**File: Ch11, Chapter 11, Compensation**

**TRUE-FALSE**

1. Research finds that with the declining economic situation, employees only value financial types of rewards, such as pay, which are designed to assist in maintaining employee commitment.

Ans: False

2. Intrinsic rewards include money, promotions, and benefits.

Ans: False

3. An example of an extrinsic reward is an assigned parking space with an employee’s name clearly painted underneath the “Reserved” sign.

Ans: True

4. A commission is considered a performance-based reward.

Ans: True

5. The U.S. Department of Labor estimates that seven in ten U.S. employers are violating wage and hour regulations.

Ans: True

6. Job evaluation is the process whereby an organization systematically establishes its compensation program.

Ans: True

7. The Federal minimum wage is $7.25 per hour.

Ans: False

8. The FLSA identifies two primary categories of employees: full-time and part-time.

Ans: False

9. In the U.S., the threshold poverty level for an individual is $19,570 per year.

Ans: False

10. Three basic methods of job evaluation are currently in use: ordering, classification, and point methods.

Ans: True

11. Employers must offer higher wages when unemployment rates are high to attract qualified workers.

Ans: False

12. Organization-wide incentives aim to direct the efforts of all employees toward achieving overall organizational effectiveness.

Ans: True

13. A downside to merit pay is that employees expect pay increases regardless of how well the company performs.

Ans: True

14. It is well known that executives in the public sector are paid more than those in the private sector.

Ans: False

15. Probably one of the most complex functions of international human resource management is the design and implementation of an equitable compensation program.

Ans: True

**MATCHING KEY TERMS AND DEFINITIONS**

16. A financial protection plan for executives in case they are severed from the organization.

Ans: m) Golden parachute

17. Rewards one gets from the employer, usually money, a promotion, or benefits.

Ans: b) Extrinsic rewards

18. The process of managing a company’s compensation program.

Ans: c) Compensation administration

19. Used to gather factual data on pay practices among firms and companies within specific communities.

Ans: n) Compensation surveys

20. Rewards exemplified by the use of commissions, piecework pay plans, incentive systems, group bonuses, or other forms of merit pay.

Ans: f) Performance-based rewards

21. Passed in 1938, this act established laws outlining minimum wage, overtime pay, and maximum hour requirement for most U.S. workers.

Ans: e) Fair Labor Standards Act

22. An increase in one’s pay, based on performance, that is usually given on an annual basis

Ans: l) Merit pay

23. A professional employee whose job category is not required to meet FLSA standards, especially in the area of overtime pay.

Ans: o)Exempt

24. Passed in 1963, this act mandates that organizations compensate men and women doing the same job in the organization with the same rate of pay.

Ans: k) Equal Pay Act

25. Evaluating jobs based on pre-determined job grades.

Ans: j) Classification method

26. A motivation system that rewards all facility members based on how well the entire group performed.

Ans: i) Organization-wide incentive

27. Pay based on how well the team performed.

Ans: a) Team-based compensation

28. Wage adjustment linked to cost of living to maintain standards of living for an expatriate employee.

Ans: h) Differential

29. Ranking job worth from highest to lowest.

Ans: d) Ordering method

30. A pay scale showing ranges of pay within each grade.

Ans: g) Wage structure

**FILL-IN THE BLANKS**

31. Pride in one’s work and a sense of accomplishment are examples of \_\_\_\_\_\_\_\_ rewards.

Ans: intrinsic

32. \_\_\_\_\_\_\_\_\_ consists of enhancing jobs by giving employees more opportunity to plan and control their work.

Ans: Job enrichment

33. \_\_\_\_\_\_\_\_\_\_ would likely include employees in professional and managerial jobs.

Ans: Exempt employees

34. The three basic methods of job evaluation currently in use are order, classification, and \_\_\_\_\_\_\_\_\_ methods.

Ans: point

35. \_\_\_\_\_\_\_\_ receive(s) certain protections under the FLSA.

Ans: Nonexempt employees

36. The \_\_\_\_\_\_\_\_\_\_ consists of breaking down jobs based on identifiable criteria and the degree to which these criteria exist on the job.

Ans: point method

37. \_\_\_\_\_\_\_\_\_ are used to gather factual data on pay practices among firms within specific communities.

Ans: Compensation surveys

38. \_\_\_\_\_\_\_\_\_ for expatriates may include shipping household goods, legal clearance and shipment for pets, education allowances for children, and bodyguards.

Ans: Assistance programs

39. In the United States, the threshold \_\_\_\_\_\_\_\_\_ for a family of two is $14,000 per year.

Ans: poverty level

40. \_\_\_\_\_\_\_\_ are motivation systems based on individual work performance.

Ans: Individual incentive plans

**MULTIPLE-CHOICE**

41. Which of the following is NOT an intrinsic source of employee motivation?

a) Increased responsibility

b) Pay raise

c) Increased employee autonomy

d) Tasks organized to allow individuals to complete activities

e) Performance feedback

42. Which of the following is an extrinsic source of employee motivation?

a) Increased responsibility

b) Impressive job title

c) Participation in decision-making

d) Opportunities for job growth

e) More interesting work

43. Organizational reward systems are typically dichotomized as

a) financial versus extrinsic.

b) performance-driven versus performance-based.

c) hourly versus salaried.

d) intrinsic versus extrinsic.

e) membership-based versus extrinsic.

44. Which of the following is NOT a performance-based financial reward?

a) Piecework

b) Labor market adjustment

c) Commission

d) Performance bonuses

e) Merit pay plans

45. Which of the following is NOT an implied membership-based financial reward?

a) Cost-of-living increases

b) Labor market adjustment

c) Time-in-rank increases

d) Business cards

e) Profit sharing

46. Membership-based rewards include all of the following EXCEPT

a) cost-of-living increases.

b) pay for time not worked.

c) seniority benefits.

d) labor market adjustments.

e) piecework.

47. Which of the following is an explicit membership-based financial reward?

a) Commission

b) Performance bonuses

c) Incentive plans

d) Pay for time not worked

e) Profit sharing

48. Keon, vice-president of human resources for a large manufacturing firm, wants to keep the reward system membership-based instead of moving to performance-based pay. Traditionally, most increases have been based on seniority. Why does he want to keep the membership-based system?

a) Membership-based pay increases commitment and loyalty.

b) All pay increases are membership-based due to work process reengineering.

c) The criteria area easier to measure with the membership-based system.

d) Performance based pay does not increase status awareness.

e) Under the ADA, all seniority raises are membership-based.

49. Moshe, a 10th grade dropout, has held the job of janitor for an inner city grade school for 17 years. Each year, he is only eligible to receive the cost of living allowance raise because of his educational level. Will his raise criteria change after he has worked there for 20 years and received a long time service medal?

a) No. Cost of living and service medals are both intrinsic.

b) Yes. The service medal award is extrinsic. Cost of living is intrinsic.

c) No. Cost of living is membership based. Education level is performance-based.

d) Yes. Cost of living is membership based. Educational level is performance-based.

e) No. Cost of living and educational level are both performance-based.

50. Which act was passed in 1938 to establish laws outlining wage, overtime pay, and maximum hour requirement for most U.S. workers?

a) Equal Pay Act

b) Fair Labor Standards Act

c) Walsh-Healy Act

d) Civil Rights Act

e) Living Wage Act

51. What is the federal minimum wage under the Fair Labor Standard Act that began in July 2009?

a) $5.85

b) $6.55

c) $7.25

d) $8.15

e) $9.10

52. Which method evaluates jobs based on predetermined job grades?

a) Ordering method

b) Broad-banding method

c) Classification method

d) Point method

e) Group incentive method

53. Which of the following is the most likely to be an exempt employee under the FLSA?

a) A clerk in a large retail store

b) A typist

c) A factory worker

d) A middle manager in a large company

e) A bank teller

54. Which of the following is a nonexempt employee under the FLSA?

a) A lawyer in a large corporation

b) A general manager in a manufacturing company

c) A health aide in a hospital

d) A middle level executive in a bank

e) An accountant in a pharmaceutical company

55. Which of the following is NOT covered by the provisions of the FLSA?

a) Minimum wage

b) Overtime pay

c) Child labor

d) Retirement plans

e) Record keeping

56. Which of these pieces of legislation requires that initial job offers for jobs with the same attributes be equal, regardless of gender?

a) Comparable Action and Worth Standard

b) Americans with Disabilities Act

c) Fair Labor Standards Act

d) Equal Pay Act of 1963

e) Civil Rights Act

57. Chris, a store manager for a sporting goods organization, is on the compensation committee. Today, they are evaluating jobs. Chris and Kenny, one of the owners, are comparing jobs to each other, one at a time. By the end of the day, they will have compared all jobs to every other job and come up with a ranking. What method was used?

a) Ordering

b) Classification

c) Basic factors

d) Point method

e) Prioritization

58. Lisa, a compensation analyst for a large government agency, is completing a job evaluation for her organization. She is reviewing the grades that have been established by skills, knowledge and abilities because several managers have complained that the jobs no longer “fit” into the defined grades. What job evaluation method is Lisa using?

a) Ordering

b) Classification

c) Basic factors

d) Point method

e) Prioritization

59. Hassan, a compensation analyst for a large firm, is completing a job evaluation for “Administrative Assistant.” He reads a chart that identifies “high school diploma” as the 2nd degree in the “Education” skill factor, and adds 44 into his calculation. He identifies “Making sure that work area does not present a hazard to others” as the 1st degree in the “Safety of others” responsibility factor, and adds 5 into his calculator. What job evaluation method was used?

a) Ordering

b) Classification

c) Basic factors

d) Point method

e) Core specification

60. Heather is the human resources administrator for a small electronics firm that currently has 27 employees. Until now, workers were paid whatever the CEO felt they were worth. Heather wants to start a job evaluation process. She wants to use the point method for all of these reasons except

a) it offers the greatest stability over time.

b) it can effectively address the comparable worth issue.

c) the methodology contributes to a minimum of rating error.

d) it is quick and inexpensive to develop.

e) it is the most widely used method.

61. Dana, a compensation specialist for a large hospital in Phoenix is reviewing pay rates for nurses and nursing technicians in other health care organizations in the Phoenix area. She is also making sure her organization is giving as much vacation and shift differentials as her competition. What is she studying?

a) Wage structure

b) Compensation survey

c) Overtime pay review

d) Wage and hour law

e) Classification

62. Edrian works for a bank that recently acquired his consulting shop. He has a “green-circled” job for the wage curve. His manager is likely to tell him:

a) you won’t get a raise until you get a promotion.

b) you won’t get a promotion for at least 3 years.

c) you will get a salary adjustment increase in your next paycheck.

d) you need to assess your skills and interests and find another job.

e) you are targeted for a 10% pay decrease.

63. Zahur, a compensation analyst, is explaining the new wage structure to a group of managers. Grade 3 ranges from 201 to 300 points and $6.25 to $7.00. Grade 5 ranges from 401 to 500 points and $7.50 to $8.75. Which of the following statements would be true of Grade 4?

a) 350 points is outside the range of Grade 4.

b) The dollar spread for Grade 4 is less than $.75.

c) The dollar spread for Grade 4 is greater than $1.25.

d) The bottom of Grade 4 is lower than $6.50.

e) The top of Grade 4 is greater than $7.50.

64. Shameka is the new compensation manager of a large manufacturing company. She is currently redesigning the pay structure. She wants to be able to break down jobs based on identifiable factors and the degree to which these criteria exist on the different jobs in her company. What job evaluation method should Shameka use?

a) Classification method

b) Point method

c) Ordering method

d) Ranking method

e) Broad-banding method

65. Mid-level executives in the United States regularly earn annual base salaries

a) between $85,000 and $150,000.

b) between $150,000 and $225,000.

c) between $225,000 and $300,000.

d) between $300,000 and $400,000.

e) over $400,000.

66. Mignon is worrying about the request to institute an incentive pay plan in her organization. All of these concerns are well-founded EXCEPT

a) individual incentives may encourage workers to sacrifice quality for quantity.

b) individual incentives may make coworkers enemies.

c) group incentives may reduce cooperation on shared tasks.

d) it’s often hard for individuals to see their contribution to an organization-wide incentive, the dilution effect.

e) individual incentives may reduce workplace communication and interaction.

67. Which of the following is the most widely used individual incentive plan?

a) Piecework plan

b) Scanlon plan

c) Merit pay

d) Competency-based plan

e) Bonus plan

68. Rayshard works for an automobile salvage firm. Last year he started going to monthly meetings with managers and coworkers to evaluate labor-saving ideas. One idea, raising the crane level by 8 feet to clear the building, saved them $2 million. Each of the employees received a $200 bonus for the implementation of that idea. What kind of compensation system is used?

a) Piecework

b) Time-saving bonus

c) Merit pay

d) Scanlon Plan

e) Group incentive

69. Al’s company just instituted a new compensation program for managers. Pay is based on competencies such as leadership, problem solving and strategic planning. Pay levels are preset and reflect the degree of competency. What kind of compensation system was used?

a) Broad-banding

b) Scanlon Plan

c) Piece rate

d) Ordering

e) IMPROSHARE

70. Team-based compensation plans are effective in all of these situations EXCEPT

a) teams share a clear purpose and goals.

b) team members commu4nicate effectively with each other.

c) team members compete with each other.

d) resources are plentiful.

e) rewards must be significant and worthwhile.

71. Andres is the general manager of a plant that manufactures tires. He wants to introduce a plant-wide incentive program focusing on cooperation between management and employees through sharing problems, goals, and ideas. What incentive system should Andres use?

## a) Scanlon plan

## b) Competency-based plan

c) Merit pay

d) Stock options

e) Piecework plan

72. As the HR manager of Company XYZ., Victoria is currently working on the reward system. She wants to be able to pay and reward employees based on their skills, knowledge, and behaviors. What pay system should Victoria use?

a) Scanlon plan

b) IMPROSHARE

c) Profit sharing

d) Competency-based plan

e) Point method

73. Which method breaks down jobs based on identifiable criteria and the degree to which these criteria exist on the job?

a) Ordering method

b) Broad-banding method

c) Classification method

d) Point method

e) Group incentive method

74. How many times higher are the salaries of U.S. executives compared to those of their foreign counterparts?

a) Two to five times higher

b) Five to seven times higher

c) Seven to ten times higher

d) Fifteen times higher

e) Twenty times higher

75. Which of the following is NOT a factor that is taken into account in the balance sheet approach to international compensation?

a) Base pay

b) Differentials

c) Golden parachute

d) Incentives

e) Assistance programs

76. International compensation packages typically include four factors, base bay, differentials, incentives and assistance programs. This approach is referred to as

a) broadband.

b) golden parachute.

c) balance sheet.

d) expatriate.

e) classification.

77. What is the incentive plan that uses a mathematical formula to determine employee bonuses?

a) IMPROSHARE

b) Scanlon Plan

c) Broad-banding

d) FLSA

e) Ordering

78. Jon, a U.S. petroleum engineer, moved his family to Saudi Arabia for a two-year assignment. The company provided him a travel allotment of $.10 a mile, a food allowance of $500 a month, and $2000 a month for housing to maintain his standard of living. What kind of pay factor was used?

a) Base pay

b) Differentials

c) Bonuses

d) Incentives

e) Assistance programs

79. Jean, a geologic specialist, agreed to accept an overseas assignment for her company after the company agreed to store her yacht, provide security service 24X7, and arrange for Mimi, her cat, to go with her. What kind of pay factor was used?

a) Base pay

b) Differentials

c) Bonuses

d) Incentives

e) Assistance programs

80. Cesar, a satellite architect, accepted an overseas assignment for his company when the company agreed to provide a car and chauffeur, a beach villa, a sailboat, and a lump sum payment of $600,000. What kind of pay factor was used?

a) Base pay

b) Differentials

c) Bonuses

d) Incentives

e) Assistance programs