some firms offer dismissed employees severance pay. How do employers benefit from providing severance pay to dismissed employees? How do employees benefit from COBRA?

Answer: Severance pay is a one-time payment offered when terminating an employee. There are several reasons for a firm to offer severance pay. It shows good will to the employee. It is good public relations. It is fair since most employees expect to receive notice in advance of an employee leaving to offer the same sort of notice to the employee. It can protect the company from litigation from disgruntled former employees. COBRA, Consolidated Omnibus Budget Reconciliation Act, requires most private employers to continue to make health benefits available to separated employees and their families for a time, generally 18 months after separation. Although the former employee must pay for the coverage, it enables coverage to continue without interruption until the individual finds a new job or purchases his or her own health insurance policy.

Difficulty: Hard

Chapter: 13

Objective: 1, 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

63) Because health care coverage is one of the most expensive benefits employers provide, many employers are trying to cut costs. What are some strategies for minimizing costs associated with employee health care?

Answer: Employers are endeavoring to rein in health-care costs. Most cost-control efforts should start by instituting methods for measuring and auditing health-care costs. One survey found that although the industry standard for percentage of claims errors is 3%, the actual percentage of claims with errors was about 6.3%. Several possible strategies include wellness programs, on-site primary care, retaining cost containment specialists, offering health savings accounts, high deductible plans, defined contribution health insurance plans, and accountable care organizations (ACO).

Difficulty: Hard

Chapter: 13

Objective: 2

AACSB: Analytical Thinking

Learning Outcome: 13.2 Describe each of the main insurance benefits.

64) For individuals born in 1960 or later, the full retirement age for non-discounted Social Security benefits is _____.

A) 62

B) 65

C) 67

D) 70

Answer: C

Explanation: C) "Full retirement age" for non-discounted Social Security benefits traditionally was 65—the usual age for retirement. It is now 67 for those born in 1960 or later.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

65) Social Security offers all of the following EXCEPT _____.

A) survivor's benefits for those insured under the Social Security Act

B) disability payments to employees who become totally disabled

C) tax refunds for retirees who are 55 and older

D) Medicare program administration

Answer: C

Explanation: C) Survivor's benefits provide monthly payments to your dependents regardless of your age at death, again assuming you are insured under the Social Security Act. There are also disability payments to employees who become disabled totally if they meet certain requirements. The Social Security system also administers the Medicare program, but tax refunds are not part of the Social Security system.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

66) How is the Social Security program funded?

- A) sale of government bonds
- B) tax on employee wages
- C) tax on homeowners
- D) tax on luxury goods

Answer: B

Explanation: B) A tax on the employee's wages, shared equally by employees and employers, funds Social Security. As of 2014, the maximum amount of earnings subject to Social Security tax was \$117,000.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

67) Which of the following provides a fixed sum when employees reach a predetermined retirement age or can no longer work due to disability?

- A) workers' compensation
- B) Social Security
- C) pension plan
- D) group life insurance

Answer: C

Explanation: C) Pension plans are financial programs that provide income to individuals in their retirement. Pension plans provide a fixed sum when employees reach a predetermined retirement age or when they can no longer work due to disability.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

68) Taxes on employee wages to fund Social Security apply to all earnings up to _____.

- A) \$46,500
- B) \$63,700
- C) \$117,000
- D) \$124,300

Answer: C

Explanation: C) As of 2014, the maximum amount of earnings subject to Social Security tax was \$117,000. Employers and employees each pay 7.6%.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

69) Medicare provides a wide range of health services to people _____ or over.

- A) 55
- B) 60
- C) 65
- D) 70

Answer: C

Explanation: C) The Social Security system also administers the Medicare program, which provides health services to people age 65 or older.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

70) When an employer makes all of the contributions to the pension plan, the pension plan is classified as _____.

- A) qualified
- B) non-qualified
- C) defined contribution
- D) non-contributory

Answer: D

Explanation: D) Pension plans are classified in three ways: contributory versus non-contributory plans, qualified versus non-qualified plans, and defined contribution versus defined benefit plans. The employee contributes to the contributory pension plan, while the employer makes all contributions to non-contributory plans.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

71) A plan that contains a formula for determining retirement benefits is known as a _____.

- A) defined contribution pension plan
- B) defined benefit pension plan
- C) cash balance plan
- D) 401(k) plan

Answer: B

Explanation: B) With defined benefit pension plans, employees know ahead of time the pension benefits they will receive (the benefit is "defined" or specified by amount or formula). In contrast, defined contribution pension plans specify what contribution the employee and/or employer will make to the employee's retirement or savings fund.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

72) Malcolm is interviewing for a new job and he is evaluating the quality of the pension plans offered for each company he is considering. One company offers a pension plan in which the company will make all contributions to the plan and will base his pension benefit on a formula linked to his pay at the time of retirement and the number of years he was with the firm. This pension plan is most likely classified as _____.

- A) qualified, defined benefit
- B) non-contributory, defined benefit
- C) non-contributory, defined contribution
- D) contributory, defined benefit

Answer: B

Explanation: B) The employee contributes to the contributory pension plan, while the employer makes all contributions to non-contributory plans. With defined benefit pension plans, employees know ahead of time the pension benefits they will receive (the benefit is "defined" or specified by amount or formula). Therefore, Malcolm has a non-contributory, defined benefit pension plan.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 13.3 Discuss the main retirement benefits.

73) Jenny must contribute at least 5% of her annual salary to her pension plan, and her employer contributes a set amount as well. She is given choices regarding how the money is invested. When she retires, the amount she has available will depend on how much she invested herself, and the rate of return on the investments she chose. This pension plan is most likely classified as _____.

- A) qualified, defined benefit
- B) non-contributory, defined benefit
- C) contributory, defined contribution
- D) contributory, non-qualified

Answer: C

Explanation: C) The employee contributes to the contributory pension plan, while the employer makes all contributions to non-contributory plans. With defined benefit pension plans, employees know ahead of time the pension benefits they will receive (the benefit is "defined" or specified by amount or formula). Defined contribution pension plans specify what contribution the employee and/or employer will make to the employee's retirement or savings fund.

Therefore, Jenny has a contributory, defined contribution plan.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Application of Knowledge

Learning Outcome: 13.3 Discuss the main retirement benefits.

74) A plan in which the employer's contribution to employees' retirement savings funds is specified is known as a _____.

- A) portable plan
- B) default investment plan
- C) defined benefit pension plan
- D) defined contribution pension plan

Answer: D

Explanation: D) Defined contribution pension plans specify what contribution the employee and/or employer will make to the employee's retirement or savings fund. With defined benefit pension plans, employees know ahead of time the pension benefits they will receive (the benefit is "defined" or specified by amount or formula).

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

75) All of the following are characteristic of 401(k) plans EXCEPT _____.

- A) categorized as a defined contribution plan
- B) deduction replaces Social Security tax
- C) pretax salary deductions invested
- D) considered a savings and thrift plan

Answer: B

Explanation: B) A 401(k) plan is a defined contribution plan and a savings and thrift plan. Employees invest by making pretax salary deductions, and the plans are usually administered by investment firms. A 401(k) contribution does not replace the Social Security tax.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

76) Which of the following refers to a plan in which employees contribute a portion of their earnings to a fund and the employer typically matches the contribution in whole or part?

- A) group investment plan
- B) 401(k) plan
- C) deferred profit-sharing plan
- D) employee stock ownership plan

Answer: B

Explanation: B) In any savings and thrift plan, employees contribute a portion of their earnings to a fund, and the employer usually matches this contribution completely or in part. The 401(k) plan is one example of a savings and thrift plan.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

77) All of the following characterize cash balance plans EXCEPT _____.

- A) lacks portability
- B) offers predictable benefits
- C) considered hybrid pension plans
- D) employees earn interest on contributed amounts

Answer: A

Explanation: A) Cash balance plans are hybrid plans because they combine the portability of defined contribution plans and the predictable benefits of defined benefit plans. Cash balance plans have the portability advantages of defined contribution plans.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

78) Which of the following requires that pension rights be vested and protected by the Pension Benefits Guarantee Corporation?

- A) Economic Growth and Tax Relief Conciliation Act
- B) Employee Retirement Income Security Act
- C) Job Creation and Worker Assistance Act
- D) Social Security Act

Answer: B

Explanation: B) Signed into law by President Ford in 1974, ERISA requires that pension rights be vested and protected by a government agency, the PBGC. It requires that employers have written pension plan documents and adhere to certain guidelines.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

79) Which of the following provides guidelines regarding what rates of return employers should use in computing their pension plan values?

- A) Employee Retirement Income Security Act
- B) Job Creation and Worker Assistance Act
- C) Social Security Act
- D) Equal Pay Act

Answer: B

Explanation: B) The Job Creation and Worker Assistance Act provides guidelines regarding what rates of return employers should use in computing their pension plan values.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

80) Social Security provides health benefits to terminated employees and their families for 18 months following the employee's separation from the firm.

Answer: FALSE

Explanation: COBRA provides health benefits to retired and terminated employees and their families for 18 months following the employee's separation from the firm. Social Security provides income for retirees.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

81) A primary benefit of 401(k) plans is that payments made by employees into the plan are pretax, so the employee pays no tax on those dollars until after he or she retires or withdraws the money.

Answer: TRUE

Explanation: Payroll deductions for 401(k) plans are pretax, so the employee pays no tax on those dollars until after he or she retires (or removes the money from the 401(k) plan).

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

82) There is no limit to the amount an employee can contribute pre-tax into a 401(k) plan each year.

Answer: FALSE

Explanation: Employees deduct any amount up to the legal maximum. The IRS sets an annual dollar limit, which is currently about \$15,000.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

83) Portability makes it easy for employees who leave one firm to work for another firm to take their accumulated pension funds with them.

Answer: TRUE

Explanation: Portability—making it easier for employees who leave the firm prior to retirement to take their accumulated pension funds with them—is enhanced by switching from defined benefit to defined contribution plans.

Difficulty: Easy

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

84) The Pension Benefits Guarantee Corporation guarantees both defined benefit plans and defined contribution plans.

Answer: FALSE

Explanation: ERISA established the Pension Benefits Guarantee Corporation (PBGC) to oversee and insure a pension if a plan terminates without sufficient funds. The PBGC guarantees only defined benefit plans, not defined contribution plans.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

85) What are the three types of benefits provided by Social Security?

Answer: Social Security provides retirement benefits, survivor's death benefits, and disability payments. Retirement benefits provide income to those who retire at age 62 or after. Death benefits provide monthly payments to dependents of the deceased individual regardless of the individual's age at death. Disability payments provide payments to employees who become totally disabled and to their dependents if they work and meet certain requirements.

Difficulty: Moderate

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

86) What are vested funds? What is the difference between cliff vesting and graded vesting?

Answer: Vested funds are the money employer and employee have placed in the latter's pension fund that cannot be forfeited for any reason. The employees' contributions are always theirs, of course. Employers can choose one of two minimum vesting schedules (employers can allow funds to vest faster if they wish). With cliff vesting, the period for acquiring a nonforfeitable right to employer matching contributions (if any) is three years. So, the employee must have nonforfeitable rights to these funds by the end of three years. With the second (graded vesting) option, pension plan participants must receive nonforfeitable rights to the matching contributions as follows: 20% after 2 years, and then 20% for each succeeding year, with a 100% nonforfeitable right by the end of 6 years.

Difficulty: Hard

Chapter: 13

Objective: 3

AACSB: Analytical Thinking

Learning Outcome: 13.3 Discuss the main retirement benefits.

87) _____ provide services like financial counseling, child care referrals, elder care referrals, adoption assistance, mental health counseling, and life event planning.

- A) Pension plans
- B) Employee assistance programs
- C) Family-friendly benefits
- D) Benefit management systems

Answer: B

Explanation: B) Employee assistance programs (EAPs) provide counseling and advisory services, such as personal legal and financial services, child and elder care referrals, adoption assistance, mental health counseling, and life event planning. EAPs are increasingly popular, with more than 60% of larger firms offering such programs.

Difficulty: Easy

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

88) _____ seek(s) to enable employees to balance their job and family responsibilities.

- A) Sick leave
- B) Pension plans
- C) Work-life benefits
- D) Benefit management systems

Answer: C

Explanation: C) Family-friendly or work-life benefits such as child care and fitness facilities are attempts by firms to help employees balance work and family responsibilities.

Difficulty: Easy

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

89) Which of the following benefits is NOT classified as a type of family-friendly benefit?

- A) sick leave
- B) subsidized child care
- C) on-site fitness facilities
- D) elder care

Answer: A

Explanation: A) Family-friendly benefits include subsidized child care, elder care, and on-site fitness facilities. Sick leave is useful when a child is ill; however, sick leave is a standard aspect of a job and not necessarily family-friendly.

Difficulty: Moderate

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

90) Studies indicate that employee assistance programs most frequently provide help with personal mental health issues and family problems.

Answer: TRUE

Explanation: EAPs are increasingly popular, with more than 60% of larger firms offering such programs. One study found that personal mental health was the most common problem addressed by employee assistance programs, followed by family problems.

Difficulty: Moderate

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

91) Firms that subsidize day care centers are hoping to recruit employees, reduce absenteeism, decrease turnover, and improve morale.

Answer: TRUE

Explanation: By establishing subsidized day care, employers assumedly can benefit in several ways. These include improved recruiting results, lower absenteeism, improved morale, favorable publicity, and lower turnover.

Difficulty: Moderate

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

92) When employers offer domestic partner benefits to employees, it means that employees' same-sex domestic partners are eligible to receive the same benefits as do the husband, wife, or legal dependent of one of the firm's employees.

Answer: TRUE

Explanation: When employers provide domestic partner benefits to employees, it generally means that employees' same-sex or opposite-sex domestic partners are eligible to receive the same benefits (health care, life insurance, and so forth) as do the husband, wife, or legal dependent of one of the firm's employees.

Difficulty: Easy

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

93) What are the key steps for launching a successful EAP program? Should firms offer EAPs? Why or why not?

Answer: In either case, employers and managers need to keep several issues in mind. Everyone involved with the EAP, including supervisors, secretaries, and support staff, must understand the importance of confidentiality. Also, ensure files are locked, access is limited and monitored, and identifying information is minimized. Be aware of legal issues. For example, in most states counselors must disclose suspicions of child abuse to state agencies. Define the program's purpose, employee eligibility, the roles and responsibilities of EAP and employer personnel, and procedures for using the plan. Also, ensure the vendors you use fulfill professional and state licensing requirements. For employers, EAPs produce advantages, not just costs. Employee assistance programs can reduce absences by providing expert advice on issues like elder care referrals.

Difficulty: Hard

Chapter: 13

Objective: 4

AACSB: Application of Knowledge

Learning Outcome: 13.4 Outline the main employees' services benefits.

94) Why are family-friendly benefits increasingly popular? Provide examples of family-friendly benefits.

Answer: There are many trends that increase the value of family-friendly benefits. There are more households in which both adults work. There are more one-parent households. More women are in the workforce while also struggling to fulfill familial obligations. People are working harder and longer with less time to manage life outside of work. Family-friendly benefits can vary from organization to organization. Some examples include child care, elder care, fitness facilities, sick child benefits and educational subsidies.

Difficulty: Hard

Chapter: 13

Objective: 4

AACSB: Analytical Thinking

Learning Outcome: 13.4 Outline the main employees' services benefits.

95) Which term refers to individualized plans allowed by employers to accommodate employee preferences for benefits?

A) variable pay plan

B) cafeteria benefits plan

C) matching plan

D) executive perquisite plan

Answer: B

Explanation: B) A cafeteria plan is one in which the employer gives each employee a benefits fund budget, and lets the person spend it on the benefits he or she prefers.

Difficulty: Easy

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

96) Orion is a business software firm based in Atlanta that employs over 400 people. Orion has traditionally provided legislatively required benefits for its employees including Social Security, workers' compensation, and unemployment insurance. In addition, Orion offers employees health and dental insurance. Orion employees work Monday through Friday on a 9 to 5 schedule. Orion's top executives are considering the idea of adding a flexible benefits plan and implementing a flexible work schedule.

Which of the following, if true, best supports the argument that Orion should offer its employees a cafeteria benefits plan?

- A) Orion lacks the resources to join a low-cost health insurance plan, so the firm belongs to a pool with other businesses.
- B) Some Orion employees have indicated that they would like vision insurance, while others have no interest in dental insurance.
- C) Orion offers its employees a PPO health insurance plan, but employees have expressed interest in an HMO plan.
- D) Orion outsources its employee benefits program, so employees go through the plan's administrator when filing claims.

Answer: B

Explanation: B) Cafeteria plans enable employees to choose the benefits they need. If some workers want vision while others want dental, then a cafeteria plan would be appropriate. Joining an insurance pool, PPO/HMO plans, and outsourcing benefits administration are not relevant.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

97) Orion is a business software firm based in Atlanta that employs over 400 people. Orion has traditionally provided legislatively required benefits for its employees including Social Security, workers' compensation, and unemployment insurance. In addition, Orion offers employees health and dental insurance. Orion employees work Monday through Friday on a 9 to 5 schedule. Orion's top executives are considering the idea of adding a flexible benefits plan and implementing a flexible work schedule.

Which of the following, if true, undermines the argument that Orion should offer its employees a cafeteria plan?

- A) A survey of Orion employees indicates that the majority of employees are very satisfied with the firm's current benefit offerings.
- B) Orion experiences very few workers' compensation claims each year as compared to similarly sized businesses in the Atlanta area.
- C) Orion employee surveys indicate that most employees are interested in either 401(k) plans or Roth IRAs as methods of saving for retirement.
- D) Orion uses an employee leasing firm to handle recruiting, hiring, and benefits administration.

Answer: A

Explanation: A) If Orion's employees are satisfied with the type of benefits offered by the firm, then there is no need to change to a cafeteria plan. Cafeteria plans are useful when employees want more choice and variety in their benefits. Workers' compensation, retirement savings, and employee leasing are irrelevant issues.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

98) Which of the following best explains why many businesses use employee leasing firms?

- A) Firms save money by hiring part-time or temporary workers.
- B) Investment opportunities are more plentiful and reliable.
- C) Small companies are able to get better insurance rates.
- D) Franchise owners can offer more flexible schedules.

Answer: C

Explanation: C) Employee leasing firms (also called professional employer organizations or staff leasing firms) assume all or most of the employer's human resources chores. Insurance and benefits are usually the big attraction. Getting health and other insurance is a problem for smaller firms, and leasing firms enable them to join a larger pool.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

99) Stephanie has opted to work from 7 am to 3 pm so that she can be home when her son finishes school in the afternoons. Her company must offer _____ for Stephanie to have this option.

- A) shift work
- B) flextime
- C) telecommuting
- D) compressed workweeks

Answer: B

Explanation: B) Flextime is a work schedule in which employees' workdays are built around a core of midday hours, and employees determine, within limits, what other hours they will work. A compressed workweek involves working fewer but longer days each week.

Difficulty: Easy

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

100) Which of the following is an example of a compressed workweek?

- A) Maxwell works from 7 am to 3 pm Monday-Friday.
- B) Shannon works from 7 am to 5 pm Monday-Thursday.
- C) Tom works from 11 am to 7 pm five days per week.
- D) Bob works from 12 pm to 6 pm Monday-Sunday.

Answer: B

Explanation: B) A compressed workweek involves working fewer but longer days each week, so working four 10-hour days is an example of a compressed workweek.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

101) Which of the following occupations is commonly subjected to compressed workweeks?

- A) engineer
- B) attorney
- C) teacher
- D) pilot

Answer: D

Explanation: D) Occupations like pilot, nurse, doctor, and firefighter typically involve compressed workweek schedules, which means working fewer days but longer each day.

Difficulty: Moderate

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

102) Anne and Martha are both accountant supervisors at a large marketing firm. Anne works from 7:00 a.m. until 12:00 p.m. each day. Martha takes over the same position at 12:00 p.m. and works until 5:00 p.m. each day. Which of the following most likely describes this type of work arrangement?

- A) flextime
- B) job sharing
- C) work sharing
- D) compressed workweek

Answer: B

Explanation: B) Job sharing allows two or more people to share a single full-time job. Anne and Martha share a 40-hour-per-week job, with one working mornings and the other working afternoons.

Difficulty: Moderate

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

103) Curt works at a computer firm that is experiencing financial difficulties. In an attempt to save money and prevent layoffs, the firm is enforcing a temporary reduction in work hours for Curt's division. Curt now works 35 hours a week instead of 40. Which of the following most likely describes this situation?

- A) flextime
- B) job sharing
- C) work sharing
- D) compressed workweek

Answer: C

Explanation: C) Work sharing refers to a temporary reduction in work hours by a group of employees during economic downturns as a way to prevent layoffs.

Difficulty: Moderate

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

104) Orion is a business software firm based in Atlanta that employs over 400 people. Orion has traditionally provided legislatively required benefits for its employees including Social Security, workers' compensation, and unemployment insurance. In addition, Orion offers employees health and dental insurance. Orion employees work Monday through Friday on a 9 to 5 schedule. Orion's top executives are considering the idea of adding a flexible benefits plan and implementing a flexible work schedule.

All of the following questions are relevant to Orion's decision to add a cafeteria plan EXCEPT which one?

- A) What benefits are available to employees at Orion's main competitors?
- B) What costs would Orion incur for switching to a cafeteria benefits plan?
- C) How would a cafeteria plan alter Orion employees' Social Security benefits?
- D) What effect would a cafeteria plan have on the coverage that Orion employees receive?

Answer: C

Explanation: C) Social Security is required, so it is irrelevant to a decision about a cafeteria plan. Costs and changes in coverage are important issues to consider. For recruiting and employee retention purposes, Orion should be aware of what competitors offer.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

105) Orion is a business software firm based in Atlanta that employs over 400 people. Orion has traditionally provided legislatively required benefits for its employees including Social Security, workers' compensation, and unemployment insurance. In addition, Orion offers employees health and dental insurance. Orion employees work Monday through Friday on a 9 to 5 schedule. Orion's top executives are considering the idea of adding a flexible benefits plan and implementing a flexible work schedule.

Which of the following, if true, best supports Orion's decision to offer flextime to its employees?

- A) Orion's single-parent employees are frequently late when arriving to work.
- B) Orion allows some of its employees to telecommute at least one day each week.
- C) Many Orion employees must conduct business while traveling to different locations.
- D) Orion employs a large number of part-time employees, most of whom are near retirement age.

Answer: A

Explanation: A) Flextime allows workers to shift their work schedules slightly. Single parents who are late because of child care responsibilities would likely be more punctual if they could arrange their schedules around school or daycare hours.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

106) Orion is a business software firm based in Atlanta that employs over 400 people. Orion has traditionally provided legislatively required benefits for its employees including Social Security, workers' compensation, and unemployment insurance. In addition, Orion offers employees health and dental insurance. Orion employees work Monday through Friday on a 9 to 5 schedule. Orion's top executives are considering the idea of adding a flexible benefits plan and implementing a flexible work schedule.

All of the following questions are relevant to Orion's decision to offer flextime and job sharing options to its employees EXCEPT which one?

- A) What do surveys indicate regarding overall job satisfaction among Orion employees?
- B) How would the productivity level of Orion's employees most likely change?
- C) What work schedule configurations are legal?
- D) What is the average rate of employee absenteeism at Orion?

Answer: C

Explanation: C) Job satisfaction, productivity, and absenteeism are important issues to consider if going to a flexible work schedule. Schedule configurations rarely are a legal issue.

Difficulty: Hard

Chapter: 13

Objective: 5

AACSB: Application of Knowledge

Learning Outcome: 13.5 Explain the main flexible benefit programs.

107) Flextime for most employees typically involves 1 hour of leeway before 9 a.m. or after 5 p.m.

Answer: TRUE

Explanation: In practice, most employers hold fairly close to the traditional 9:00 a.m. to 5:00 p.m. workday. Therefore, the effect of flextime for most employees is to give them about 1 hour of leeway before 9:00 a.m. or after 5:00 p.m.

Difficulty: Moderate

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

108) The more flexible a work schedule, the greater the effectiveness of the program.

Answer: FALSE

Explanation: Studies have found that highly flexible programs are actually less effective than less flexible ones.

Difficulty: Moderate

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

109) Telecommuting involves employees using technology to work away from the office.

Answer: TRUE

Explanation: Telecommuting involves employees using technology to work away from the office. This will often be computers, cellphones, tablets, and information technology.

Difficulty: Easy

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.

110) When groups of employees accept a temporary reduction in work hours in order to prevent layoffs, the employees are job sharing.

Answer: FALSE

Explanation: Job sharing allows two or more people to share a single full-time job. Work sharing refers to a temporary reduction in work hours by a group of employees during economic downturns as a way to prevent layoffs.

Difficulty: Easy

Chapter: 13

Objective: 5

AACSB: Analytical Thinking

Learning Outcome: 13.5 Explain the main flexible benefit programs.