

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Internal alignment refers primarily to: 1) _____
- A) the pay relationships in a geographic region
 - B) the pay relationships among jobs, skills, and competencies within a single organization
 - C) the pay relationships of all jobs within the same industry
 - D) the value of the work of one individual compared to that of another individual
 - E) the strategy of paying above market salaries
- 2) _____ refers to the pay relationships between the jobs/skills/competencies within a single organization. 2) _____
- A) External alignment
 - B) Total alignment
 - C) Internal equity
 - D) Base pay
 - E) Total cash
- 3) The array of pay rates for different work or skills within a single organization is referred to as _____. 3) _____
- A) rate board
 - B) pay scale
 - C) pay band
 - D) pay structure
 - E) total cash
- 4) The process by which goods and services are delivered to the customer is known as _____. 4) _____
- A) salary administration
 - B) procedural justice
 - C) workflow
 - D) pay structure
 - E) line-of-sight
- 5) _____ is the ability of the employee to see the link between an individual employee's work and the achievement of organizational objectives. 5) _____
- A) Workflow
 - B) Marginal productivity
 - C) Job evaluation
 - D) Line-of-sight
 - E) Internal alignment

- 6) _____ refer to the pay variances between job levels in an organization. 6) _____
- A) Earmarks
 - B) Anomalies
 - C) Factor levels
 - D) Differentials
 - E) Job benchmarks
- 7) With respect to the criteria used to determine the number of levels of work and differentials, _____ refers to the worth of the work: its relative contribution to the organization objectives. 7) _____
- A) endowment
 - B) return
 - C) value
 - D) content
 - E) contribution
- 8) With respect to the criteria used to determine the number of levels of work and differentials, _____ refers to the work performed in a job and how it gets done. 8) _____
- A) content
 - B) procedure
 - C) contribution
 - D) return
 - E) value
- 9) _____ reflects the worth of goods or services an employee produces in a job. 9) _____
- A) Use value
 - B) Exchange value
 - C) Workflow value
 - D) Marginal value
 - E) Differential value
- 10) Whatever wage the employer and the employee agree upon is called: 10) _____
- A) nominal value
 - B) use value
 - C) differential value
 - D) exchange value
 - E) marginal value
- 11) Which of the following is an external factor that influences internal structures? 11) _____
- A) HR policy
 - B) culture and custom
 - C) cost implication
 - D) employee acceptance
 - E) human capital

- 12) Marginal productivity theory states that: 12) _____
- A) both employees and management will act opportunistically to obtain the most favourable exchange possible.
 - B) people cognitively evaluate potential behaviours in relation to rewards offered in exchange.
 - C) an employee can produce anything of value if the profit margin of a product or service is large enough for the employer to reap.
 - D) unless an employee can produce something of value from his/her job equal to the value received in wages, it will not be worthwhile for an employer to hire that employee.
 - E) people are concerned about fairness of the reward outcomes exchanged for employee inputs.
- 13) _____ is the shared norms and values that a group of people share in common 13) _____
- A) Culture
 - B) Selection
 - C) Cognition
 - D) Recruiting
 - E) Biasing
- 14) A major influence on internal structures, the education, experience, knowledge, abilities, and skills that people possess is referred to as: 14) _____
- A) labour intensity
 - B) human capital
 - C) capital formation
 - D) cultural diversity
 - E) capital goods
- 15) _____ change(s) the value of jobs on the team and hence changes the job structure. 15) _____
- A) Ergonomic policies
 - B) Employee redressal
 - C) Labour intensity
 - D) Procedural justice
 - E) Self-management
- 16) Delayering is a work design change that involves: 16) _____
- A) cutting down the number of work levels
 - B) creating more number of supervisory jobs
 - C) reducing the budget allocated to individual departments
 - D) establishing an ergonomic workflow
 - E) creating a union-free workforce

- 17) _____ refer to rules and procedures that determine the pay for different jobs within a single organization and that allocate employees to those different jobs. 17) _____
- A) Jurisdictional labour markets
 - B) Internal labour markets
 - C) Customary labour markets
 - D) Marginal labour markets
 - E) External labour markets
- 18) In the context of internal labour markets, pay for non-entry jobs is heavily influenced by: 18) _____
- A) tenure with the organization
 - B) wages paid by other organizations for similar jobs
 - C) the wage paid at entry level
 - D) availability of skills in the external market
 - E) internal factors of the organization
- 19) _____ refers to the fairness of a process by which a decision is reached. 19) _____
- A) Distributive justice
 - B) Procedural justice
 - C) Tailored structure
 - D) Employee redressal
 - E) Marginal productivity
- 20) Research suggests that pay procedures are more likely to be perceived as fair if: 20) _____
- A) they are applied selectively to a few employees
 - B) the data used are unverified
 - C) there are no appeals procedures
 - D) employees' wages are very low
 - E) employees participate in the process
- 21) _____ structure is a pay structure for well-defined jobs with relatively small differences in pay. 21) _____
- A) Adaptive
 - B) Loosely coupled
 - C) Tailored
 - D) Flexible
 - E) Egalitarian
- 22) An egalitarian pay structure is different from hierarchical pay structure in that: 22) _____
- A) the egalitarian pay structure supports equal treatment of employees.
 - B) the pay differentials between the levels in an egalitarian pay structure are large.
 - C) the egalitarian pay structure supports individual performers more than teams.
 - D) the egalitarian pay structure supports a fit that is tailored.
 - E) the job structure in an egalitarian pay structure has greater number of levels.

- 23) Hierarchical pay structure is different from egalitarian pay structure in that: 23) _____
- A) the pay differentials between the levels in a hierarchical pay structure are small.
 - B) the job structure in a hierarchical pay structure has fewer levels.
 - C) hierarchical pay structure places greater emphasis on individual performance than team performance.
 - D) hierarchical pay structure supports a fit that is loosely coupled.
 - E) hierarchical pay structure encourages employees to expect equal treatment irrespective of performance.
- 24) Setting greater pay differentials at the top of the pay structure is based on: 24) _____
- A) institutional theory
 - B) equity theory
 - C) marginal productivity theory
 - D) tournament theory
 - E) marginal utility theory
- 25) Which of the following is a consequence of an internally aligned pay structure? 25) _____
- A) It hinders career progression.
 - B) It increases turnover.
 - C) It increases pay-related work stoppages.
 - D) It increases pay-related grievances.
 - E) It increases employees' experience.
- 26) _____ fairness, and legal compliance are the 3 consequences of an internally aligned pay structure. 26) _____
- A) Efficiency
 - B) Culture
 - C) Organization factors
 - D) Economic pressures
 - E) Human capital

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 27) Internal alignment is the first pay policy issue in a strategic approach. 27) _____
- 28) An internal pay structure is defined by the number of levels of work, the pay differentials between the levels, and the criteria used to determine those levels and differentials. 28) _____
- 29) In the context of the criteria used to determine the levels of work and pay differentials, value refers to the work performed in a job and how it gets done. 29) _____
- 30) A job-based structure looks at the skills, knowledge, or competencies the employee possesses. 30) _____

- 31) Unions, stockholders, and even political groups have a stake in establishing internal pay structures. 31) _____
- 32) Pay for non-entry jobs is buffered from external forces and is more heavily influenced by internal factors. 32) _____
- 33) Applied to internal structures, procedural justice addresses whether the actual pay differences among employees are acceptable. 33) _____
- 34) A hierarchical pay structure implies a belief that all workers should be treated equally. 34) _____
- 35) A hierarchical pay structure seeks to encourage teamwork by minimizing pay differentials among employees. 35) _____
- 36) Equal treatment of employees can result in more knowledgeable employees with more responsible jobs going unrecognized and unrewarded. 36) _____
- 37) Employees judge the fairness or equity of their pay by comparing it to that for other jobs at their own employer but not to that for jobs at other employers. 37) _____
- 38) The equity theory could support either egalitarian or hierarchical structures. 38) _____
- 39) According to tournament theory, the greater the pay differential between an employee's present salary and his or her boss's salary, the harder the employee will work. 39) _____
- 40) Research on tournament theory shows that pay differentials do not affect an employee's performance. 40) _____
- 41) Institutional theory predicts that very few firms are "first movers." Instead they copy innovative practices after innovators have learned how to make the practices work. 41) _____
- 42) Egalitarian structures are related to greater performance when the workflow depends more on individual contributions. 42) _____
- 43) Aligning the pay structures to fit the organization and the surrounding conditions will seldom lead to competitive advantage for the organization. 43) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 44) How do internal pay structures influence employees' behaviour?
- 45) How does line-of-sight play a role in influencing employees' behaviour?
- 46) What are the factors that define an internal pay structure?

- 47) What does a person-based structure focus on?
- 48) Bring out the difference between a job structure based on content and another based on value.
- 49) List the external factors that shape internal pay structures.
- 50) How do external stakeholders influence an internal pay structure?
- 51) What is human capital?
- 52) Bring out the difference between procedural justice and distributive justice.
- 53) When are pay procedures more likely to be perceived as fair?
- 54) What does it mean to fit or tailor the pay structure to be internally aligned?
- 55) For an organization that is performing worse than its competitors, what may be an outcome of using the Institutional Theory?
- 56) What results can an organization expect if they do not utilize an acceptable wage structure?

Answer Key

Testname: UNTITLED3

- 1) B
- 2) C
- 3) D
- 4) C
- 5) D
- 6) D
- 7) C
- 8) A
- 9) A
- 10) D
- 11) B
- 12) D
- 13) A
- 14) B
- 15) E
- 16) A
- 17) B
- 18) E
- 19) B
- 20) E
- 21) C
- 22) A
- 23) C
- 24) D
- 25) E
- 26) A
- 27) FALSE
- 28) TRUE
- 29) FALSE
- 30) FALSE
- 31) TRUE
- 32) TRUE
- 33) FALSE
- 34) FALSE
- 35) FALSE
- 36) TRUE
- 37) FALSE
- 38) TRUE
- 39) TRUE
- 40) FALSE
- 41) TRUE
- 42) FALSE
- 43) FALSE
- 44) Internal pay structures influence employees' behaviour by providing pay increases for promotions, more challenging work, and greater responsibility as employees move up in the structure.

- 45) Internal pay structures influence employees' behaviour by providing pay increases for promotions, more challenging work, and greater responsibility as employees move up in the structure. The criteria or rationale on which the structure is based should make clear the relationship between each job and the organization's objectives. This is an example of line-of-sight. Employees should be able to "see" or understand links between their work, the work of others, and the organization's objectives. Internal alignment in pay structures helps create that line-of-sight.
- 46) An internal pay structure is defined by (1) the number of levels of work, (2) the pay differentials between the levels, and (3) the criteria used to determine those levels and differentials.
- 47) A person-based structure focuses on the employee: the skills, knowledge, or competencies the employee possesses, whether or not they are used on the particular job the employee is doing.
- 48) A structure based on content typically ranks jobs based on skills required, complexity of tasks, and/or responsibility. By contrast, a structure based on the value of the work focuses on the relative contribution of the skills, tasks, and responsibilities of a job to the organization's goals.
- 49) Economic pressures, government policies, laws, regulations, stakeholders, and cultures and customs.
- 50) Unions, stockholders, and even political groups have a stake in establishing internal pay structures. Unions are the most obvious case. Most unions seek smaller pay differences among jobs as well as seniority-based promotions in order to promote solidarity among members. At a minimum, unions seek to ensure that the interests of their members are well represented in decisions about structures.
- 51) Human capital is the education, experience, knowledge, abilities, and skills that people possess.
- 52) Procedural justice refers to the process by which a decision is reached. Distributive justice refers to the fairness of the decision outcome.
- 53) Pay procedures are more likely to be perceived as fair if (1) they are consistently applied to all employees, (2) employees participate in the process (although recent research suggests an exception when wages are very low), (3) appeals procedures are included, and (4) the data used are accurate.
- 54) Two strategic choices are involved when tailoring or fitting the pay structure to be internally aligned: (1) how tailored to organization design and workflow to make the structure and (2) how to distribute pay throughout the levels in the structure.
- 55) For an organization that is performing worse than its competitors, learning from other organizations, which may involve some imitation, may be quite useful in achieving competitive parity and may represent a significant improvement for that organization.
- 56) Writers have long agreed that departures from an acceptable wage structure will result in higher turnover, grievances, and diminished motivation.