

Chapter 01
Introducing Employee Benefits

True / False Questions

1. Flexible benefits plans enable employees to choose from among a set of benefits and different levels of these benefits. (Basic Design Considerations for Discretionary Benefits)

TRUE

2. Cost-of-living adjustments (COLAs) are based on changes in prices as indexed by the consumer price index. (Adjustments to Core Compensation)

TRUE

3. The Fair Labor Standards Act first legitimized bargaining for employee benefits. (Origins of Employee Benefits)

FALSE

4. Flexible work schedules are considered part of accommodation and enhancement benefits packages. (The Fundamental Roles and Sources of Employee Benefits)

TRUE

5. Benefits professionals usually designate wellness programs as a protection program. (The Fundamental Roles and Sources of Employee Benefits)

FALSE

6. The Federal Insurance Contributions Act (FICA) helps support the Old-Age, Survivor, and Disability Insurance (OASDI). (Government Regulation of Employee Benefits)

TRUE

7. Employer-sponsored disability insurance is less encompassing than workers' compensation. (Discretionary Benefits)

FALSE

8. Defined benefits plans, defined contribution plans and hybrid plans are types of health carefunding plans. (Discretionary Benefits)

FALSE

9. Competitive strategy refers to the series of judgments, made under uncertainty, that companies direct toward making strategic decisions. (Basic Strategic Planning Concepts)

FALSE

10. The top-down approach to strategic benefits planning is a reactive process that evaluates the benefits program only after problems arise. (Approaches to Strategic Benefit Planning)

FALSE

11. Incentive-pay only rewards employees for completely attaining predetermined work objectives. (Adjustments to Core Compensation)

FALSE

12. Workers' compensation insurance programs, run by the federal government, are designed to cover employee expenses incurred in work-related accidents and injuries. (State Compulsory Disability Laws (Workers' Compensation))

FALSE

13. Merit-pay rewards employees according to their job performance. (Adjustments to Core Compensation)

TRUE

14. Total compensation represents both core compensation and employee benefits. (Employee Benefits in the Total Compensation Scheme)

TRUE

15. Strategic benefit plans describe the use of compensation and benefits practices that support both HR strategies and competitive strategies. (Basic Strategic Planning Concepts)

FALSE

16. Unemployment insurance is funded solely by the Federal Unemployment Tax Act (FUTA). (Government Regulation of Employee Benefits)

FALSE

17. Core compensation programs reward employees according to their job performance levels or for acquiring job-related knowledge or skills. (Employee Benefits in the Total Compensation Scheme)

TRUE

18. Employee benefits represent compensation other than wages or salaries. (Employee Benefits in the Total Compensation Scheme)

TRUE

19. Employees' knowledge and skills are said to generate human capital for firms and are the basis for incentive-pay. (Adjustments to Core Competition)

FALSE

20. The Social Security Act was enacted due to the effects of WWII. (The Social Security Act of 1935)

FALSE

21. Union workers cannot negotiate paid time off benefits. (Paid TimeOff)
FALSE

22. Employers are free to offer discretionary benefits but specific laws influence the application of these practices. (Legal and Regulatory Influences on Discretionary Benefits Practices)
TRUE

23. Benefits are defined as compensation that includes wages and salary as well as other services. (Defining Employee Benefits)
FALSE

24. Benefits professionals craft benefits strategies based on information contained in strategic benefit plans. (Basic Strategic Planning Concepts)
TRUE

25. Vacations are a type of accommodation benefit. (Paid TimeOff)
FALSE

26. Protection programs most closely parallels legally required benefits. (Discretionary Benefits)
TRUE

27. Person-focused pay rewards employees with periodic additions to base pay, according to length of service. (Adjustments to Core Compensation)
FALSE

28. Workers' compensation laws are state laws. (State Compulsory Disability Laws (Workers' Compensation))

TRUE

29. Life insurance programs protect employees' families in the event of untimely illness. (Protection Programs)

FALSE

30. Employees are most likely to endorse benefits that fulfill their needs. (Changing Demographics of the Labor Force)

TRUE

31. Incentive-pay is a permanent increase of compensation based on individual goal achievement. (Adjustments to Core Compensation)

FALSE

32. In financing discretionary benefits, employers always pay the total cost incurred. (Basic Design Considerations for Discretionary Benefits)

FALSE

33. During the 1940s and 1950s, companies expanded their discretionary benefits as an alternative to wage increases or as a motivational tool. (Origins of Employee Benefits)

TRUE

34. The existence of labor union has limited the use of welfare practices by companies. (Origins of Employee Benefits)

FALSE

35. Health care was a discretionary benefit until passage of the Family and Medical Leave Act in 1993. (The Fundamental Roles and Sources of Employee Benefits)

FALSE

36. Voluntary benefits are supplemental benefits companies offer on an employee-financed basis. (Basic Design Considerations for Discretionary Benefits)

TRUE

37. When paying for discretionary benefits, contributory financing is when the company and its employees share the costs. (Basic Design Considerations for Discretionary Benefits)

TRUE

38. Under the Patient Protection and Affordable Care Act, dental care is included under the required health care offered to employees. (The Patient Protection and Affordable Care Act of 2010)

FALSE

39. The planned use of company resources to promote and sustain competitive advantage is referred to as competitive strategy. (Basic Strategic Planning Concepts)

TRUE

40. Total compensation strategies detail different scenarios that may affect the company, emphasizing long-term changes in how a company's benefit plan operates. (Basic Strategic Planning Concepts)

FALSE

Multiple Choice Questions

41. Which of the following is NOT one of the fundamental roles characterizing benefits programs? (Defining and Exploring Employee Benefits)

- A. Accommodation and enhancement
- B. Paid time-off
- C. Protection programs
- D.** Total compensation

42. Which of the following adjustments to core compensation rewards employees for acquiring new knowledge and skills through designated curricula sponsored by an employer? (Adjustments to Core Compensation)

- A. Merit-pay
- B.** Person-focused pay
- C. Seniority-pay
- D. Incentive-pay

43. Discretionary benefits can be categorized into programs that (Discretionary Benefits)

- A. Protect health and income, provide job security, provide accommodation and enhancement benefits
- B. Provide job security, protect health and income, allow for paid time-off
- C.** Protect health and income, allow for paid time-off, provide accommodation and enhancement benefits
- D. Provide job security, allow for paid time-off, provide accommodation and enhancement benefits

44. Which of the following is NOT an example of a discretionary benefit? (Discretionary Benefits)

- A. Retirement plans
- B.** Workers' compensation
- C. Life insurance
- D. Paid vacations

45. Which two are the possible approaches that can be used in strategic benefits planning? (Approaches to Strategic Benefit Planning)

- A. Backing-out & top-down
- B.** Backing-in & top-down
- C. Backing-up & top-in
- D. Backing-down & top-in

46. Which of the following laws does not mandate legally required employee benefits? (Legally Required Benefits)

- A. Social Security Act
- B. Family and Medical Leave Act
- C.** Civil Rights Act
- D. Patient Protection and Affordable Care Act

47. Employer choice of discretionary benefits does not depend on: (Government Regulation of Employee Benefits)

- A. Economic considerations
- B. Adequacy of legally required benefits
- C. Employee expectations
- D.** Government mandates

48. The Family and Medical Leave Act (FMLA) permits employees which of the following? (The Family and Medical Leave Act of 1993)

- A. 12 work weeks of paid leave during any 12-month period
- B. 10 work weeks of paid leave during any 12-month period
- C.** 12 work weeks of unpaid leave during any 12-month period
- D. 10 work weeks of unpaid leave during any 12-month period

49. Information for strategic benefits planning comes from these two environments. (Information Used in Strategic Benefit Planning)

- A. External company & internal market
- B.** External market & internal company
- C. Internal market & external market
- D. Internal company & external company

50. In which social context were workers' compensation laws enacted? (State Compulsory Disability Laws (Workers' Compensation))

- A. Post Depression
- B. Post WWII
- C. Industrial expansion in the early 1900s
- D. The end of the 19th century when no laws ensured worker safety

51. What are the four main classes of health insurance programs that employers have to choose from to offer its' employees? (The Patient Protection and Affordable Care Act of 2010)

- A. Fee-for-service plans, alternative managed care plans, point-of-service plans, consumer-driven plans
- B. Consumer-driven plans, point-of-service plans, alternative managed care plans, fee-for-service plans, person-focused plans
- C. Fee-for-service plans, person-focused plans, point-of-service plans, point-of-service plans
- D. Point-of-service plans, consumer-driven plans, alternative managed care plans, person-focused plans

52. Which common feature of a benefits plan allows companies to limit benefit participation to current employees? (Basic Design Considerations for Discretionary Benefits)

- A. Noncontributory financing
- B. Point-of-service plans
- C. Eligibility provisions
- D. Wellness programs

53. Which of the following are considered the five core compensation adjustment elements? (Adjustments to Core Compensation)

- A. COLAs, seniority pay, merit pay, incentive pay, person-focused pay
- B. Merit pay, seniority pay, COLAs, incentive pay, base pay
- C. Seniority pay, person-focused pay, incentive pay, base pay, COLAs
- D. Base pay, person-focused pay, merit pay, incentive pay, seniority pay

54. Which three are the three fundamental roles that characterize discretionary benefits? (Discretionary Benefits)

- A. Protection programs, paid time-off, retirement programs
- B. Protection programs, paid time-off, accommodation and enhancement programs**
- C. Paid time-off, accommodation and enhancement programs, retirement programs
- D. Retirement programs, protection programs and accommodation and enhancement programs

55. Flexible benefits allow employees to do which of the following? (Basic Design Considerations for Discretionary Benefits)

- A. Choose which benefits they want and at what level**
- B. Only choose the level of benefits they want
- C. Only choose which benefits they want
- D. Choose whether they want all base pay or pay and benefits

56. Companies can generally choose from which four programs for financing their discretionary benefits plans. (Basic Design Considerations for Discretionary Benefits)

- A. Noncontributory, contributory, employee-financed, a combination of the other three**
- B. Alternative managed care, contributory, employee-financed, a combination of the other three
- C. Employee-financed, contributory, alternative managed care, a combination of the other three
- D. Alternative managed care, contributory, employee-financed, noncontributory

57. Profit sharing payments are examples of which type of core compensation package? (Adjustments to Core Compensation)

- A. Incentive pay**
- B. Merit pay
- C. Person-focused pay
- D. Seniority pay

58. Which of the following are the three main types of retirement programs that companies can offer? (Income Protection Programs)

- A. Employee-financed plans, defined benefits plans, hybrid plans
- B. Hybrid plans defined contribution plans employee-financed plans
- C. Defined contribution plans, employee-financed plans, defined benefits plans
- D.** Defined contribution plans, defined benefits plans, hybrid plans

59. Which two make up the internal environmental factors? (Internal Environment)

- A. Labor force demographics, governmental regulations
- B. Mergers and acquisitions, labor force demographics
- C. Governmental regulations, collective bargaining agreements
- D.** Workforce demographics, collective bargaining agreements

54. The Social Security Act of 1935 set up which two programs? (The Social Security Act of 1935)

- A.** Retirement income & unemployment insurance
- B. Medicare & disability insurance
- C. Disability insurance & retirement income
- D. Unemployment insurance & Medicare

60. Which of the following is an internal environment factor used for strategic benefits planning? (External Environment)

- A. Government regulation of employee benefits
- B. Employer costs for compensation and benefits
- C. Changing demographics of the labor force
- D.** Workforce demographics

61. Which of the following is not a fundamental employee goal? (Legal and Regulatory Influences on Discretionary Benefits Practices)

- A. High wages
- B.** Leadership
- C. Job security
- D. Safe working conditions

62. Which of the following is not an example of an accommodation and enhancement program? (Accommodation and Enhancement Programs)

- A.** Disability insurance
- B. Tuition reimbursement
- C. Family assistance
- D. Stress management

63. Benefits accounted for what percentage of total compensation costs in the private sector? (Employer Costs for Compensation and Benefits)

- A.** 30.3%
- B. 25.5%
- C. 20.3%
- D. 10.7%

64. In 2016, about how many million persons were employed by private-sector companies? (Legal and Regulatory Influences on Discretionary Benefits Practices)

- A. 90 million
- B.** 122 million
- C. 118 million
- D. 125 million

Essay Questions

65. Briefly describe the origins of employee benefits in the US. (Origins of Employee Benefits)

Main Points

- Different forces account for legally required and discretionary benefits in US
- Government established programs to protect individuals from disability and unemployment
- Historically, legally required benefits provided a form of social insurance
- Industrialization during late 19th and early 20th century and Great Depression led to design of initial social insurance programs
- Contemporary discretionary benefits evident in late 1800s
- Employer sponsorship of health care became common
- National Labor Relations Act legitimized bargaining for benefits
- Employees today typically view benefits as entitlements

66. Briefly describe various legal and regulatory influences on discretionary benefits. (Legal and Regulatory Influences on Discretionary Benefits Practices)

Main Points

- Necessary to distinguish between "private sector" employers and governmental employers - different regulations influence discretionary benefits practices in these two sectors.
- In 2016, private sector companies employed 122 million US civilian employees, mostly for-profit
- Conflicting goals between employers and employees necessitate laws and regulations to protect employees
- Prior to passage of the National Labor Relations Act, employees had no rights
- Before 1974, employees could lose retirement benefits
- Regulations such as Social Security Act of 1935 and ERISA of 1974 protect employees from this today
- Public sector employers include US federal, state and local entities
- Approximately 2 million employees in this sector in three branches - executive, judicial, legislative
- Government employers must operate within a budget to provide pay and benefits to employees.

67. Discuss the influence of external market conditions on strategic benefits planning of companies. (External Environment)

Main Points

- Factors outside the direct control of a company
- Industry prospects, economic conditions, forecasts
- Employer costs for compensation and benefits
- Government regulation of employee benefits
- Changing demographics of the labor force

68. Briefly discuss the adjustments to core compensation a company may choose to provide for its employees. (Adjustments to Core Compensation)

Main Points

- Cost-of-living adjustments or COLAs represent periodic base-pay increases often set to periodic changes in the U.S. Bureau of Labor Statistics' Consumer Price Index
- COLAs enable workers to maintain purchasing power by having their base pay adjusted for inflation
- Seniority-pay systems reward employees with periodic additions to base pay according to length of service
- Human capital theory states that employees' knowledge and skills generate productive capital, known as human capital

- Merit-pay programs assume that employees' compensation over time should be determined based on differences in job performance
- With merit-pay, employees earn permanent increases to base pay according to their performance, which rewards excellent effort or results, motivates future performance, and helps employers retain valued employees
- Merit pay increases are expressed as a percentage of current base pay, with higher percentage increases for better performers
- Incentive pay rewards employees for partially or completely attaining a predetermined work objective
- Incentive pay is defined as compensation that fluctuates according to attainment of individual or group goals, or company earnings
- Person-focused pay rewards employees for acquiring new knowledge and skills through designated curricula sponsored by an employer
- Person-focused pay recognized the range, depth, and types of skills or knowledge employees are capable of applying productively to their jobs following training
- Person-focused pay programs are more common in the manufacturing industry in companies that are around 10 years old