Civil Right Act of 1964 36
Accommodating Disabilities and Family Needs 40
Prevailing Wage Laws 41
Laws That Guide Discretionary Employee Benefits 42
Internal Revenue Code (IRC) 42
Employee Retirement Income Security Act of 1974 (ERISA) 43
Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) 44
Continuation of Coverage under COBRA 45
Health Insurance Portability and Accountability Act of 1996 (HIPAA) 46
Pension Protection Act of 2006 46
Contextual Influences on the Federal Government as an Employer 47
Labor Unions as Contextual Influences 47
Market Influences 49
Compensation in Action 50
Summary 51 • Key Terms 51 • Discussion Questions 52
► CASE: Exempt or Nonexempt? 52
Endnotes 53

Part II Bases for Pay 55

Chapter 3 Traditional Bases for Pay: Seniority and Merit 57
Chapter Outline 57
Seniority and Longevity Pay 58
Historical Overview 58
Who Participates? 59
Effectiveness of Seniority Pay Systems 59
Design of Seniority Pay and Longevity Pay Plans 60
Advantages of Seniority Pay 61
Fitting Seniority Pay with Competitive Strategies 62
Merit Pay 62
Who Participates? 62
Exploring the Elements of Merit Pay 62
Performance Appraisal 65
Types of Performance Appraisal Plans 65
Exploring the Performance Appraisal Process 70
Strengthening the Pay-for-Performance Link 74
Link Performance Appraisals to Business Goals 74
Analyze Jobs 74
Communicate 74
Establish Effective Appraisals 74
Empower Employees 74
Differentiate among Performers 75
Possible Limitations of Merit Pay Programs 76
Failure to Differentiate among Performers 76
Poor Performance Measures 76
Supervisors' Biased Ratings of Employee Job Performance 76
Lack of Open Communication between Management and Employees 76
Undesirable Social Structures 76
Factors Other Than Merit 76
Undesirable Competition 77
Little Motivational Value 77
Compensation in Action 77
Summary 78 • Key Terms 78 • Discussion Questions 78
▶ CASE: Appraising Performance at Precision 79
Endnotes 79

Chapter 4 Incentive Pay 81
Chapter Outline 81
Exploring Incentive Pay 82
Contrasting Incentive Pay with Traditional Pay 82
Individual Incentives 84
Defining Individual Incentives 85
Types of Individual Incentive Plans 85
Advantages of Individual Incentive Pay Programs 87
Disadvantages of Individual Incentive Pay Programs 88
Group Incentives 88
Defining Group Incentives 89
Types of Group Incentive Plans 89
Advantages of Group Incentives 94
Disadvantages of Group Incentives 95
Companywide Incentives 95
Defining Companywide Incentives 95
Types of Companywide Incentive Plans 95
Profit Sharing Plan 95
Calculating Profit Sharing Awards 96
Advantages of Profit Sharing Plans 97
Disadvantages of Profit Sharing Plans 97
Employee Stock Option Plans 97
Designing Incentive Pay Programs 98
Group versus Individual Incentives 98
Level of Risk 98
Complementing or Replacing Base Pay 99
Chapter 7 Building Market-Competitive Compensation Systems 150

Chapter Outline 150

Market-Competitive Pay Systems: The Basic Building Blocks 150

Compensation Surveys 151

Preliminary Considerations 151
Using Published Compensation Survey Data 153
Compensation Surveys: Strategic Considerations 156
Compensation Survey Data 159
Updating the Survey Data 165

Integrating Internal Job Structures with External Market Pay Rates 165

Compensation Policies and Strategic Mandates 169

Compensation in Action 169
Summary 170 • Key Terms 170 • Discussion Questions 171

CASE: Nutriment’s New Hires 171
Endnotes 172 • Appendix: U.S. 2009–2010 Salary Budget Survey 172

Chapter 8 Building Pay Structures That Recognize Employee Contributions 181

Chapter Outline 181

Constructing a Pay Structure 182

Step 1: Deciding on the Number of Pay Structures 182
Step 2: Determining a Market Pay Line 183
Step 3: Defining Pay Grades 183
Step 4: Calculating Pay Ranges for Each Pay Grade 183
Step 5: Evaluating the Results 189

Designing Merit Pay Systems 189

Merit Increase Amounts 190
Timing 191
Recurring versus Nonrecurring Merit Pay Increases 191
Present Level of Base Pay 191
Rewarding Performance: The Merit Pay Grid 191
Merit Pay Increase Budgets 193

Designing Sales Incentive Compensation Plans 195

Alternative Sales Compensation Plans 196
Sales Compensation Plans and Competitive Strategy 197
Determining Fixed Pay and the Compensation Mix 198
Chapter 11 Legally Required Benefits 260

Chapter Outline 260
An Overview of Legally Required Benefits 261
Components of Legally Required Benefits 261
Social Security Act of 1935 261
State Compulsory Disability Laws (Workers’ Compensation) 268
Family and Medical Leave Act of 1993 274
The Benefits and Costs of Legally Required Benefits 275
Designing and Planning the Benefits Program 276
Determining Who Receives Coverage 277
Financing 277
Employee Choice 278
Cost Containment 280
Communication 280

Compensation in Action 284
Summary 284 • Key Terms 285 • Discussion Questions 285
CASE: Benefits for Part-Time Workers 285

Endnotes 286

Part V Contemporary Strategic Compensation Challenges 287

Chapter 12 Compensating Executives 289
Chapter Outline 289
Contrasting Executive Pay with Pay for Nonexecutive Employees 290
Principles of Executive Compensation: Implications for Competitive Strategy 290
Defining Executive Status 290
Who Are Executives? 290
Key Employees 292
Highly Compensated Employees 292
Executive Compensation Packages 292
Components of Current Core Compensation 292
Short-Term Incentives 294
Components of Deferred Core Compensation 295
Employee Benefits: Enhanced Protection Program Benefits and Perquisites 298
Principles and Processes for Setting Executive Compensation 300
The Key Players in Setting Executive Compensation 300
Theoretical Explanations for Setting Executive Compensation 302
Executive Compensation Disclosure Rules 303
Other Benefits 306
Executive Compensation: Are U.S. Executives Paid Too Much? 307
Comparison between Executive Compensation and Compensation for Other Worker Groups 307
Strategic Questions: Is Pay for Performance? 307
Ethical Considerations: Is Executive Compensation Fair? 308
International Competitiveness 309
Compensation in Action 309
Summary 310 • Key Terms 310 • Discussion Questions 311
CASE: CEO Pay in the News 311
Endnotes 312
Chapter 13 Compensating the Flexible Workforce: Contingent Employees and Flexible Work Schedules 313

Chapter Outline 313

The Contingent Workforce 314

Groups of Contingent Workers 314

Reasons for U.S. Employers' Increased Reliance on Contingent Workers 318

Pay and Employee Benefits for Contingent Workers 320

Part-Time Employees 321

Temporary Employees 322

Leased Workers 323

Independent Contractors, Freelancers, and Consultants 324

Flexible Work Schedules: Flextime, Compressed Workweeks, and Telecommuting 326

Flextime Schedules 326

Compressed Workweek Schedules 326

Telecommuting 326

Flexible Work Schedules: Balancing the Demands of Work Life and Home Life 327

Pay and Employee Benefits for Flexible Employees 328

Pay 328

Employee Benefits 329

Unions' Reactions to Contingent Workers and Flexible Work Schedules 329

Strategic Issues and Choices in Using Contingent and Flexible Workers 330

Compensation in Action 331

Summary 331 • Key Terms 332 • Discussion Questions 332

► CASE: Telecommuting at MedEx 332

Endnotes 333

Part VI Compensation Issues Around the World 335

Chapter 14 Compensating Expatriates 337

Chapter Outline 337

Competitive Advantage and How International Activities Fit In 338

Lowest-Cost Producers' Relocations to Cheaper Production Areas 338

Differentiation and the Search for New Global Markets 338

How Globalization Is Affecting HR Departments 339

Complexity of International Compensation Programs 339

Preliminary Considerations 339
Asia 371
  India 372
  People's Republic of China 373
South Korea 375
  Compensation in Action 376
  Summary 376
  ▶ CASE: North American Expansion for Threads 377
    Endnotes 377

Glossary 380
Author Index 394
Subject Index 396