

## Chapter 7 Recognizing and Rewarding Employees

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### MULTIPLE CHOICE

1. What does employee compensation refer to?
- a. certain forms of pay and rewards to employees
  - b. pay and rewards to employees
  - c. all forms of pay or rewards to employees, both direct and indirect
  - d. cash payments only

ANS: C PTS: 1 DIF: Understanding

REF: 228 OBJ: 1 BLM: R

2. What is considered to be a common goal of compensation policies?
- a. to influence customer behaviours
  - b. to manage the performance of key staff
  - c. to control the compensation budget
  - d. to remain competitive in the product market

ANS: C PTS: 1 DIF: Key Terms

REF: 231

OBJ: 1 BLM: R

3. What item identifies the salary component of a compensation system?
- a. merit pay
  - b. base pay
  - c. cash bonuses
  - d. commissions

ANS: B PTS: 1 DIF: Key Terms/Understanding

REF: 232 OBJ: 1 BLM: R

4. Based on productivity research, what amount of increase in employee output is expected following implementation of a pay-for-performance program?
- a. 5 to 10 percent
  - b. 15 to 35 percent

- c. 35 to 50 percent
- d. 50 to 75 percent

ANS: B PTS: 1 DIF: Key Terms  
 REF: 232  
 OBJ: 1 BLM: R

5. What is a manager attempting to do by using a pay-for-performance standard?

- a. increase the base salaries of employees
- b. increase total organizational performance by applying strategic goal setting
- c. increase employee motivation by paying employees on a skills-based concept
- d. increase employee output through linking performance with desired employee rewards

ANS: D PTS: 1 DIF: Application  
 REF: 232  
 OBJ: 1 BLM: R

6. Under what circumstances will employees deem that compensation is equitable?

- a. when the work is perceived to be equally distributed among team members
- b. when the compensation is perceived to be equal to the value of the work performed
- c. when the compensation system uses the same methods for all job types
- d. when the work is perceived to be appropriate for their hierarchical level

ANS: B PTS: 1 DIF: Understanding  
 REF: 232 OBJ: 1 BLM: R

7. How are employees classified when their compensation is calculated on the basis of weekly, or monthly periods?

- a. hourly employees
- b. management employees
- c. salaried employees
- d. permanent employees

ANS: C PTS: 1 DIF: Key Terms/Understanding  
 REF: 233 OBJ: 1 BLM: R

8. What are employees who are compensated on an hourly basis also known as?

- a. wage earners
- b. salaried employees
- c. piecework employees
- d. commission earners

ANS: A PTS: 1 DIF: Understanding

REF: 233 OBJ: 1 BLM: R

9. Which of the following is an external factor that can influence the wage mix?

- a. the employer's ability to pay
- b. the cost of living
- c. the worth of the job
- d. the employee's relative worth

ANS: B PTS: 1 DIF: Understanding

REF: 234 OBJ: 2 BLM: R

10. Which of the following is an internal factor that can influence the wage mix?

- a. legal requirements
- b. area wage rates
- c. employee's relative worth
- d. labour market conditions

ANS: C PTS: 1 DIF: Understanding

REF: 234 OBJ: 2 BLM: R

11. What is the measure of the average change in prices over time in a large "basket" of goods and services purchased by Canadians known as?

- a. the consumer price index
- b. the inflation index
- c. a cost of living allowance
- d. a cost of living adjustment

ANS: A PTS: 1 DIF: Key Terms/Understanding

REF: 236 OBJ: 2 BLM: R

12. Which of the following is an external factor that can influence the rates of wages required to recruit or retain competent employees?

- a. labour market conditions
- b. employer's compensation policy
- c. willingness to pay
- d. employee's relative worth

ANS: A PTS: 1 DIF: Understanding

REF: 236 OBJ: 2 BLM: R

13. What will most likely result from determining wage increases solely on the basis of the CPI?

- a. employees will be motivated in the short run
- b. a more equitable compensation system will be created
- c. stronger pay-for-performance perceptions will occur
- d. pay rates within a pay structure will be compressed

ANS: D PTS: 1 DIF: Understanding/Application

REF: 237 OBJ: 2 BLM: R

14. What would an employer wishing to raise the "real wages" of employees have to do?

- a. grant across the board wage increases
- b. re-evaluate jobs in order to upgrade their worth
- c. pay employees on a pay for performance standard
- d. grant wage increases larger than the cost of living

ANS: D PTS: 1 DIF: Application

REF: 237

OBJ: 2 BLM: R

15. What do labour-market conditions reflect?

- a. the forces of supply and demand for qualified workers within an area
- b. the total amount of qualified labour available to a hiring employer
- c. the wage rates for specific types of labour
- d. the employer market available for those seeking employment

ANS: A PTS: 1 DIF: Application

REF: 236

OBJ: 2 BLM: R

16. What are organizations with formal job systems more likely to rely on to determine wage rates?

- a. wage equity comparisons
- b. worth analysis
- c. job evaluation
- d. expert opinions

ANS: C PTS: 1 DIF: Understanding

REF: 239 OBJ: 3 BLM: R

17. What is the proper term for the process of determining the relative worth of jobs in order to determine pay rates?

- a. job evaluation
- b. job analysis
- c. job determination
- d. job diagnosis

ANS: A PTS: 1 DIF: Understanding

REF: 239 OBJ: 3 BLM: R

18. Which method of comparison is NOT used in job evaluation?

- a. job ranking system
- b. job worth system
- c. point system
- d. job classification system

ANS: B PTS: 1 DIF: Key Terms

REF: 209|210

OBJ: 3 BLM: R

19. Which system of job evaluation is being used when raters are simply arranging jobs in order from highest to lowest relative worth based on their overall knowledge of the jobs?

- a. job grade system
- b. factor comparison method
- c. point system
- d. job ranking

ANS: D PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

20. What is the simplest method of job evaluation?

- a. point method
- b. job classification method
- c. factor comparison method
- d. ranking method

ANS: D PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

21. Which system of job evaluation is being used when jobs are classified according to a series of predetermined pay grades?

- a. Hay profile system
- b. factor comparison system
- c. job ranking system
- d. job classification system

ANS: D PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

22. What must an employer do to create a job classification system?

- a. evaluate jobs with the use of a job evaluation scale
- b. rank jobs according to the beliefs of committee members
- c. create job grades with increasing amounts of responsibility, skill, knowledge, or ability
- d. establish a point plan to evaluate all jobs

ANS: C PTS: 1 DIF: Application  
REF: 239  
OBJ: 3 BLM: R

23. What is known as a quantitative job evaluation procedure that determines a job's relative value on the basis of quantitative assessments of specific job elements?

- a. the point system
- b. the job ranking system

- c. the job grade system
- d. the factor comparison system

ANS: A PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

24. What factors are used as the basis for creating a point system for job evaluation?

- a. skill factors
- b. compensable factors
- c. knowledge factors
- d. descriptive factors

ANS: B PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

25. What is required of managers who wish to use the point system of job evaluation?

- a. they must rank jobs by job classification
- b. they must select key job categories for comparison purposes
- c. they must link point totals of job types to the wage curve
- d. they must evaluate jobs based on compensable factors

ANS: D PTS: 1 DIF: Application  
REF: 239  
OBJ: 3 BLM: R

26. What are the five most commonly used compensable factors in a factor comparison system?

- a. experience; mental effort; physical effort; accountability; working conditions
- b. skill; mental effort; physical effort; responsibility; working conditions
- c. experience; physical effort; accountability; responsibility; working conditions
- d. skill; physical effort; accountability; responsibility; working conditions

ANS: B PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: R

27. Which step is unnecessary when creating a factor comparison system?

- a. development of pre-determined salary grades
- b. comparison of compensable factors between evaluated jobs and key jobs
- c. ranking of jobs by a selected committee
- d. assignment of total points to each compensable factor

ANS: D PTS: 1 DIF: Key Terms  
REF: 239|240  
OBJ: 3 BLM: R

28. What is the term used for the area from which employers obtain certain types of workers?

- a. labour market
- b. recruiting area
- c. job market
- d. supply region

ANS: A PTS: 1 DIF: Key Terms  
REF: 241  
OBJ: 4 BLM: R

29. What would be the most likely geographic scope for a wage and salary survey for highly specialized jobs?

- a. national
- b. local
- c. regional
- d. provincial

ANS: A PTS: 1 DIF: Application  
REF: 241  
OBJ: 4 BLM: R

30. When conducting a wage and salary survey, what is important for the employer to survey?

- a. a wide variety of employers in the industry
- b. all of the jobs within the organization
- c. organizations very similar to their own organization
- d. a statistically representative sample of organizations in the industry

ANS: A PTS: 1 DIF: Application  
REF: 241



OBJ: 4 BLM: R

31. How can the relationship between the relative worth of jobs and their pay rates be represented?

- a. with a regression line
- b. with a salary progression chart
- c. with a wage curve
- d. with a pay gradient

ANS: C PTS: 1 DIF: Key Terms

REF: 241

OBJ: 4 BLM: R

32. What would an employer do to encourage an employee to accept a promotion to a job in a higher grade?

- a. increase the point spread of pay grades
- b. decrease the point spread of pay grades
- c. decrease the size of successive rate ranges
- d. increase the size of successive rate ranges

ANS: D PTS: 1 DIF: Application

REF: 242

OBJ: 4 BLM: R

33. What type of compensation program compensates employees for the knowledge they possess?

- a. seniority based pay plans
- b. performance based pay plans
- c. skill-based pay plans
- d. merit based pay plans

ANS: C PTS: 1 DIF: Understanding

REF: 242 OBJ: 4 BLM: R

34. What do skill-based pay plans encourage employees to do?

- a. focus on the type of job where they can display their specialty
- b. pursue work assignments that focus on narrowly defined requirements
- c. display an array of competencies that can be applied to a range of jobs
- d. leave the organization to pursue further academic credentials

ANS: C PTS: 1 DIF: Application  
REF: 242  
OBJ: 4 BLM: R

35. Which pay system would an organization likely use to establish greater job-staffing flexibility?

- a. straight pay
- b. incentive pay
- c. skill-based pay
- d. two-tier pay

ANS: C PTS: 1 DIF: Application  
REF: 242  
OBJ: 4 BLM: R

36. What is the name of the incentive plan in which both employees and the organization share the financial gains according to a predetermined formula that reflects improved productivity and profitability?

- a. gain sharing plan
- b. group incentive plan
- c. profit sharing plan
- d. variable pay plan

ANS: A PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 5 BLM: R

37. Which type of incentive plan rewards team members when agreed-upon performance standards are met or exceeded?

- a. gain sharing plan
- b. profit sharing plan
- c. employee stock ownership plan
- d. group-based incentive plan

ANS: D PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 5 BLM: R

38. In which type of incentive plan does an employer pay special sums based on the organization's net income over a specified period?

- a. profit sharing plan

- b. merit raises plan
- c. gainsharing plan
- d. individual bonus plan

ANS: A PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 5 BLM: R

39. What condition must exist for an incentive plan to work well?

- a. better than average employee-employer relations
- b. clearly defined job descriptions and job classifications
- c. a “clear line of sight” from employee performance to organizational performance
- d. a compensation system that is designed to ensure equitable base pay rates

ANS: C PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 5 BLM: R

40. Which type of compensation is intended to improve the quality of work lives and personal lives of employees?

- a. commissions
- b. employee benefits
- c. stock options
- d. financial incentives

ANS: B PTS: 1 DIF: Key Terms  
REF: 245  
OBJ: 6 BLM: R

41. What does the motivational value of an employer-provided benefits plan depend upon?

- a. how the benefits plan is designed and communicated
- b. how the benefits plan is related to employee performance
- c. how the benefits plan is comparable to employees with similar jobs
- d. how the benefits plan is administered and funded

ANS: A PTS: 1 DIF: Key Terms  
REF: 245  
OBJ: 6 BLM: R

42. What are the three types of benefits provided under the Canada/Quebec pension plan?

- a. retirement, disability, and survivor
- b. retirement, survivor, and healthcare
- c. retirement, vacation, and disability
- d. disability, old age security, and survivor

ANS: A PTS: 1 DIF: Key Terms  
REF: 247  
OBJ: 6 BLM: R

43. Which government sponsored benefit program provides weekly benefits to a person who is unable to work through no fault of his/her own?

- a. employment insurance
- b. severance pay
- c. sick pay
- d. termination pay

ANS: A PTS: 1 DIF: Key Terms  
REF: 248  
OBJ: 6 BLM: R

44. Which statement includes “other required benefits” that legislation requires employers to provide?

- a. extended medical insurance
- b. minimum vacation pay
- c. healthcare spending account
- d. accidental death and dismemberment coverage

ANS: B PTS: 1 DIF: Key Terms  
REF: 248  
OBJ: 6 BLM: R

45. Which of the following are voluntary employee benefits?

- a. statutory holidays
- b. minimum vacation pay
- c. educational assistance plan
- d. overtime premiums

ANS: C PTS: 1 DIF: Key Terms  
REF: 249  
OBJ: 7 BLM: R

46. Which item below is most significantly affected by “pay for time not worked”?

- a. benefit costs
- b. human resources plan
- c. schedule of operations
- d. operating plan

ANS: A PTS: 1 DIF: Key Terms  
REF: 250  
OBJ: 7 BLM: R

47. How are wellness programs intended to benefit employees?

- a. they help employees to manage their stress levels
- b. they provide diagnosis, limited counselling and referral services
- c. they provide subsidies for professional development
- d. they compensate employees during periods of illness

ANS: A PTS: 1 DIF: Key Terms  
REF: 252  
OBJ: 7 BLM: R

48. Which benefit program is intended to help workers cope with a wide variety of problems that interfere with the way they perform their jobs?

- a. employee assistance program
- b. perquisites (perks)
- c. workers compensation
- d. wellness program

ANS: A PTS: 1 DIF: Key Terms  
REF: 252  
OBJ: 7 BLM: R

49. Which plan helps employees keep up to date with advances in their occupational fields?

- a. career counseling
- b. human capital formation program
- c. educational assistance plan
- d. keep fit plan

ANS: C PTS: 1 DIF: Key Terms  
REF: 252

OBJ: 7 BLM: R

50. Which of the following are NOT usually included in child-care assistance programs?

- a. family leave
- b. on-site child care centres
- c. alternative work schedules
- d. private child care allowance

ANS: D PTS: 1 DIF: Key Terms

REF: 253

OBJ: 7 BLM: R

51. Which plan helps employees provide support to parents and other aging relatives while remaining actively at work?

- a. hospitalization residential care benefit
- b. old-age security benefit
- c. family allowance benefit
- d. eldercare benefit

ANS: D PTS: 1 DIF: Key Terms

REF: 253

OBJ: 7 BLM: R

### Scenario 7.1 All Season Fitness

Ryan works for a small sports equipment and clothing retail store located in the southern interior of BC, All Season Fitness. He just learned that one of his coworkers, who works full time, started one year after he had started at the company is being paid 20% more than he is. He has worked for All Season Fitness for three years part-time while attending Okanagan College business program. Ryan's base pay is minimum wage. The owner of All Season Fitness compensation includes 90 % base pay and 10% individual commissions. The owner believes that rewards and recognition programs play a key role in retaining a good workforce particularly in the sports retail environment, where many of his employees make minimum wage. He provides his student employees flexible work hours and an annual school tuition scholarship of \$1000.

52. Please refer to Scenario 7.1. Which advantage would All Season Fitness experience if their compensation levels and decisions were not kept secret?

- a. employee trust in the compensation system
- b. increased employee motivation, if it is an equitable system
- c. organizational effectiveness
- d. greater freedom for managers in employee pay decisions

ANS: B PTS: 1 DIF: Key Terms  
 REF: 232  
 OBJ: 1 BLM: HO

53. Please refer to Scenario 7.1. What would be an external factor that would influence the setting of pay levels at All Season Fitness?

- a. the perceived worth of the retail clerks' jobs
- b. the performance of the retail clerks, such as increased sales
- c. labour market conditions
- d. the owner's willingness to pay

ANS: C PTS: 1 DIF: Key Terms  
 REF: 236  
 OBJ: 2 BLM: HO

54. Please refer to Scenario 7.1. Which of the following would be an internal factor that would influence the setting of pay levels at All Season Fitness?

- a. compensation policy; base pay and incentive pay
- b. the cost of living in Penticton
- c. local union wages
- d. legal considerations

ANS: A PTS: 1 DIF: Key Terms  
 REF: 234  
 OBJ: 2 BLM: HO

55. Please refer to Scenario 7.1. A female coworker is being compensated 10% less than Ryan. She is also a student working part-time, doing the same job and has the same qualifications and experience as Ryan. What is the legal term for this compensation inequity?

- a. equal pay for equal work
- b. pay equity
- c. pay inequity
- d. unfair compensation

ANS: A PTS: 1 DIF: Key Terms  
REF: 238  
OBJ: 2 BLM: HO

56. Please refer to Scenario 7.1. What is the 10% commission pay used at All Season Fitness called?

- a. merit pay
- b. base salary
- c. bonus pay
- d. incentive pay

ANS: D PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 5 BLM: HO

57. Please refer to Scenario 7.1. Which of the following is an advantage experienced by All Season Fitness, resulting from their sales commission practices?

- a. easily administered pay
- b. improves pay equity
- c. clear link between pay and performance
- d. focuses efforts on one aspect of the work

ANS: C PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 5 BLM: HO

58. Please refer to Scenario 7.1. Which of the following is a voluntary benefit, not required by law, provided at All Season Fitness?

- a. discounted fitness equipment and clothing
- b. tuition assistance
- c. Employment Insurance (EI)
- d. Workers' Compensation

ANS: B PTS: 1 DIF: Key Terms  
REF: 252  
OBJ: 7 BLM: HO

59. Please refer to Scenario 7.1. Which of the following is a benefit, required by law, at All Season Fitness?



- a. Canada Pension Plan
- b. Health and Welfare Benefits
- c. Retirement and Pension Plans
- d. Pay for Time not Worked

ANS: A PTS: 1 DIF: Key Terms  
REF: 247  
OBJ: 6 BLM: HO

60. Please refer to Scenario 7.1. The owner of All Season Fitness would like to conduct a systematic procedure to determine the relative worth or value of jobs. What is this called?

- a. job design and measurement
- b. job analysis
- c. job evaluation
- d. job performance review

ANS: C PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: HO

61. Please refer to Scenario 7.1. Which method of determining the relative worth of jobs would be the most popular and most used method at All Season Fitness?

- a. job ranking
- b. job grading
- c. factor comparison
- d. point system

ANS: D PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3 BLM: HO

62. Please refer to Scenario 7.1. What would be the third step All Season Fitness could take in evaluating its jobs?

- a. job analysis information
- b. wage and salary surveys
- c. pricing jobs
- d. job evaluation

ANS: B PTS: 1 DIF: Key Terms  
REF: 241

OBJ: 4 BLM: HO

**TRUE/FALSE**

1. Compensation must be purposefully linked to the organization's mission and general business objectives.

ANS: T PTS: 1 DIF: Key Terms  
REF: 228  
OBJ: 1

2. Organizations may choose to raise their selection standards and hire better-qualified employees, if rates of pay are high, thereby creating a large pool of applicants.

ANS: T PTS: 1 DIF: Understanding  
REF: 229 OBJ: 1

3. Studies have demonstrated that there is no link between an integrated approach to rewards and achieving strong business results.

ANS: F PTS: 1 DIF: Key Terms  
REF: 229  
OBJ: 1

4. Compensation should be tailored to the needs of the organization, not its employees.

ANS: F PTS: 1 DIF: Key Terms  
REF: 229  
OBJ: 1

5. Research has shown that employees increase output by an average of 50 percent after installation of a pay-for-performance program.

ANS: F PTS: 1 DIF: Key Terms  
REF: 232  
OBJ: 1

6. Pay equity is achieved when employees' compensation is equal to the value of the work they perform.

ANS: T PTS: 1 DIF: Key Terms/Understanding  
REF: 232 OBJ: 1

7. Compensation policies are externally equitable when employees believe that the wage rates for their jobs approximate the job's worth to the organization.

ANS: F PTS: 1 DIF: Understanding  
REF: 232 OBJ: 1

8. Compensation for work performed in most organizations has traditionally been on an hourly basis.

ANS: T PTS: 1 DIF: Key Terms  
REF: 233  
OBJ: 1

9. Piecework is far more prevalent than hourly work as a basis for compensating employees.

ANS: F PTS: 1 DIF: Key Terms  
REF: 233  
OBJ: 1

10. Salaried employees are those whose compensation is computed on the basis of weekly, biweekly, or monthly pay periods.

ANS: T PTS: 1 DIF: Key Terms  
REF: 233  
OBJ: 1

11. The rates at which employees are paid are directly or indirectly influenced by a combination of internal and external factors.

ANS: T PTS: 1 DIF: Key Terms

REF: 234  
OBJ: 2

12. The worth of a job is determined formally through the wage and salary survey.

ANS: F PTS: 1 DIF: Understanding

REF: 235 OBJ: 2

13. The employer's ability to pay is an external factor influencing the wage mix.

ANS: F PTS: 1 DIF: Understanding

REF: 234 OBJ: 2

14. When wage rates rise above existing area levels, an employer's labour costs may become excessive; therefore, it is important to use wage surveys.

ANS: T PTS: 1 DIF: Key Terms/Understanding

REF: 236 OBJ: 2

15. The consumer price index tracks the change in price over time of a market-based "basket of goods and services".

ANS: T PTS: 1 DIF: Key Terms

REF: 236

OBJ: 2

16. Wage compression can be avoided by granting wage increases solely on the basis of the CPI.

ANS: F PTS: 1 DIF: Understanding

REF: 236 OBJ: 2

17. Because of the many problems in the way the CPI is calculated, wage setters feel that it is not important.

ANS: F PTS: 1 DIF: Key Terms  
REF: 236  
OBJ: 2

18. Wages of unionized employees are generally higher than those of non-union employees.

ANS: T PTS: 1 DIF: Key Terms/Understanding  
REF: 237 OBJ: 2

19. Real wages represent the positive difference between wage increases and cost-of-living increases.

ANS: T PTS: 1 DIF: Application  
REF: 237  
OBJ: 2

20. The legal requirement of minimum hourly wage, means that an employer cannot pay any worker less than the per hour rate.

ANS: T PTS: 1 DIF: Key Terms  
REF: 238  
OBJ: 2

21. HR professionals establish predetermined wage grades as a basis for evaluating jobs in the job classification system of job evaluation.

ANS: T PTS: 1 DIF: Key Terms/Understanding  
REF: 239 OBJ: 3

22. The job ranking system provides a very refined measure of each job's worth.

ANS: F PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3

23. The job classification system is a quantitative job evaluation procedure that determines a job's relative value by calculating the total points assigned to it.

ANS: F PTS: 1 DIF: Key Terms/Understanding  
REF: 239 OBJ: 3

24. The point system of job evaluation is easy to establish and relatively simple to understand and use.

ANS: F PTS: 1 DIF: Key Terms/Understanding  
REF: 239 OBJ: 3

25. The point system of job evaluation permits jobs to be evaluated quantitatively based on compensable factors.

ANS: T PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3

26. In the factor comparison system, the five compensable factors that key jobs are evaluated against are skill, mental effort, physical effort, responsibility, and working conditions.

ANS: T PTS: 1 DIF: Key Terms  
REF: 239  
OBJ: 3

27. A survey of wages paid by employers in an organization's relevant labour market is known as the wage and salary survey.

ANS: T PTS: 1 DIF: Key Terms  
REF: 241  
OBJ: 4

28. Employers refer to the area from which they obtain certain types of workers as the labour market.

ANS: T PTS: 1 DIF: Key Terms  
REF: 241

OBJ: 4

29. The relevant labour market for engineers would most likely be local.

ANS: F PTS: 1 DIF: Understanding

REF: 241 OBJ: 4

30. Employers can obtain meaningful market wage rates by sampling a number of different employing organizations.

ANS: T PTS: 1 DIF: Understanding

REF: 241 OBJ: 4

31. Using job evaluation and wage survey data jointly increases the likelihood of achieving both internal and external equity.

ANS: T PTS: 1 DIF: Understanding

REF: 241 OBJ: 4

32. The wage curve represents the relationship between the relative worth of jobs and their wage rates.

ANS: T PTS: 1 DIF: Key Terms

REF: 241

OBJ: 4

33. Managers will group similar jobs into a pay grade in order to control payroll costs.

ANS: F PTS: 1 DIF: Understanding

REF: 242 OBJ: 4

34. From an administrative standpoint, it is preferable to group jobs into pay grades and pay all jobs according to the job's relative ranking within the pay grade.

ANS: F PTS: 1 DIF: Understanding

REF: 242 OBJ: 4

35. Employees are likely to accept a promotion if succeeding rate ranges are larger in size.

ANS: T PTS: 1 DIF: Understanding

REF: 242 OBJ: 4

36. When employees are paid according to the skills and knowledge they have rather than the specific jobs they perform, they are paid according to skill-based compensation.

ANS: T PTS: 1 DIF: Key Terms/Understanding

REF: 242 OBJ: 4

37. One of the major advantages of job-based compensation systems is that they reward employees for their skills or the knowledge they possess.

ANS: F PTS: 1 DIF: Key Terms/Understanding

REF: 242 OBJ: 4

38. A major benefit of job-based compensation systems is that they encourage employees to learn new skills and capabilities.

ANS: F PTS: 1 DIF: Key Terms/Understanding

REF: 242 OBJ: 4

39. Skill-based pay systems compensate employees for the different skills or knowledge they possess rather than for the job they hold in a designated job category.

ANS: T PTS: 1 DIF: Key Terms

REF: 242

OBJ: 4



40. The use of skill-based pay systems has been associated with decreased productivity and diminished staffing flexibility.

ANS: F PTS: 1 DIF: Key Terms/Understanding  
REF: 243 OBJ: 4

41. Broad banding refers to collapsing many traditional salary grades into a few wide salary bands.

ANS: T PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 4

42. According to a recent study by Deloitte Consulting, almost 80 percent of companies surveyed would be reducing the value of their cash incentives.

ANS: F PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 5

43. A current trend for incentive plans is to focus on individual achievement as opposed to business unit goals.

ANS: F PTS: 1 DIF: Key Terms  
REF: 243  
OBJ: 5

44. A plan that rewards team members with an incentive bonus when agreed upon performance standards are met or exceeded is known as team-based or group-based incentive.

ANS: T PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 5

45. Gainsharing is a plan in which both employees and the organization share the financial gains according to a predetermined formula that is focused on improvements in productivity.

ANS: T PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 5

46. Employee benefits constitute an indirect form of compensation intended to improve the quality of the work lives and the personal lives of employees.

ANS: T PTS: 1 DIF: Key Terms  
REF: 245  
OBJ: 6

47. Employee benefits represent up to 60 percent of total payroll costs of employers.

ANS: F PTS: 1 DIF: Key Terms  
REF: 244  
OBJ: 6

48. According to research, benefits are becoming more important when people are deciding to join or stay with a company.

ANS: T PTS: 1 DIF: Key Terms  
REF: 246  
OBJ: 6

49. The Canada and Quebec pension plans require the employer to match the amount of contributions made by the employee.

ANS: T PTS: 1 DIF: Key Terms  
REF: 247  
OBJ: 6

50. Retirement benefits, disability benefits, and survivor's benefits are the three major benefits that the contributions to the Canada and Quebec pension plans provide.

ANS: T PTS: 1 DIF: Understanding  
REF: 248 OBJ: 6

51. Employment insurance benefits are paid based on the number of hours of employment in the past year and the regional unemployment rate.

ANS: T PTS: 1 DIF:  
Understanding/Application  
REF: 248 OBJ: 6

52. All provinces and territories use a combination of general tax revenue, federal cost sharing and payroll taxes to fund the provincial hospital and medical plans.

ANS: F PTS: 1 DIF: Key Terms  
REF: 248  
OBJ: 6

53. In most Canadian provinces, health care costs are funded from general tax revenue and federal cost sharing.

ANS: T PTS: 1 DIF: Key Terms  
REF: 248  
OBJ: 6

54. Leave of absence with pay is often granted for a variety of reasons including illness in the family, pregnancy, birth or adoption of a child and educational activities.

ANS: F PTS: 1 DIF: Key Terms  
REF: 248  
OBJ: 6

55. To encourage employees to receive regular dental attention and to help pay for dental-care costs, some employers have instituted dental coverage plans.

ANS: T PTS: 1 DIF: Key Terms  
REF: 249  
OBJ: 7

56. Group life insurance is one of the newest and most popular employee benefits.

ANS: F PTS: 1 DIF: Key Terms  
REF: 249  
OBJ: 7

57. Wellness programs, employee assistance programs, educational assistance plans, and child and eldercare are some of the new types of services that organizations may offer to their employees.

ANS: T PTS: 1 DIF: Key Terms  
REF: 252|253  
OBJ: 7

## ESSAY

1. Briefly discuss the motivating value of pay equity for employees.

ANS:

Pay has a direct bearing on an employee's standard of living and status both on and off the job. Therefore, the concepts of pay equity and pay expectancy are important to organizational members.

Pay Equity. Equity is defined as anything of value earned through investment of something of value. It is only when the return on equity is equivalent to the investment made that fairness is achieved. For employees, this is achieved when the compensation received is equal to the value of the work performed. Pay must not only be equitable, it must also be perceived as equitable by employees. Research demonstrates that employees' perception of pay equity, or inequity, can have dramatic effects on motivation and productivity.

PTS: 1 DIF: Understanding  
REF: 232  
OBJ: 1

2. List the internal and external factors that affect the wage rates of employees.

ANS:

Internal factors:

The internal factors that influence wage rates are the employer's compensation policy, the worth of a job, an employee's relative worth in meeting job requirements, and an employer's ability and willingness to pay.

External factors:

The major external factors that influence wage rates include overall economy, labour market conditions, area wage rates, cost of living, collective bargaining if the employer is unionized, and legal requirements.

PTS:	1	DIF:	Understanding	REF:
234	OBJ:	2		

3. There are four major job evaluation systems used by employers. Name these systems, and briefly explain the major attributes of each system.

ANS:

#### Job Ranking System

This system which arrays jobs on the basis of their relative worth. The basic weakness of the job ranking system is that it does not provide a very refined measure of each job's worth.

#### Job Classification System

In the job classification system, jobs that are sufficiently alike with respect to duties and responsibilities are grouped and will have a common name and common pay. Jobs that require increasing amounts of job responsibility, skill, knowledge, ability, or other factors selected to compare jobs would then be grouped together, with a different common name and a different common pay. While this system has the advantage of simplicity, it is less precise than the point and factor comparison systems because the job is evaluated as a whole.

#### Point System

The point system is a quantitative job evaluation procedure that determines a job's relative value by calculating the total points assigned to it. The point system permits jobs to be evaluated quantitatively on the basis of factors or elements—commonly called compensable factors—that constitute the job. The skills, efforts, responsibilities, and working conditions that a job usually entails are the more common major compensable factors that serve to evaluate the worth of a job as more or less important than another.

#### Factor Comparison System

The factor comparison system, like the point system, permits the job evaluation process to be accomplished on a factor-by-factor basis. Key jobs are evaluated against five compensable factors—skill, mental effort, physical effort, responsibility, and working conditions—resulting in a ranking of the different factors for each key job. The compensable factors of the jobs to be evaluated are then compared against the compensable factors of key jobs within the organization that serve as the job evaluation scale.

PTS:	1	DIF:	Understanding
REF:	239		
OBJ:	3		

4. Explain skill-based pay including its advantages and disadvantages. Include in your discussion the practice of broadbanding.

ANS:

Skill-based pay, also known as competency-based pay, knowledge-based pay, pay-for-knowledge, or multiskilled-based pay, compensates employees for the different skills or increased knowledge they possess rather than for the job they hold in a designated job category. There are several advantages that stem from the use of skill-based pay plans. The most frequently cited benefits of skill-based pay include greater productivity, increased employee learning and commitment to work, improved staffing flexibility to meet production or service demands, and the reduced effects of absenteeism and turnover. Unfortunately, some skill-based pay plans limit the amount of compensation employees can earn, regardless of the new skills or competencies they acquire. Further, employees can become discouraged when they acquire new abilities but find there are no higher-rated jobs to which they can transfer.

Organizations that adopt a skill-based pay plan frequently use broadbanding. Broadbanding simply collapses many traditional salary grades into a few wide salary bands. This is done by organizations in an attempt to structure their compensation payments to employees, to encourage lateral skill building, and to address the need to pay employees performing multiple jobs with different skill level requirements. By broadbanding, organizations can consider job responsibilities, individual skills, and career mobility patterns in assigning employees to bands.

PTS: 1 DIF: Understanding  
REF: 242  
OBJ: 4

5. Identify and briefly describe five different incentive plans offered to hourly and/or salaried employees.

ANS:

Individual bonus—an incentive payment that supplements the basic pay. It has the advantage of providing employees with more pay for exerting greater effort, while at the same time giving employees the security of a basic wage. Bonuses are common among managerial employees but as indicated earlier, organizations are increasingly providing bonuses to front-line staff.

Team- or group-based incentive—a plan that rewards team members with an incentive bonus when agreed-upon performance standards are exceeded. Figure 7.7 provides the pros and cons of team incentive plans.

Merit raises—an incentive, used most commonly for salaried employees, based on achievement of performance standards. One problem with merit raises is that they may be perpetuated year after year even when performance declines.

Profit-sharing—any plan by which an employer pays special sums based on the profits of the organization.

Employee stock ownership plans (ESOPs)—stock plans in which an organization contributes shares of its stock to an established trust for the purpose of stock purchases by its employees.

PTS: 1 DIF: Understanding  
REF: 244  
OBJ: 5

6. Briefly describe the major government-sponsored employee benefits in Canada.

ANS:

Employment insurance (EI): provides income benefits if a person is unable to work through no fault of his or her own.

Canada /Quebec pension plan (C/QPP): programs that provide three types of benefits—retirement income, survivor/death benefits, and disability benefits. Benefits are payable only to those individuals who make contributions to the plans and/or their family members.

Worker's Compensation: provides income and medical benefits to victims of work-related accidents or illnesses and/or their dependents, regardless of fault.

Provincial hospital and medical services plans pay for basic medically required hospital and medical services with no direct fee to patients. These are also known as health care plans.

Leaves without pay: these are types of leaves that must be granted by law. They are usually taken without pay and with loss of seniority or benefits. Unpaid leave may be granted for a variety of reasons such as, illness in the family, pregnancy, birth or adoption of a child, educational or political activities.

PTS:	1	DIF:	Understanding
REF:	247 248		
OBJ:	6		

7. In addition to the benefits that are required by legislation, employers can choose to provide more benefits as part of the overall compensation package. Briefly describe five major voluntary employee benefits employers provide.

ANS:

Health and welfare benefits



In the past, health insurance plans covered only medical, surgical, and hospital expenses. Today, employers include prescription drugs as well as dental, optical, and mental health care benefits in the package they offer their workers. As well, extended health plans provide for additional payments beyond the basic provincial medical coverage, such as semi-private or private hospital rooms, prescription drugs, private nursing, ambulance services, out-of-country medical expenses that exceed provincial limits, and vision care. Lastly, group term life insurance is one of the oldest and most popular employee benefits.

#### Retirement and pension plans

Pension plans are classified into two primary categories: (1) defined benefit, and (2) defined contribution. In a defined benefit plan (DBP), a person receiving benefits receives a specific amount (usually based on years of service and average earnings), regardless of the amount of contributions. On the other hand, a defined contribution plan (DCP) provides to the recipient an amount that is based on the amount of accumulated funds and how much those funds can purchase (at the time of retirement) for retirement benefits.

#### Pay for Time Not Worked

The “pay for time not worked” category of benefits includes statutory holiday pay, vacation pay (above any legislated minimum), bereavement leave, rest periods, coffee breaks, sick leave, and parenting benefits (salary continuance). These benefits typically account for a large portion of overall benefit costs.

#### Employee Assistance Programs

An employee assistance program typically provides diagnosis, limited counselling, and referral for advice or treatment when necessary for problems related to substance abuse (alcohol, drug), emotional difficulties, and financial or family difficulties. The main intent of these programs is to help employees solve their personal problems or at least to prevent problems from turning into crises that affect their ability to work productively.

#### Educational Assistance Plans

The primary purpose of this plan is to help employees keep up-to-date with advances in their fields and to help them get ahead in the organization. Usually, the employer covers—in part or in total—costs of tuition, books, and related fees, while the employee is required to pay for meals, transportation, and other expenses.

#### Childcare and Eldercare

Benefits may include financial assistance, alternative work schedules, and family leave. For many employees, on-site or near-site childcare centres are the most visible, prestigious, and desired solutions.

To reduce the negative effects of caregiving for aging relatives on a worker's productivity, organizations may offer eldercare counselling, educational fairs and seminars, printed resource material, support groups, and special flexible schedules and leaves of absence.

PTS: 1 DIF: Understanding

REF: 248-254

OBJ: 7

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