

ch1

1. Which of the following includes restrictions on executive pay that are designed to discourage executives from taking "unnecessary and excessive risks"?
 - A. Corporate Welfare Program
 - B. Employee Welfare Program
 - C. Troubled Asset Relief Program
 - D. Corporate Liability Relief Program
2. According to the text, if women had the same education, experience, and union coverage as men and also worked in the same industries and occupations, they would be expected to earn about _____ of what men earn.
 - A. 62%
 - B. 70%
 - C. 80%
 - D. 90%
3. Hourly compensation costs for manufacturing workers are higher in _____ than the U.S.
 - A. Norway
 - B. Japan
 - C. Spain
 - D. Singapore
4. Hourly compensation costs for manufacturing workers are lower in _____ than the U.S.
 - A. Korea
 - B. Norway
 - C. Sweden
 - D. Netherlands
5. When executives decide where to locate a manufacturing plant, the most important consideration is:
 - A. hourly compensation costs
 - B. labor productivity
 - C. strength of local labor unions
 - D. cost of government mandated benefits
6. _____ would be most concerned about executive pay.
 - A. Managers
 - B. Employees
 - C. Society
 - D. Stockholders

7. _____ would be most concerned about compensation as a major expense.
- A. Managers
 - B. Employees
 - C. Society
 - D. Stockholders
8. The primary reason compensation is important to managers is because:
- A. employees regard it as a reward.
 - B. it influences employee behavior.
 - C. it is a larger cost than benefits.
 - D. stock holders dislike high compensation costs.
9. Employees view compensation as all but which of the following?
- A. A return
 - B. An entitlement
 - C. A reward
 - D. An investment
10. The degree to which pay influences individual and aggregate motivation among the employees at any point in time is referred to as:
- A. sorting effect.
 - B. incentive effect.
 - C. motivational effect.
 - D. directional effect.
11. In China, compensation, *dai yu*, has come to mean
- A. entitlement and benefits.
 - B. cash compensation.
 - C. returns and entitlement.
 - D. cash compensation and relational returns.
12. In Japanese companies, the concept of *teate* is consistent with which of the following?
- A. Sophisticated performance appraisal systems
 - B. A strong emphasis on performance pay
 - C. Family, housing and commuting allowances
 - D. Rapid promotions
13. Which of the following is an example of a relational return?
- A. Short-term incentives
 - B. Recognition and status
 - C. Work-life balance
 - D. Income protection

14. Which of the following are given as increments to the base pay in recognition of past work behavior?
- A. Base pay
 - B. Cost-of-living adjustments
 - C. Merit pay
 - D. Incentives
15. Which form of pay is likely to be least expensive for employers?
- A. Incentive
 - B. Merit pay
 - C. Cost-of-living adjustments
 - D. Base pay
16. Employees who want to be sure their good performance will be rewarded will prefer
- A. merit pay.
 - B. team incentives.
 - C. individual incentives.
 - D. across-the-board pay increases.
17. Variable pay may also be called
- A. exempt
 - B. non-exempt
 - C. stock options
 - D. incentives
18. Which of the following is the largest component in an executive pay package?
- A. Base pay
 - B. Stock options
 - C. Merit pay
 - D. Perks
19. A company that says its relatively low starting pay will be offset by larger future pay increases is using the concept of ____.
- A. present-value
 - B. merit pay
 - C. incentives
 - D. deferred benefits
20. All of the following have direct financial costs for an employer except:
- A. benefits
 - B. relational returns
 - C. work-life balance
 - D. income protection

21. Which of the following is not an objective in the pay model?
- A. Fairness
 - B. Compliance
 - C. Efficiency
 - D. Productivity
22. Costs are to management as _____ is to alignment.
- A. work analysis
 - B. communication
 - C. surveys
 - D. merit guidelines
23. Market definitions are to competitiveness as performance based is to _____.
- A. alignment
 - B. compliance
 - C. efficiency
 - D. contributions
24. Which of the following is not a policy in the pay model?
- A. Fairness
 - B. Competitiveness
 - C. Contributions
 - D. Alignment
25. Performance, quality, customers, stockholders and costs are components of which of the objectives of the pay model?
- A. Fairness
 - B. Compliance
 - C. Efficiency
 - D. Competitiveness
26. _____ implies that the way a pay decision is made may be as important to employees as the results of that decision.
- A. Fairness
 - B. Compliance
 - C. Efficiency
 - D. Competitiveness
27. _____ refers to comparisons among jobs or skills inside a single organization.
- A. External competitiveness
 - B. Internal alignment
 - C. Pay structure
 - D. Equitable contributions

28. Which of the following policy choices has the greatest effect on employees' decisions to stay with the organization and to seek additional training and responsibilities?
- A. External competitiveness
 - B. Employee contributions
 - C. Internal alignment
 - D. Job evaluation
29. Managers seek internal alignment within their organization by:
- A. matching competitors' pay rates.
 - B. following FLSA guidelines.
 - C. using fair merit increases.
 - D. paying on the basis of similarities among jobs.
30. Compensation policy choices affecting pay level are most closely associated with ____.
- A. internal alignment
 - B. external competitiveness
 - C. contributions
 - D. management
31. Sam's Club matches the pay of other similar businesses, Whole Foods uses base pay and team incentives and Medtronic emphasizes work and life balance. These illustrate ____ pay policy choices.
- A. cost control
 - B. internal alignment
 - C. contributions
 - D. external competitiveness
32. Choices among pay for performance, flat rate pay and profit sharing are examples of ____ policy decisions.
- A. internal alignment
 - B. efficiency
 - C. employee contributions
 - D. management
33. Which of the following decisions directly affects employees' attitudes and work behaviors?
- A. Employee contributions
 - B. Internal alignment
 - C. External competitiveness
 - D. Management
34. According to the text, which of the following decisions should be made jointly?
- A. Internal alignment and Management.
 - B. External competitiveness and Employee contribution
 - C. Employee contribution and Internal alignment
 - D. Management and External competitiveness

35. Which of the following decisions answers the "So What" question?
- A. Internal alignment
 - B. Employee contributions
 - C. External competitiveness
 - D. Management
36. If an organization allows workers to get rewards such as stock options due to illegal and unethical means, this reflects a failure of which policy choice?
- A. Internal alignment
 - B. Efficiency
 - C. Employee contributions
 - D. Management
37. You are an HR manager and your boss has told you to find the best way to raise job performance. After some research you find that _____ produce(s) the largest and most reliable performance increases.
- A. high base pay
 - B. great benefits that attract and retain workers
 - C. a combination of goal setting and job enrichment
 - D. monetary incentives
38. Which of the following is not a guideline for determining if research has value?
- A. Is the research useful
 - B. Can alternative explanations be ruled out
 - C. Was the research conducted by Ph D researchers
 - D. Is correlation separated from causation
39. A measure of how changes in one variable are related to changes in another variable is:
- A. standard deviation
 - B. analysis of variance
 - C. correlation coefficient
 - D. regression analysis
40. The best way to establish _____ is to account for competing explanations, either statistically or through control groups.
- A. causation
 - B. profitability
 - C. correlation coefficient
 - D. internal alignment
41. The U.S. has the highest hourly compensation costs for manufacturing workers of any industrialized nation.
- True False
42. Since the U.S. has the highest hourly compensation costs for manufacturing workers of any industrialized nation, executives could minimize total labor costs by producing in low cost countries such as China and Mexico.
- True False

43. Compensation is important to managers' success because it is a major cost and it influences employee behavior.
- True False
44. Challenging work and employment security are examples of total compensation.
- True False
45. Employees classified as non-exempt under FLSA are paid a salary, not wages.
- True False
46. If you often had to work 50 or more hours per week at an assembly job, you would probably prefer to that your job is classified as exempt under the FLSA.
- True False
47. Most U. S. firms use merit pay increases.
- True False
48. A bonus promised by your boss if costs are below your budget is a merit increase.
- True False
49. In practice, there is no real difference between merit pay increases and cost-of-living adjustments.
- True False
50. Base wage reflects both the value of the work and individual employee skills and experience.
- True False
51. A major challenge facing most employers is the rising cost of health care benefits.
- True False
52. The most important of the pay model policies for assuring fairness is contributions.
- True False
53. The objective of compliance suggests the way a pay decision is made may be as important to employees as the results of that decision.
- True False
54. If an objective is to increase customer satisfaction, then incentive programs and merit pay might be used to pay for performance.
- True False
55. The objective of procedural fairness suggests the way a pay decision is made may be as important to employees as the results of that decision.
- True False

56. Internal alignment refers to comparisons among jobs or skill levels inside a single organization.
- True False
57. Contributions refers to employees' perceptions of the fairness of pay differences among different jobs within their organization.
- True False
58. External competitiveness decisions focus on both pay levels.
- True False
59. Management of the pay system focuses on cost control and employee perceptions of fairness since they are most important to management.
- True False
60. The policy choice of management means ensuring that the right people get the right pay for achieving the right objectives in the right way.
- True False
61. Since HR research contains information useful to managers, most managers read research in HR, management and compensation journals.
- True False
62. Management and HR research has conclusively shown that goal setting and job enrichment produce the largest and most reliable increases in job performance.
- True False
63. Monetary incentives produce the biggest increases in job performance.
- True False
64. An important criteria for determining the value of research is whether the research is useful.
- True False
65. An important criteria for determining the value of research is/are there alternative explanations for the research findings?
- True False
66. In judging the value of research, an important guideline is that the research was conducted by Ph D researchers.
- True False
67. A study found that there is only a very small amount of change in CEO pay is related to changes in company performance.
- True False

68. A study of IBM showed that their long-standing policy of no layoffs was the major cause of their strong profits.

True False

69. Causality is one of the most difficult questions to answer and continues to be an important and sometimes perplexing problem for researchers.

True False

70. The R^2 is different from correlation in that it tells us what percentage of the variation is accounted for by the variables we are using to predict or explain.

True False

71. Compensations differ with perspective. What are the different perspectives of compensation described in the text?

72. Describe stockholders perspective on compensation.

73. What are the different ways in which employees see compensation?

74. What are the different ways in which pay can influence employee motivation and behavior?

75. Describe the various returns received from work.

76. Write short notes on the different types of cash compensations discussed in the text.

77. Write short notes on the different types of benefits discussed in the text.

78. List the basic elements of the pay model.

79. Explain the compensation objectives of the pay model.

80. List and define the different policy decisions of the pay model.

ch1 Key

1. (p. 4) C
2. (p. 4) D
3. (p. 5) A
4. (p. 5) A
5. (p. 5-6) B
6. (p. 6) D
7. (p. 7) A
8. (p. 8) B
9. (p. 8) D
10. (p. 9) B
11. (p. 10) C
12. (p. 10) C
13. (p. 11) B
14. (p. 12) C
15. (p. 12) A
16. (p. 12) C
17. (p. 12) D
18. (p. 13) B
19. (p. 14) A
20. (p. 14-15) B
21. (p. 16) D
22. (p. 16) A
23. (p. 16) D
24. (p. 16) A
25. (p. 16) C
26. (p. 17) A
27. (p. 19) B
28. (p. 19) C
29. (p. 19) D
30. (p. 20) B
31. (p. 20) D
32. (p. 20) C

- 33. (p. 20) A
- 34. (p. 20) B
- 35. (p. 20) D
- 36. (p. 21) D
- 37. (p. 23) D
- 38. (p. 23-24) C
- 39. (p. 23) C
- 40. (p. 24) A
- 41. (p. 5) FALSE
- 42. (p. 64) FALSE
- 43. (p. 8) TRUE
- 44. (p. 11) FALSE
- 45. (p. 11) FALSE
- 46. (p. 10) FALSE
- 47. (p. 12) TRUE
- 48. (p. 12) FALSE
- 49. (p. 12) FALSE
- 50. (p. 11) FALSE
- 51. (p. 13) TRUE
- 52. (p. 17) FALSE
- 53. (p. 17) FALSE
- 54. (p. 17) TRUE
- 55. (p. 17) TRUE
- 56. (p. 19) TRUE
- 57. (p. 20) FALSE
- 58. (p. 19) TRUE
- 59. (p. 20-21) FALSE
- 60. (p. 20) TRUE
- 61. (p. 22) FALSE
- 62. (p. 23) FALSE
- 63. (p. 23) TRUE
- 64. (p. 24) FALSE
- 65. (p. 24) TRUE
- 66. (p. 24) FALSE
- 67. (p. 23) TRUE

68. (p. 24) FALSE

69. (p. 24) TRUE

70. (p. 24) FALSE

71. (p. 4) The text describes compensation from the perspective of a member of society, a stockholder, a manager, and an employee.

72. (p. 6) Stockholders are interested in how employees are paid. Using stock to pay employees creates a sense of ownership which improves performance and increase stockholder wealth. However, granting employees too much ownership dilutes stockholder wealth.

Stockholders have a particular interest in executive pay. The interests of executives are aligned with those of shareholders who hope that company performance will be higher.

73. (p. 8) Employees see compensation as a return in an exchange between their employer and themselves, as an entitlement for being an employee of the company, or as a reward for a job well done.

74. (p. 9) Pay can influence employee motivation and behavior in two ways:

- i. Pay can affect the motivational intensity, direction, and persistence of current employees. The degree to which pay influences individual and aggregate motivation among the employees at any point in time is referred to as incentive effect.
- ii. Pay can also have an indirect, but important influence, via, a sorting effect. Different types of pay strategies cause different types of people to apply to and stay with an organization.

75. (p. 10-11) Returns are categorized in two:

- i. Relational returns are psychological and include learning opportunities, status, challenging work, and other psychological aspects.
- ii. Total compensations are transactional and include
 - a. Pay received directly as cash through base pay, merit, incentives, cost-of-living adjustments etc.
 - b. Pay received indirectly as benefits through pensions, medical insurance, programs to help balance work and life demands, bright colored uniform etc.

76. (p. 11-12) i. Base pay is the cash compensation that an employer pays for the work performed. It tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees.

ii. Merit increases are given as increments to the base pay in recognition of past work behavior. Some assessment of past performance is made, with or without a formal performance evaluation program, and the size of the increase is varied with performance.

iii. Cost-of-living adjustments give the same increases as merit, but to everyone, regardless of performance.

iv. Incentives tie pay increases directly to performance but differ from merit adjustments in two ways. Incentives can be tied to the performance of an individual employee, a team of employees, a total business unit, or some combination of individual, team, and unit.

Incentives are one-time payments and do not permanently increase labor costs. When performance declines, incentive pay automatically declines, too. Consequently, incentives are frequently referred to as variable pay.

v. Long-term incentives are intended to focus employee efforts on multiyear results. Typically they are in the form of stock ownership or options to buy stock at specified, advantageous prices.

77. (p. 13-14) i. In the United States, employers must pay into a fund that provides income replacement for workers who become disabled or unemployed. Employers also make half the contributions to Social Security. (Employees pay the other half.) Different countries have different lists of mandatory benefits. Medical insurance, retirement programs, life insurance, and savings plans are common benefits.

ii. Programs that help employees better integrate their work/life balance include time away from work (vacations, jury duty), access to services to meet specific needs (drug counseling, financial planning, referrals for child and elder care), and flexible work arrangements (telecommuting, nontraditional schedules, unpaid time off).

iii. Allowances often grow out of whatever is in short supply and differ from region to region.

78. (p. 15) The pay model contains three basic building blocks:

- i. the compensation objective,
- ii. the policies that form the foundation of the compensation system, and
- iii. the techniques that make up the compensation system.

79. (p. 15-17) The basic objectives include efficiency, fairness, ethics, and compliance with laws and regulations.

i. Efficiency can be stated more specifically: (1) improving performance, increasing quality, delighting customers and stockholders, and (2) controlling labor costs.

ii. The fairness objective calls for fair treatment for all employees by recognizing both employee contributions (e.g., higher pay for greater performance, experience, or training) and employee needs (e.g., a fair wage as well as fair procedures).

iii. Ethics means the organization cares about how its results are achieved. Because it is so important, it is inevitable that managing pay sometimes creates ethical dilemmas.

iv. Compliance as a pay objective means conforming to federal and state compensation laws and regulations. If laws change, pay systems may need to change, too, to ensure continued compliance. As companies go global, they must comply with the laws of all the countries in which they operate.

80. (p. 19-20) i. Internal alignment refers to comparisons among jobs or skill levels inside a single organization.

ii. External competitiveness refers to pay comparisons with competitors.

iii. Employee contribution emphasizes on the pay mix for different employees according to performance and/or seniority.

iv. Management means ensuring that the right people get the right pay for achieving the right objectives in the right way.

ch1 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Difficult	12
Difficulty: Easy	30
Difficulty: Medium	38
Milkovich - Chapter 01	80