

Student name: _____

Total CEO annual compensation at S&P 500 companies is roughly \$12.3 million. At just over half that total (\$6.5 million), which compensation component comprises the majority of that total compensation amount?

Stock option awards

Salary

Stock grants

Bonuses

The "say on pay" and clawback provisions are included in which of the following federal laws?

The Dodd-Frank Wall Street Reform and Consumer Protection Act

The Affordable Care Act of 2010

The Fair Labor Standards Act (FLSA)

The Cost-of-Living Act (COLA)

One of the reasons why the great majority of the uninsured in the United States are from working families is that

many larger employers do not offer health insurance as it does not guarantee an increase in productivity levels.

health insurance is costlier for larger employers.

many small employers are much less likely than larger employers to offer health insurance to their employees.

most workers decline health insurance when it is offered by their employers.

The degree to which pay influences individual and aggregate motivation among employees at any point in time is referred to as a(n):

sorting effect.

incentive effect.

turnover effect.

directional effect.

Which of the following is an example of a relational return?

A short-term incentive

Employment security

Allowances

Income protection

Which of the following is given as an increment to base pay in recognition of past work behavior?

Merit bonuses

Relational returns

Merit increases

A short-term incentive

GreenRain Corporation faces an increase in its employee turnover rate. The CEO calls for a board meeting with the senior executives to discuss the issue. Who among the following suggests increasing the relational returns that employees receive to reduce the turnover rate at GreenRain?

Tom, who suggests increasing the decision-making authorities given to the employees to make work more challenging

Deena, who suggests providing more work/life balance to the employees by increasing the number of paid leaves

Syed, who suggests increasing the medical insurance coverage offered to the employees

Liam, who suggests increasing merit bonuses

Which of the following statements concerning cash compensation and the Fair Labor Standards Act is true?

Nonexempt employees have their pay calculated at an hourly wage.

Exempt workers receive overtime pay.

Managers and professionals usually fit the category of nonexempt worker.

Labeling all base pay as "salary" means the employer does not have to follow the FLSA regulations.

Which of the following is true of incentives?

They are determined after past performance is evaluated.

They are linked to subjective performance measures.

They permanently increase labor costs.

They are re-earned each pay period.

Which of the following companies is taking efforts to improve the work/life balance of its employees?

MH Corporation, which increases the number of paid holidays given to its senior employees

Kay Corporation, which increases the transport allowance for its employees by 10 percent

Haywire Corporation, which allows its employees to buy company stocks at a reduced price of \$30 per share

Halo Corporation, which increases the variable pay of its employees

Variable pay may also be called

relational returns.

merit increases.

COLAs.

incentives.

Which of the following is often the largest component in an executive pay package?

Base pay

Stock options

Merit bonuses

Incentives

Unlike merit increases, merit bonuses are

distributed in every quarter.

based on duration of service.

paid in the form of a lump sum.

included in the base salary.

Robert, the CEO of GameTrack Corporation, wants to restructure its pay plan without increasing labor costs in the long run. He is most likely to achieve this, while retaining his top employees, by:

increasing base pay and decreasing variable pay.

increasing incentive pay and decreasing base pay.

hiring more employees and reducing marginal product output requirements.

providing across-the-board increases on a monthly basis.

Incentives do not permanently increase labor costs because:

they rely on a subjective rating of performance.

they are given based on the past performances of employees.

they increase the base wage.

they are one-time payments.

A difference between incentives and merit increases is that incentives

do not increase the base wage, whereas merit increases increase the base wage.

cannot be tied to the performance of an individual, whereas merit increases can be tied to the performance of an individual.

rely on a subjective measure of performance, whereas merit increases rely on an objective measure of performance.

are relational returns, whereas merit increases are part of the total compensation.

Which of the following is a fundamental objective, and NOT a policy, of the pay model?

Fairness

Competitiveness

Contributions

Alignment

Which of the following is a policy, and NOT an objective, of the pay model?

Ethics

Competitiveness

Efficiency

Fairness

Which of the following are defined as comparisons among individuals doing the same job for the same organization?

Network of returns

Compliance

Employee contributions

Relational returns

_____ refers to comparisons among jobs or skill levels inside a single organization.

External competitiveness

Internal alignment

Compliance

Merit guidelines

In the context of pay relationships, which of the following is illegal in the United States?

Paying on the basis of the nature of jobs

Paying on the basis of pay comparisons with competitors

Paying on the basis of one's age

Paying on the basis of one's skill level

Managers seek internal alignment within their organization by:

matching competitors' pay rates.

following Fair Labor Standards Act guidelines.

using fair merit increases.

paying on the basis of similarities among jobs.

Compensation policy choices that affect the pay level relative to other companies are most closely associated with the _____ aspect of the pay model.

internal alignment

external competitiveness

employee contribution

pay system management

The decisions to implement pay for performance, flat rate pay, and profit sharing are examples of _____ policy decisions.

internal alignment

efficiency

employee contribution

management

According to the text, which of the following decisions should be made jointly?

Internal alignment and management decisions

External competitiveness and employee contribution decisions

Employee contribution and internal alignment decisions

Management and external competitiveness decisions

Which of the following policy decisions directly affects employees' attitudes and work behaviors?

Employee contributions

Internal alignment

External competitiveness

Management

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 _____ have the greatest instrumental value.

job responsibilities

training and skill development programs

goal setting and job enrichment

monetary incentives

In a study, causation can be best established by:

considering a single explanation.

evaluating the methodologies used.

accounting for competing explanations.

analyzing the scope of the study.

A measure of how changes in one variable are related to changes in another variable is the:

standard deviation.

analysis of variance.

correlation coefficient.

mean deviation.

_____ refers to the process used to make pay decisions.

Procedural fairness

Relational return

Regression analysis

Internal alignment

When unemployment increases, the proportion of the population covered by health insurance decreases.

true

false

The degree to which pay influences individual and aggregate motivation among employees is called a sorting effect.

true

false

When looking at the total CEO compensation of U.S. public companies, salary was the largest, most significant compensation component.

true

false

Commissions are an example of incentives.

true

false

Most U.S. firms use merit pay increases.

true

false

Base wage reflects both the value of the work and individual employee skills and experience.

true

false

Pension and health benefits are a very large component of total compensation for many large companies such as American Airlines and GM.

true

false

Merit bonuses are paid in a lump sum and do not become a permanent part of base salary.

true

false

Procedural fairness suggests that the way a pay decision is made is of less importance to employees than the results of the decision.

true

false

If the objective is to increase customer satisfaction, then incentive programs and merit pay might be used to pay for performance.

true

false

Objectives guide the design of pay systems and provide standards for evaluating their effectiveness.

true

false

Even if federal compensation laws change, it is unnecessary to change pay systems to ensure continued compliance.

true

false

Internal alignment pertains to the pay rates both for employees doing equal work and for those doing dissimilar work.

true

false

A manager can use one of four proven pay techniques that tie basic policies to the pay objectives.

true

false

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

Fairness is affected through employees' comparisons of their pay to the pay of others in the organization.

true

false

Consultant surveys are often presented as studies that reveal cause and effect.

true

false

In Japan, the traditional characters for the word "compensation" are based on the symbols for logs and water, suggesting that compensation provides the necessities in life.

true

false

The relationship between variables is most often addressed through the use of statistical analysis.

true

false

The R^2 , which is an output from a regression analysis, 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

Describe compensation from the manager's perspective.

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

Describe the various returns received from work.

List the three elements of the pay model.

Explain the basic compensation objectives of pay systems.

Answer Key

Test name: CH1 Compensation E14

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Short Answer

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