

**Learning Objective 2:** Many U.S. companies relocated manufacturing operations from the U.S. to China because of lower labor costs. In recent years, wages have been rising in China and this trend is leading some U.S. companies to consider returning business operations to the United States. There are a number of factors contributing to the rise in wages, including the Chinese governments' attempts to increase domestic consumption.

**Learning Objective 3:** Underemployment and the compensation–productivity gap have led to a mismatch

of job qualifications and job requirements as well as compensation levels not increasing commensurately with labor force productivity.

**Learning Objective 4:** Workforce diversity requires that employers consider the needs and preferences of employees when selecting options to include in the benefits program. In doing so, companies must ensure the inclusion of relevant benefit choices for the entire workforce.

## Key Terms

economic recession 348  
 underemployment 348  
 malemployment 349

## MyManagementLab

### ★ CHAPTER QUIZ!

If your professor has assigned this, go to the Assignments section of [mymanagementlab.com](http://mymanagementlab.com) to complete the Chapter Quiz! and see what you've learned.

## Discussion Questions

- ★ 15-1. This chapter discusses four important issues that will shape compensation professionals' work for years to come. Which one of these issues stands to create the greatest uncertainty for compensation professionals? Explain your answer.
- ★ 15-2. Discuss at least one advantage and one disadvantage of increasing the minimum wage. Consider this action's impact on the company.
- 15-3. Discuss at least one advantage and disadvantage of raising the pay level to qualify more employees for overtime pay protection. Consider this action's impact on the company.
- 15-4. Explain why wages are increasing in China, and discuss how this trend will influence a company's choice to conduct business there.
- 15-5. Discuss how companies stand to benefit from offering flexible benefit plans.

## CASE

### Benefits for Part-Time Workers

★ *An additional Supplemental Case can be found on MyManagementLab.*

With just under 100 employees, Jackson, Smith, and Henderson CPA (JSH) is considered one of the fastest-growing certified public accounting (CPA) firms in the area. Alan Jones was recently hired as the director of human resources and has many challenges ahead of him as he works to formalize the human resource practices of the firm.

As the benefit open enrollment period is approaching quickly, his first job is to review the benefit offerings of the firm to ensure that JSH is competitive with other area firms. Beyond the legally required benefits, the firm currently offers a fairly basic benefit package including health care insurance, a 401(k) plan, vacation days, and sick days.

Currently, all employees are full-time, and all employees are eligible for benefits. However, two employees have recently requested part-time schedules. Further, in order to meet future unique staffing needs, the firm is considering hiring part-time workers in several departments, including CPAs. Therefore, Alan must make a recommendation to the company's board of directors on whether they should extend the benefits to part-time workers.

A recent compensation survey of businesses in the local geographic area includes information about benefits. The survey reports that about 90 percent of companies in the area offer time-off benefits to part-time employees, only 40 percent offer health care insurance, and 15 percent offer a retirement savings plan. A national survey of CPA firms showed a different picture for part-time workers: 95 percent of firms reported time-off offerings, 75 percent offered health care insurance, and 67 percent offered retirement benefits to part-time workers.

The job market for talented CPAs is competitive, and Alan knows that the firm will need to hire both full-time and part-time CPAs in the future. Alan's initial reaction is that the firm needs to offer all benefits to both full-time and part-time workers in order to be competitive with other CPA firms. However, the costs to do so are significant. The current benefits package is approximately 30 percent of the total compensation package for full-time workers. While time off benefits and 401(k) contributions for part-time workers would be pro-rated based on the number of hours each employee works, offering health care insurance is a fixed cost. That is, the firm must pay the same to cover a part-time worker as a full-time worker. As a result, benefit costs could potentially approach nearly 50 percent of the total compensation for part-time employees. Part of this cost could be offset by asking part-time workers to pay a higher percentage of the premium, but the cost would still be significant. Alan must balance recruiting needs against a tight budget, and he is concerned about the right path to take.

#### Questions:

- 15-6. What are some factors that Alan should consider when determining whether to offer benefits to part-time workers?
- 15-7. Do you think the firm should offer benefits to part-time workers? If yes, should it offer paid time off, the 401(k) plan, and health insurance? Or only one or two of the benefits? Explain your recommendation.

## Crunch the Numbers!

### Calculating Regional and Industry Pay Differences in China

★ An additional **Crunch the Numbers!** exercise can be found on [mymanagementlab.com](http://mymanagementlab.com).

The following table presents statistics for China based on 2013 data. Specifically, the numbers are the average annual pay, expressed in yuan, for the country overall, as well as industry average pay for four industries within four regions (among dozens) within China.

Region	Agriculture, Forestry, Animal Husbandry and Fishery	Manufacturing	Scientific Research and Technical Services	Health and Social Service
Beijing	32531	42809	55689	47657
Tianjin	41255	42765	43931	38910
Shanghai	22722	30443	52064	42990
Henan	19869	23142	28898	25966

Source: National Bureau of Statistics of China. Available: <http://www.stats.gov.cn/english/Statisticaldata/AnnualData/>, accessed April 22, 2015.