**Consolidated Chicken Products**

Read the following scenario.

Sam Jones had looked forward to his new job at Consolidated Chicken Products. When he took the job as personnel director three months ago, it had all seemed so perfect. He never dreamed that he would face a decision that might cost him his job.

Sam Jones earned his B.A. in psychology from the University of Wisconsin and M.B.A. from Penn State University. After his graduation he took a job with Kellogg’s in central Michigan. It was an entry-level personnel position, but the job-rotation management training allowed him to get his feet wet in a number of different areas of personnel: selection, compensation, training, and Equal Employment Opportunity.

After having rotated through the one-and-a-half-year training program, Sam decided to settle into the compensation area. For the next couple of years he was involved in all aspects of compensation. He had performed a number of job evaluations, but been integrally involved in designing the benefit package for the production workers, and had gained valuable experience in designing executive compensation packages. It was this experience that landed him the job as personnel director at Consolidated Chicken Products (CCP).

CCP was a family-managed and –owned firm that produced chicken products. John Birchwood, Sr., was the principal owner and chief executive officer of the company. His oldest son, John, Jr., was the president of the company, while his daughter Susan and youngest son, Brian, were in charge of the company newsletter and the processing plant respectively.

The company owned the farms on which the chickens were raised as well as the processing plant where they were slaughtered and packaged. The company was started by John, Sr., over 15 years ago, but the company’s rapid growth did not begin until five years ago. Sales last year had been just over $20 million, which was a 20 percent increase over the year before. In addition, they expected another 20 percent increase for 1985. Although the sales were increasing, the return on investment was not. This was due to the company’s strategy of keeping the price competitive. They felt that as the market would continue to grow, they could increase their sales through their low price. This strategy had also kept the company from being very cash rich. Most of the profits were funneled back into the plant in the form of new technology.

Two factors explained the growth in CCP’s sales. First, the country’s newfound concern with health had increased the demand for chicken. Second, recent technological advances in the processing plant, combined with their utilization of low-priced labor, had enabled the company to maintain its low price strategy, which had paid off so far.

The work force was also growing, especially in the processing plant where there were now 120 employees. It was more the technological change, however, than the work force growth that necessitated bringing in a personnel director. The changing technology had also changed the content of some of the jobs, and the company felt that a compensative system needed to be developed. They were not interested in developing selection tests since most of the applicants were friends or relatives of the present employees. In addition, they saw little need for developing any selection systems since the labor market was very favorable from the company’s standpoint. The unemployment level was about 10 percent.

The first month of work seemed very uneventful, as Sam was just learning to find his way around. It was not until the second month that he really began to get to work on the compensation system. As he studied the jobs, it appeared that they seemed to fall into three labor grades with about equal numbers of people in each grade. At the beginning of the third month, while in the process of performing the job evaluation, he discovered two very interesting issues. First, of the 100 production workers in the plant, 30 were female. All of the women were being paid about 60 percent as much as their male counterparts. For example, on one job, the man performing it was being paid $11.23 while the woman doing the exact same work was paid only $7.55. (See Table 1.)

The second issue dealt with the pay of the women in the office. When looking at the secretarial jobs (which were entirely staffed by women), the job evaluation showed the jobs to be worth 425 point. Although this was based on a separate job evaluation system that was only examining office jobs, under the plant system this point total would fall into the high range of plant labor grade 1. This labor grade had a pay range of $7.05 to $10.50 and yet the average pay for the secretaries was $7.15 with a high of $7.35. (See Table 2.)

He brought up the pay discrepancy between males and females to John, Sr. Fred seemed completely unconcerned. “Oh, don’t you worry about that, Sam. Heck, we’re paying them more than they could make anywhere else in this area. If you ask them, they’ll tell you that they’re satisfied with their wages.” In a way, Sam knew that John, Sr., was right. The unemployment rate in the area for women was about 25 percent, and even those who were employed usually worked for minimum age. With regard to the issue of the pay of the secretaries, John, Sr., said basically the same thing.  He felt he was paying them more than a fair wage.

Sam was faced with a decision. It seemed that he had three options. First, he could let things go on like they were, and everyone would be happy but himself. Second, he could try to convince the company to change its practice, but he felt strongly that his would do no good. Finally, he could take the role of a whistle-blower by calling in the EEOC to investigate the situation.

TABLE 1

Results of Job Evaluation for Plant Jobs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Labor**Grade* | *Points* | *Pay Range* | *Average**Men* | *Average**Women* |
| 1 | 351-450 | $7.05-10.50 | $10.02 | $7.05 |
| 2 | 451-550 | $7.25-11.00 | $10.57 | $7.25 |
| 3 | 551-560 | $7.55-11.75 | $11.25 | $7.50 |

TABLE 2

Results of Job Evaluation for Office Jobs

|  |  |  |  |
| --- | --- | --- | --- |
| *Labor**Grade* | *Points* | *Pay Range* | *Average* |
| 1 | 301-400 | $6.65-7.15 | $6.75 |
| 2 | 401-500 | $6.85-7.35 | $7.15 |

Write a 4-7 page report that answers the following questions:

1.      Is there a reasonable basis for believing that the company is discriminating against women? If so, explain what it is and if not, explain why not.

2.      Is there reason to believe that women could file an equal pay lawsuit? If so, explain the reason and if not, explain why not.

3.      What additional information would be useful in determining the answer to question two (2)?

4.      What would be the consequences of each of Sam’s options to all of the people involved (e.g., women, men in the plant, the company, his family)?

5.      How has the company’s strategy affected its human resource policies?

6.      How should cultural norms affect compensation systems?

7.      Should satisfaction with the pay be the only criterion for evaluating the compensation system? If yes, why should it be and if no, what other variables should be considered?