they may consider employees' personal qualities as job factors." (*http://www.shrm.org*. [2013] Performing job evaluations.) Based on what you have learned in this chapter, how can job evaluation be made more objective? Explain.

10-7. Some people believe that the recent trend towards giving employees non-monetary rewards is simply a way to save money by using a cheaper way to retain, attract, and motivate employees. Do you agree? Do you think this is fair? Explain.

10-8. Some people argue that it is wrong for CEOs to earn multimillion-dollar salaries while some of their employees are earning the minimum wage or being laid off. Some suggest that a firm's top earner should earn no more than 20 times what the lowest-ranked employee earns. What do you think? Explain your answer.

MyManagementLab®

If your instructor has assigned this, go to **mymanagementlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

10-9. Several companies are moving in the direction of compensating employees with nonmonetary rewards in lieu of higher wages (see the Manager's Notebook, "Rewarding Employees with Nonmonetary Compensation"). Why do you think this is happening? Do you think this is a good thing for companies and employees? Explain.

10-10. One observer argues that external equity should always be the primary concern in compensation, noting that it attracts the best employees and prevents the top performers from leaving. Do you agree? Explain.

10-11. Do you think a company should keep pay secret and demand that all employees not disclose their pay to coworkers? Why or why not?

You Manage It! 1: Global

Money Doesn't Buy Happiness. Well, on Second Thought . . .

If money can't buy you love, can it still buy you happiness? A now-famous 1974 study seemed to indicate that the answer was *no*. U.S. economist Richard Easterlin, then at the University of Pennsylvania, studied comparative data on moderately wealthy and very wealthy countries and concluded that although rich people are happier than poorer people, rich countries are *not* happier than poorer ones, and they do *not* grow happier as they grow increasingly rich. The explanation for this apparent paradox, said Easterlin, was that only relative income—your income compared to that of your peers and neighbors—matters to happiness, not absolute income.

Now, however, two Wharton professors, Betsey Stevenson and Justin Wolfers, say that the Easterlin paradox, as it has come to be called, does not exist. Based on new research, they say that the truth isn't paradoxical at all, but is in fact very simple: "1. Rich people are happier than poor people. 2. Richer countries are happier than poorer countries. 3. As countries get richer, they tend to get happier."

Pointing out that Easterlin had little data to work with 35 years ago, Stevenson and Wolfers draw their conclusions from data about more countries, including poor ones, over longer periods of time. Public opinion surveys and other studies show that life satisfaction is highest in richer countries. In the United States, for instance, 9 in 10 Gallup Survey respondents in households making more than $250,000 a year called themselves "very happy," compared to only 4 in 10 with incomes below $30,000. "On balance," Stevenson and Wolfers conclude, "GDP and happiness have tended to move together." The bottom line, they say, is that absolute income matters.

What do these new findings mean in practice? A pair of British economists suggest that government's policy goals should focus less on growing GDP and more on improving measures that directly affect happiness.

Easterlin would probably agree. He now concedes that people in wealthy countries do report more happiness than those in poorer countries. But he still doubts that money alone is the reason. Comparing Denmark and Zimbabwe, for instance, he says, "The Danes have social welfare policies directed toward some of the most salient concerns of families—their health, care for the aged, child care. If you ask why the Danes are happier, an alternative hypothesis is they have a set of public policies that deal more immediately with people's fundamental concerns."

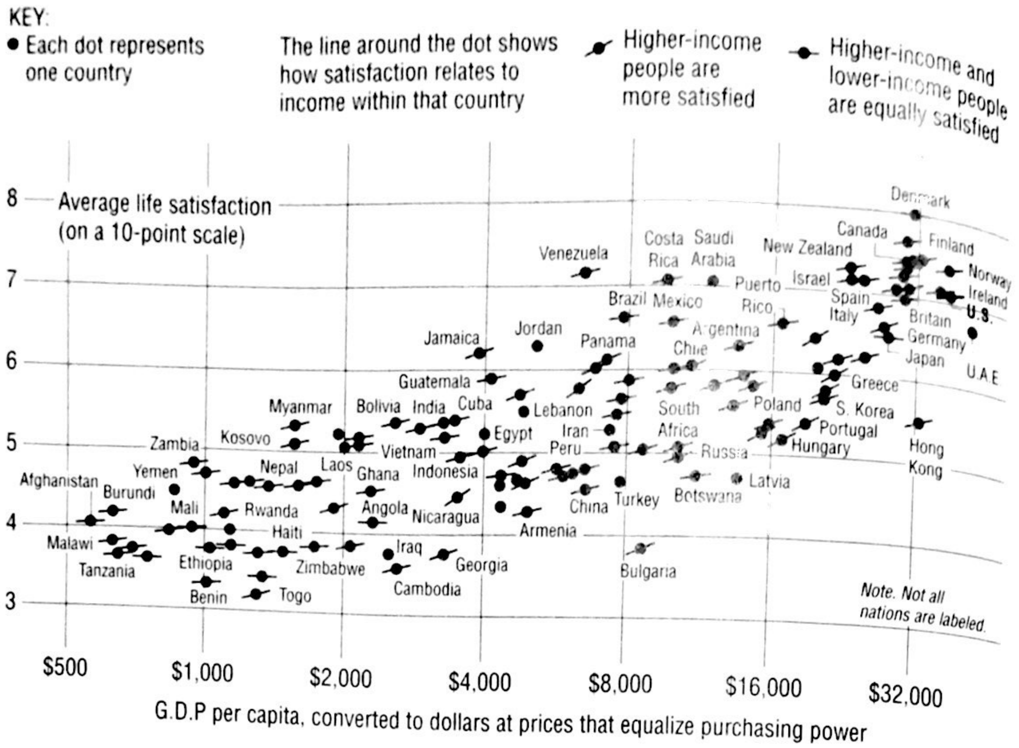
And the tiny Himalayan kingdom of Bhutan has, in fact, replaced GDP with a measure it calls "gross national happiness."

Critical Thinking Questions

10-12. What do you think is the role of money as a determinant of a person's satisfaction at work and with life in general? Should organizations worry about this issue? Explain.

10-13. As discussed in this chapter, firms vary widely on the extent to which they emphasize money as an incentive. Do you think an emphasis on financial incentives is good or bad? Explain.

Source: Betsey Stevenson and Justin Wolfers, Wharton School at the University of Pennsylvania. Reprinted with permission by the authors.



10-14. For the past 90 years or so, job evaluation as a compensation tool has been designed to assess the value of each job rather than to evaluate the person doing the job, prompting a relatively flat pay schedule for all incumbents in a particular position. Some HR experts believe that the emerging trend is for pay inequality to become "normal." Employers are using variable pay to lavish financial resources on their most prized employees, creating a kind of corporate star system. "How do you communicate to a workforce that isn't created equally? How do you treat a workforce in which everyone has a different deal?" asks Jay Schuster of Los Angeles–based compensation consultants Schuster-Zingheim & Associates, Inc. If you were asked these questions, how would you answer them? Given the issues just discussed in this case study, what effect do you think this trend toward greater pay inequality will have on employees' satisfaction with their pay, their job, and life in general? Explain.

Team Exercise

10-15. The HR director of a large manufacturing plant has called a meeting of several divisional managers to come up with a plan on how to explain to employees that their annual cash bonus will be zero this year, down from an average of $10,000 last year. The HR director is concerned because 10 percent of employees received huge bonuses this year amounting to 25 percent of base pay, even though the rest received no bonus. In addition, many employees believe that while they have been penalized by the ups and downs of variable pay, most executives are insulated from risk and some have even received special stipends. Students divide into groups of five to role-play this situation. First, they should discuss the implication this is likely to have on employee satisfaction with their pay, their jobs, and life in general. Second, they should discuss what repercussions, if any, this inequity is likely to have for the firm. Finally, the team should develop a plan for explaining to employees why this is happening.

Experiential Exercise: Team

10-16. One student will role-play a 45-year-old passenger airline pilot whose take-home pay will drop by 15 percent and whose health insurance premium will increase by 20 percent due to budget cuts. Although making more than six figures a year, the pilot feels that being asked to pay for things that can't be controlled by the employees is unfair. Another student will role-play an airline executive who will defend the airline's position. Both sides will role-play in front of the class for approximately 15 minutes. The instructor will then moderate an open class discussion.

Experiential Exercise: Individual

10-17. Would you conclude that an organization that offers greater pay improves employee satisfaction with their pay, their job, and life in general? Review the papers by Easterlin and Stevenson and Wolfers and discuss which of the two positions seems most reasonable to you and the implications this has for compensation.

Sources: Based on Rowley, L. (2011). Money & Happiness. *www.moneyandhappiness.com*; Investing Strategy. (2009, March 4). Does Money Make You Happier? *www.fool.co.uk*; Vendantam, S. (2008, June 23). Financial hardship and the happiness paradox. *The Washington Post*, *www.washingtonpost.com*; Wolfers, J. (2008, April 16). The Economics of happiness, part 1: Reassessing the Easterlin paradox. *New York Times*, *http://freakonomics.blogs.nytimes.com*; Leonhardt, D. (2008, April 16). Maybe money does buy happiness after all. *New York Times*, *www.nytimes.com*; Caulkin, S. (2008, March 9). Cutting the payroll means unhappy dividends. *The Guardian*, ... Casey, E. (2008). Empowering Women ... .com.uk;