

***Strategic Compensation, 8e (Martocchio)***

**Chapter 2 Contextual Influences on Compensation Practice**

1) This amendment to the U.S. Constitution gives Congress the power to regulate commerce with foreign nations, individual states, and Indian Tribes.

- A) First Amendment
- B) Fourteenth Amendment, Section 1
- C) Fifth Amendment
- D) Article I, Section 8

Answer: D

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: List four groups of federal laws that apply to compensation tactics. (1)

2) Which amendment to the U.S. Constitution made it illegal to restrict the freedom of religion, speech, and press, as well as protect the right of people to peacefully assemble?

- A) Article 1, Section 8
- B) First Amendment
- C) Fifth Amendment
- D) Fourteenth Amendment, Section 1

Answer: B

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: List four groups of federal laws that apply to compensation tactics. (1)

3) Which branch of the federal government is responsible for interpreting laws?

- A) service branch
- B) legislative branch
- C) executive branch
- D) judicial branch

Answer: D

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: List four groups of federal laws that apply to compensation tactics. (1)

4) This program grants income to workers who are unable to work due to injuries sustained while on the job.

- A) sick leave
- B) FMLA
- C) workforce restitution
- D) workers' compensation

Answer: D

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

5) Which of the following is NOT addressed by the Fair Labor Standards Act of 1938?

- A) minimum wage
- B) overtime pay
- C) executive compensation
- D) child labor provisions

Answer: C

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

6) An employee has a regular hourly rate equal to \$12. According to FLSA, how much should her/his employer pay this employee for each additional hour worked beyond the regular 40 hours within a period of 7 consecutive days?

- A) \$12
- B) \$14
- C) \$16
- D) \$18

Answer: D

Difficulty: Moderate

AACSB: Application of Knowledge

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

7) An employee has a regular hourly rate equal to \$10 and works 45 hours within a period of 7 consecutive days. How much should the employer pay this employee for 45 hours in total?

- A) \$425
- B) \$450
- C) \$475
- D) \$500

Answer: C

Difficulty: Difficult

AACSB: Application of Knowledge

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

8) What are the revised guidelines introduced in 2004 for determining whether jobs are exempt from FLSA overtime pay provisions called?

- A) Glass Ceiling Act
- B) Overtime Nonexempt Rules
- C) Bennett Amendment
- D) Fair Pay Rules

Answer: D

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

- 9) Which of the following examples is NOT considered as a compensable work activity?
- A) a fireman who plays checkers while waiting for an alarm
  - B) an employee attends an employer-mandated training
  - C) an employee travels from home before the regular workday and returns to his/her home at the end of the workday
  - D) an employee takes a 15-minute rest during work time

Answer: C

Difficulty: Moderate

AACSB: Application of Knowledge

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

- 10) Based upon the FLSA child labor provisions, what is the minimum age that a child must be in order to be legally employed?

- A) 10
- B) 12
- C) 14
- D) 19

Answer: C

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

- 11) Which of the following is NOT a protected characteristic by Title VII of the Civil Rights Act of 1964?

- A) sexual orientation
- B) race
- C) national origin
- D) gender

Answer: A

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

- 12) Intentionally treating women less favorably than men solely based upon their gender would be what form of discrimination?

- A) disparate treatment
- B) disparate impact
- C) disparate causality
- D) situational discrimination

Answer: A

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

13) A policy that applies to all company employees, but unintentionally hurts a protected group disproportionately, would be what form of discrimination?

- A) disparate treatment
- B) disparate impact
- C) disparate causality
- D) situational discrimination

Answer: B

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

14) This act strengthened the Equal Pay Act of 1963 by requiring employers to show that pay disparities are job related rather than sex-based. This act also prohibits employers from retaliating against employees who share their salary information.

- A) The Paycheck Fairness Act
- B) The Civil Rights Act of 1964
- C) The Age Discrimination in Employment Act of 1967
- D) The Davis Act

Answer: A

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

15) The "equal benefit or equal cost principle" is part of which Act?

- A) The Older Workers Benefits Protection Act (OWBPA)
- B) The Americans with Disabilities Act (ADA)
- C) The Employee Retirement Income Security Act of 1974 (ERISA)
- D) The Fair Labor Standards Act of 1938 (FLSA)

Answer: A

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

16) As a result of this law enacted by Congress, employers must now show that employment practices that create disparate impact are a business necessity. This law also made it legal for U.S. citizens working abroad for U.S. companies to file suit.

- A) Americans with Disabilities Act of 1990
- B) Executive Order 11246
- C) The Civil Rights Act of 1991
- D) The Older Workers Benefit Protection Act

Answer: C

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

17) This law makes it illegal to discriminate against people with physical and mental disabilities both within and outside employment settings, including public transportation, public accommodations, and employment.

- A) Americans with Disabilities Act of 1990
- B) Executive Order 11246
- C) The Civil Rights Act of 1991
- D) The Older Workers Benefit Protection Act

Answer: A

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

18) The Americans with Disabilities Act of 1990 (ADA) applies to companies that employ at least how many workers?

- A) 50
- B) 25
- C) 15
- D) 100

Answer: C

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

19) Jennifer works as a clerk in a company. The essential function of her job is producing memoranda using word processing software. If she develops crippling arthritis, which act requires her employer to make reasonable accommodations, such as providing a voice-recognition input device?

- A) Family and Medical Leave Act of 1993
- B) Americans with Disability Act of 1990
- C) Davis-Bacon Act of 1931
- D) Occupational Safety and Health Act of 1970

Answer: B

Difficulty: Easy

AACSB: Application of Knowledge

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

20) Construction contractors, working on government contracts valued at more than \$2,000, must pay their laborers and mechanics what type of local area-based wage according to the Davis-Bacon Act of 1931?

- A) minimum wage
- B) prevailing wage
- C) prevalent wage
- D) discretionary wage

Answer: B

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

21) Which of the following laws established a law in order to regulate the implementation of various employee benefits and pension programs?

- A) The Older Workers Benefit Protection Act (OWBPA)
- B) The Americans with Disabilities Act of 1990 (ADA)
- C) The Employee Retirement Income Security Act of 1974 (ERISA)
- D) The Fair Labor Standards Act of 1938

Answer: C

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

22) Melissa has been working in XYZ Company for the last 8 years. She got a very attractive job offer from another company in the same industry and decided to leave her current company. She is one hundred percent vested. Which of the following acts guarantees that she cannot lose the pension benefits after she leaves her job in XYZ Company?

- A) HIPAA
- B) ADA
- C) COBRA
- D) ERISA

Answer: D

Difficulty: Difficult

AACSB: Application of Knowledge

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

23) Which of the following acts was enacted in order to allow employees who are terminated, laid off, or have a change in their employment status to temporarily remain on the employer-sponsored medical insurance plan?

- A) The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
- B) The Older Workers Benefit Protection Act (OWBPA)
- C) The Americans with Disabilities Act of 1990 (ADA)
- D) The Civil Rights Act of 1991

Answer: A

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

24) Title VII and ADEA do not protect federal government employees. Which one of the following executive orders and/or laws gives similar protection to federal government employees?

- A) Family and Medical Leave Act of 1993
- B) Executive Order 11478
- C) Executive Order 11935
- D) The Rehabilitation Act

Answer: B

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Summarize at least three laws that apply exclusively to federal employers' compensation practices. (4)

25) This provision mandates that federal government agencies take affirmative action in providing jobs for individuals with disabilities.

- A) The Rehabilitation Act
- B) ADA
- C) Executive Order 11478
- D) The Government Employee Rights Act of 1991

Answer: A

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Summarize at least three laws that apply exclusively to federal employers' compensation practices. (4)

26) PPACA and its amendment Health Care and Education Reconciliation Act of 2010 are considered to be the basis for health care reform in the United States. Which of the following is NOT considered to be one of the goals of this health care reform?

- A) to reduce the number of uninsured U.S. residents
- B) to help more children get health coverage
- C) to increase the fund for the Medicare program
- D) to give patients access to recommended preventive services without cost

Answer: C

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

27) What is it called when the compensation practices in non-unionized companies mirror those found in unionized settings?

- A) progressive compensation
- B) the spillover effect
- C) concessionary bargaining
- D) inter-industry compensation differentials

Answer: B

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Explain how labor unions influence compensation practices. (5)

28) Which of these was given as a reason why union influence has diminished?

- A) foreign automobile manufacturers producing higher quality vehicles
- B) union companies demonstrating lower profits than non-union companies
- C) technological advances
- D) all of the above

Answer: D

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Explain how labor unions influence compensation practices. (5)



29) This type of bargaining occurs when unions shift from bargaining for large pay increases to simply bargaining for greater job security.

- A) guarded
- B) concessionary
- C) heightened
- D) compensatory

Answer: B

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Explain how labor unions influence compensation practices. (5)

30) Which refers to the set of regulations that applies to taxation in the United States?

- A) Federal Unemployment Tax Act
- B) Tax Equity and Responsibility Act
- C) Comprehensive Tax Act
- D) Internal Revenue Code

Answer: D

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

31) Congress creates and passes laws within the \_\_\_\_\_ branch of the American government.

Answer: legislative

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: List four groups of federal laws that apply to compensation tactics. (1)

32) During the \_\_\_\_\_, which took place in the 1930s, a great number of businesses failed and unemployment soared, forcing the government to intervene.

Answer: Great Depression

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: List four groups of federal laws that apply to compensation tactics. (1)

33) The FLSA requires that overtime be paid on all hours worked in excess of \_\_\_\_\_ hours within a period of 7 consecutive days.

Answer: 40

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

34) The \_\_\_\_\_ of 1963 makes it illegal to pay one sex more than the other for equal work performed.

Answer: Equal Pay Act

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

35) The \_\_\_\_\_ Amendment allows female employees to charge employers with Title VII violations regarding pay only when the employer has violated the Equal Pay Act of 1963.

Answer: Bennett

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

36) The \_\_\_\_\_ in Employment Act of 1967 was passed by Congress in order to protect workers 40 years of age and older from unlawful discrimination.

Answer: Age Discrimination

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

37) The \_\_\_\_\_ generation was born between roughly 1946 and 1964, and represents a big swell in the American population as the workforce gets progressively older.

Answer: baby boom

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

38) The \_\_\_\_\_ of 1978 was put in place to prohibit disparate impact discrimination from occurring against pregnant women in all employment practices, as well as to ensure that pregnancy was treated the same as any other form of disability.

Answer: Pregnancy Discrimination Act

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

39) The \_\_\_\_\_ of 1993 sought to provide employees with job protection in case of a family or medical emergency.

Answer: Family and Medical Leave Act (FMLA)

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Identify and describe at least one law in each of the four groups of federal laws that apply to compensation practices. (2)

40) \_\_\_\_\_ refers to an employee acquiring non-forfeitable rights to an employer's contribution to fund benefits.

Answer: Vesting

Difficulty: Easy

AACSB: Analytic Thinking

Learning Obj.: Summarize at least three laws that apply exclusively to federal employers' compensation practices. (4)

41) Summarize the key provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Answer: The **Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)** was enacted to provide employees with the opportunity to continue receiving their employer-sponsored medical care insurance temporarily under their employer's plan if their coverage otherwise would cease because of termination, layoff, or other change in employment status. COBRA applies to a wide variety of employers, with exemptions available only for companies that normally employ fewer than 20 workers, church plans, and plans maintained by the U.S. government.

Under COBRA, individuals may continue their coverage, as well as coverage for their spouses and dependents, for up to 18 months. Coverage may extend for up to 36 months for spouses and dependents facing a loss of employer-provided coverage because of an employee's death, a divorce or legal separation, or certain other qualifying events, which include employee termination, retirement, and layoff.

Companies are permitted to charge COBRA beneficiaries a premium for continuation coverage of up to 102 percent of the cost of the coverage to the plan. The 2 percent markup reflects a charge for administering COBRA. Employers that violate the COBRA requirements are subject to an excise tax per affected employee for each day that the violation continues. In addition, plan administrators who fail to provide required COBRA notices to employees may be personally liable for a civil penalty for each day the notice is not provided.

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

42) Discuss how the Pension Protection Act strengthens protections for employee defined benefit and defined contribution plans.

Answer: The Pension Protection Act is designed to strengthen protections for employees' company-sponsored retirement plans in at least two ways. The first consideration refers to defined benefit plans and the second refers to defined contribution plans. Defined benefit plans guarantee monthly income for the duration of a retiree's life, which employers typically fund in full. Defined contribution plans are savings plans that employees may contribute to for use during their retirement. First, this law should strengthen the financial condition of the Pension Benefit Guaranty Corporation (PBGC) by requiring that private sector companies that underfund their defined benefit plans pay substantially higher premiums (i.e., cost to provide insurance protection) to insure retirement benefits. After all, experience tells us there is a greater likelihood that the PBGC has had to take over highly underfunded defined benefit plans. The increase in underfunded plans poses a greater risk to the financial solvency of the PBGC. In other words, think of the PBGC as an automobile insurance company and young drivers with automobile insurance as companies with underfunded defined benefit plans. An automobile insurance company charges higher premiums to drivers under age 25 because years of data show that young drivers are more likely to get into multiple serious accidents than older drivers. After getting into a car accident, a person files a claim to the insurance company to pay for the costs of repairs. Of course, repair costs for serious accidents will be much more expensive than for minor accidents. So, insurance companies charge higher premiums to these drivers because they are more likely to file claims. Higher premiums will make it easier for insurance companies to stay financially solvent because they anticipated such claims. The Pension Protection Act law also aims to strengthen the PBGC financial condition by making it more difficult for companies to skip making premium payments. Finally, this new law raises the amount that employers can contribute to pension funding with tax advantages, creating an additional incentive to adequately fund pension plans.

Second, the Pension Protection Act makes it easier for employees to participate in such employer-sponsored defined contribution plans as 401(k) plans. Millions of workers who are eligible to participate in their employers' defined contribution plans do not contribute to them. There are a variety of reasons why employees choose not to participate; however, a prominent reason is that most individuals feel they do not have sufficient knowledge about how to choose investment options (e.g., a high-risk mutual fund versus a fixed-rate annuity) that will help them earn sufficient money for retirement. In addition, once employees make the decision to participate in these plans and have been making regular contributions, they are not likely to stop. With these issues in mind, the Pension Protection Act enables companies to enroll their employees automatically in defined contribution plans and provides greater access to professional advice about investing for retirement. In addition, this act requires that companies give multiple investment options to allow employees to select how much risk they are willing to bear. As an aside, risky investments usually have the potential for substantial gains or losses in value. Less risky investments usually have the potential for lower gains or losses. Some companies previously limited investment opportunities to company stock, which exposes employees to substantial investment risk.

Difficulty: Moderate

AACSB: Analytic Thinking

Learning Obj.: Define at least two federal laws that shape discretionary benefits practices and identify the relevant employee benefits practices to which they apply. (3)

43) Explain interindustry wage differentials and discuss the role of unionization on the interindustry differentials.

Answer: There are differences in wages across industries, which are known as interindustry wage differentials. For instance, workers in different industries such as mining, construction, manufacturing, and services earn different wages on average. There are a variety of factors that could explain the wage differentials among different industries. Unionization is considered as one of the important factors of interindustry differentials. On average, highly unionized industries tend to pay higher wages than do nonunion industries. Most highly unionized industries such as manufacturing, construction, and mining are capital intensive therefore, requires employees to learn and use complex production technology. However, we should also consider the fact that unions' influence has been declining since 1980s. In order to promote job security, many unions focus more on promoting job security than securing large pay increases (known as concessionary bargaining). For instance, the union that represents the pilots of Delta Airlines agreed to substantial cuts in base pay and in future retirement income to help the company avoid dissolution. Substantial cuts like the one in this example was very unlikely before the 1980s.

Difficulty: Difficult

AACSB: Analytic Thinking

Learning Obj.: Explain how labor unions influence compensation practices. (5)