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Fundamentals of Human Resource Management

Thirteenth Edition

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PREFACE

The captains of the sailing yachts on the cover face many of the same goals and challenges as any organization in an unpredictable business environment. Success and possibly survival depend on a well-designed boat with a carefully selected and thoroughly trained crew that understands the strategy of the race. They must be able to quickly adjust the sails, rigging, and rudder to keep moving forward and somehow gain a competitive advantage to win the race. External factors may be visible and predictable, but invisible factors such as the wind, currents and strategies of competitors may be unpredictable and require minor adjustments or a major change in strategy.

When organizations face challenges, they depend on thoroughly trained professionals who react quickly to the changes in the environment and create strategies for success. Human Resource Management (HRM) is responsible for carefully selecting and training people with the necessary skills to pursue the strategy effectively. Some external factors can be predicted with a degree of certainty such as interest rates and the economy. Other challenges such as the stock market, political instability and natural disasters arrive with little warning. Organizations may struggle to adjust strategy in the face of an increasingly global business environment, rapidly changing technology, shortages of skilled labor, legal and political changes, changes in the sociocultural environment—just to name a few!

Welcome to the 13th edition of *Fundamentals of Human Resource Management*. It is truly an exciting time to be studying Human Resource Management. We appreciate that you are taking time to read this preface to get a better understanding of the text and the resources for learning it includes.

Like a crew sailing an ocean race, success and possibly survival depend on a good crew that understands the strategy and can adapt quickly to the unpredictable environment.

About the Book

It is becoming increasingly important for employees on every level of the organization to understand Human Resource Management (HRM) elements such as recruitment, training, motivation, retention, safety, and the legal environment. This text is designed to introduce fundamentals of HR with opportunities for further exploration of more complex concepts. The content of the text is aligned with the Body of Knowledge for the HR Certification Institute (HRCI) for Professional in Human Resources (PHR) certification and the Society of Human Resource Management Body of Competency and Knowledge for SHRM Certified Professional (SHRM-CP) certification. Learning objectives and content in this text are aligned with the

required content areas developed and suggested by the Society of Human Resource Management (SHRM), which include the following:

- Employee and labor relations
- Employment law
- Ethics
- HR's role in organizations
- Managing a diverse workforce
- Outcomes: metrics and measurement of HR
- Performance management
- Staffing: recruitment and selection
- Strategic HR
- Total rewards (compensation and benefits)
- Training and development
- Workforce planning and talent management

We've addressed these with the most current research and examples possible to assist students in understanding the practical application of even the most theoretical concepts. Some examples will undoubtedly change quickly and unexpectedly as the future unfolds. Please consider this as an opportunity to research how and why these changes took place and their implications for HRM.

New to This Edition

The chapter sequence and structure of the units have been revised slightly. HR Planning and Job Analysis has been moved into Part 2 for better flow of content and to provide a better foundation for students as they study related issues.

HRM Workshop at the end of each chapter has been updated with relevant learning activities that reflect current HR issues.

All content has been thoroughly updated, including the following:

New to Chapter 1—The Dynamic Environment of HR: New chapter opener about HR efforts to help employees in Puerto Rico affected by Hurricane Maria. Updated coverage of the ethics of employee monitoring. Updated and revised cases.

New to Chapter 2—Functions and Strategy: New feature on the influence of politics on HR practices and compliance. Updated facts and figures including HR certifications and salaries. New section on growing field of People Analytics and how data is used to improve HR decisions. New case about HR functions and People Analytics based on Mattress Firm, a mattress retailer based in Houston, Texas.

New to Chapter 3—Human Resource Planning and Job Analysis: New chapter opener about the state of Maine trying to recruit new residents to ease shortage of workers. Updated information on how HR software helps with succession planning. Revised and updated cases.

New to Chapter 4—Equal Employment Opportunity: New chapter opener about well-known companies cited by the EEOC for discrimination. Explanation of the “Me Too” movement and recently increased focus on sexual harassment and equity. Updated content that includes recent examples of many types of discrimination. New case on discrimination in employment testing at Target Corp.

- New to Chapter 5—Employee Rights and Discipline:** Updated information and examples for social media, drug testing, facts and figures. New section on Performance Improvement Plans for employees with issues. New case.
- New to Chapter 6—Recruiting:** New chapter opener with an example of “Gamification” in recruiting. Updated coverage of the Return on Investment (ROI) of recruiting costs. More information on Veteran’s groups as recruiting sources. New information on Artificial Intelligence and social media tracking of passive candidates. Significantly revised cases.
- New to Chapter 7—Foundations of Selection:** New coverage of “Ban-the-Box” initiatives and laws in several states. Updated information on online applications.
- New to Chapter 8—Onboarding, Training, and Developing Employees:** New chapter opener on nonprofits that train uneducated people in resort areas so they can get jobs in new resorts. Updated examples, terminology, facts and figures. Updated coverage of Organizational Development. New case on training and career development at Mars (the candy company, not the planet).
- New to Chapter 9—Managing Careers:** New chapter opener on Baxter’s emphasis on career development. Revised coverage of career opportunities in the future. New case on career development and employee development at Samsung.
- New to Chapter 10—Performance Management:** Updated coverage of types of appraisals. Updated terminology, facts and figures. Revised cases.
- New to Chapter 11—Establishing Rewards and Pay Plans:** New Ethical Issue on FLSA violations in the hospitality industry. Updated information on minimum wage laws. Updated facts and figures. New case on pay secrecy with industry examples.
- New to Chapter 12—Employee Benefits:** Expanded and updated coverage of how benefits support business strategy. Updated information on the Affordable Care Act. Thoroughly updated information, terms, facts and figures on health care. New Ethical Issue on employee choices and pay versus benefits.
- New to Chapter 13—Managing Health and Safety Risks:** New chapter opener about Employer Safety award. Thoroughly updated facts, terminology, and figures on workplace safety. Revised section on safety and health issues that includes distracted driving, marijuana and opioids, and workplace violence and stress.
- New to Chapter 14—Understanding Labor Relations and Collective Bargaining:** Revised chapter opener on the popularity of unions. Thoroughly updated facts and figures on union membership and right-to-work laws. Expanded coverage on the role and composition of the NLRB. New case on how and why pilots at a luxury jet charter company decertified their union.

Features to Encourage Learning

We write the way we teach, so you’ll probably notice the conversational style of this text. Our hope is that a down-to-earth and occasionally humorous writing style will encourage students to read the book. Students taking the class online may also appreciate a text that is more conversational since they usually do not have regular face-to-face interaction with faculty or classmates. Here are a few more features of the text that facilitate learning:

- Learning Outcomes** Revised and updated to provide goals and guidance.
- Chapter Openers, Ethical Issues, Contemporary Connection, Tips for Success, and Diversity Topics** Provide summaries and examples of current issues with questions to use for assignments, group discussions, comprehension checks during lectures, and cooperative learning projects.

Chapter Summaries Concise summaries linked to the learning outcomes identified at the beginning of each chapter.

Key Terms Throughout the chapter, key terms are highlighted where they first appear in the text and are defined in the margin as well as in the Glossary section in the back of the book. Key terms are also listed at the end of each chapter as a reminder of the major terms defined in the material just read.

Reviewing Important Concepts These reading-for-comprehension questions are drawn directly from the chapter material. The discussion questions are organized to correlate to learning objectives.

Evaluating Alternatives Situations that require students to evaluate and analyze controversies, value judgments, or differing interpretations of policies and laws in the workplace.

Research and Communication Skills Require students to investigate current problems, local issues, and examples and develop communication and presentation skills so important to HR professionals.

Making a Difference: Service Learning Projects Suggestions for students to develop and participate in activities that make a difference in their community or the world. Projects require application of HRM concepts and have the added benefit of enhancing students' resume and employability.

Case Applications Two thought-provoking teaching cases at the end of every chapter with questions coordinated with learning objectives. The first is a fictional case designed to require students to apply HR concepts to an employer's realistic problem. The second involves recognized companies applying the concepts and requiring students to evaluate their actions using HR concepts from the chapter.

Supplemental Material

This book is supported by a comprehensive learning package that helps instructors create a motivating environment and provides students with additional instruments for understanding and reviewing major concepts. The following resources can be found on the instructor and student companion sites at www.wiley.com/go/verhulst/FundamentalsOfHumanResourceMgmt13e.

Instructor's Resource Guide

This includes a chapter overview, description of additional features within the chapter, chapter outline, additional lecture and activity suggestions, answers to class exercises, answers to case applications, and additional review and discussion questions for each chapter.

PowerPoint

A robust set of PowerPoint slides developed to help enhance your lectures are provided for each chapter. An image bank, containing all of the illustrations from the text, is also provided for inclusion in PowerPoint presentations.

Test Bank

This resource contains approximately 80 questions per chapter, including multiple choice, true/false, matching, and completion questions.

Computerized Test Bank

This test bank, powered by Respondus, allows instructors to customize quizzes and exams for each chapter.

ACKNOWLEDGMENTS

Getting a finished book into a reader's hands requires the work of many people. The authors do their part by efficiently developing an outline, thoroughly researching topics, writing about the topics, and developing learning activities. We would like to recognize just a few of the people who contributed to this text.

First are our reviewers. Authors cannot survive without good feedback from reviewers. Ours were outstanding, and we appreciate the feedback they gave us. We do recognize that the book before you is better because of the insight they provided. We'd like to recognize reviewers of this edition: Denise H. Barton, Wake Technical Community College; Mary Anne Edwards, College of Mount Saint Joseph; Laurie Giesenhausen, California State University-Fullerton; Kelly Anne Grace, Georgia Institute of Technology; Jennie Johnson, University of Texas-Brownsville; Gundars Kaupins, Boise State University; Margaret Rechter, University of Pittsburgh, Greensburg; Valerie L. Robinson, Bakersfield College; Andrea Smith-Hunter, Siena College; Gary Stroud, Franklin University; Peter Szende, Boston University; Kostas Voutsas, Dickinson State University.

A book doesn't simply appear automatically on bookstore shelves. It gets there through the combined efforts of many people. For us, this is the outstanding publishing team at John Wiley & Sons, consisting of Michael McDonald, Director; Lisé Johnson, Acquisitions Editor; Judy Howarth, Project Manager; Alden Farrar, Editorial Assistant; and Linda Christina E, Production Editor. The management and HRM students of Des Moines Area Community College also deserve a big thank you for their endless supply of issues, examples, and suggestions.

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From Dave: To my wife, Terri, for all her support and love—and for simply putting up with me. And to my children—Mark, Meredith, Gabriella, and Natalie—thank you for all you do. It gives me great pride to say I am your father. You each have made me very proud in your own special way by the person you have become. To Mason Evans and Luke Daley—my grandsons—what joy you have brought to my life. You all continue to be the “light of my life.”

From Susan: To my endlessly supportive husband John, my amazingly talented daughter Katie, and my wonderful Mom. I love you all more than I can say.

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Susan and her family enjoy traveling and sailing.

CHAPTER 1

The Dynamic Environment of HRM

One week after Hurricane Maria devastated the island of Puerto Rico, a senior VP at Boston Scientific was losing sleep. About 300 of their 1,000 employees on the island were missing. With no power, no phones, and blocked or flooded roads, efforts to find them were slow. Management at Bacardi, Medtronic, TJ Maxx, Walmart, and many others were having the same problems.

The employers got creative. Medtronic hired 40 drivers to go to track down employees at their homes. Because phones were not working, Boston Scientific hand delivered requests to local radio stations to ask employees to contact employers by social media, mobile phone, or any way possible.

Why go to such lengths? Employees needed help, and the employers wanted to provide it. Shipments of water, generators, batteries, food, and medicine were ready to be distributed. Paychecks needed to be distributed too. Many employers, such as TJ Maxx, continued to pay employees until they were able to go back to work.¹

In an unpredictable world, people are increasingly leaning on employers to provide recovery and stability when the “worst-case” scenario becomes a reality. Welcome to the dynamic environment of Human Resource Management (HRM) in our changing world. Fasten your seat belt and grab some fresh batteries. You’re in for a wild ride.

Looking Ahead

How have environmental factors such as the economy, technology, or natural disasters affected your work experience? Does your employer or college have a disaster recovery plan? What should the plan include?



Carlos Giusti/AP Images

LEARNING OUTCOMES

After reading this chapter, you will be able to:

1. Discuss how globalization affects HRM practices.
2. Describe how human resource managers use technology.
3. Explain regulation and legislation issues relevant to HRM.
4. Identify trends in the composition of the workforce and how HRM must adapt.
5. Explain how HRM supports diversity and inclusion in the workplace.
6. Explain the contingent workforce and other methods used to control labor costs.
7. Explain how HRM supports continuous improvement programs.
8. Identify ways that HRM facilitates employee involvement.
9. Outline emerging challenges facing HRM.

Introduction

Disaster relief probably isn't the first thing you thought you would learn about in a Human Resource Management (HRM) textbook. Fortunately, catastrophic disasters are rare, but almost anything that concerns the well-being of the people in an organization is the concern of Human Resource (HR) professionals.

Natural disasters such as hurricanes that devastated Puerto Rico and Houston, plus a host of man-made disasters such as terrorism, hacked databases, overthrown governments, and economic meltdowns, have a ripple effect that provide challenges not only for local employers but also multinational companies that have interests in the country affected. The role of the HR professional can vary widely depending on the magnitude of the disaster and the size of the company. In a large organization, HR may work with the risk management, security, communications, and Public Relations departments to coordinate a comprehensive response. This may include providing employees with protection, pay, transportation, communication, shelter, food, and possibly even evacuation.

The complicated variables involved in managing a worldwide workforce will only multiply as more businesses have global interests and business environments become more complex. That's what we are going to discuss in this chapter.

HRM is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees. Strong employees become a source of competitive advantage in a global environment facing rapid and complex change. HRM professionals must be prepared to deal with the effects of these changes. This means understanding the implications of an increasingly complex external environment that includes globalization, global economies, technology changes, workforce diversity, labor shortages, changing skill requirements, continuous improvement initiatives, the contingent workforce, decentralized work sites, company mergers, offshore sourcing of goods and services, and employee involvement. Let's look at how these changes are affecting HRM goals and practices in organizations functioning in a global environment.

Globalization

globalization

A process of interaction and integration among the people, companies, and governments of different nations, driven by international trade and investment and accelerated by information technology.

The process of making transactions across international borders is called **globalization**. The number of organizations seeking to find a talented workforce, advanced technology, suppliers, trade information, transfer capital, and move products has increased dramatically over the last 20 years due to a variety of factors, including technology and the Internet.² As globalization accelerates, national borders reduce in importance to business, and global economies become more interdependent.

Global Businesses

multinational corporations (MNCs)

Corporations with significant operations in more than one country.

Multinational corporations (MNCs) are typically based in a home country but have significant operations in many other countries. This allows them to extend their production and distribution on a regional or global basis to take advantage of the resources and markets in other countries. These opportunities for growth have enabled many organizations to develop extensive international operations with subsidiaries in many countries, no longer identifying with a single "home" country, earning

the title of **transnational corporation**. General Electric is a good example of one of the largest transnational companies with more than 70 percent of its over \$500 billion in assets held outside the United States and over half of their approximately 300,000 employees based abroad.³

Other familiar multinational and transnational companies include Toyota, Walmart, Apple, and Exxon Mobil. These organizations can take advantage of the global pool of talent and resources as opportunities arise. This requires HRM professionals to adapt to cultures, legal systems, and business practices in many different countries and ensure that employees with the appropriate mix of knowledge, skills, and cultural adaptability are available and ready to handle global assignments. Throughout this book, we will examine many of the challenges involved in staffing, training, developing, motivating, and maintaining a global workforce. Despite these challenges, many U.S.-based organizations such as Microsoft, FedEx, and Marriott have been recognized by the Great Place to Work Institute⁴ as multinational companies with at least 40 percent of their workforce outside their home country and great working environments in their worldwide operations.

Cultural Environments

The increase in multinational and transnational corporations requires human resource managers to understand global and organizational cultures and to ensure that employees have the appropriate mix of knowledge, skills, and adaptability to operate within those cultures. **Culture** is defined as the patterns or thought and behavior that distinguish one group of people from another.⁵ When background, language, custom, or age differences increase, employee conflict is likely to become more of an issue. HRM must make every effort to educate groups on cultural differences and to find ways to build teams and reduce conflict.

The variety of values, ethics, religious practices, customs, economic environments, and political and legal systems in the world puts enormous pressure on HR professionals and managers to understand the circumstances of each country in its own context. The perception of societal issues, such as status, might affect operations in another country. For example, in France, status is often the result of factors important to the organization, such as seniority and education. This emphasis is called *ascribed status*. In the United States, status is more a function of what individuals have personally accomplished, also known as *achieved status*. This may be important when developing job descriptions or determining how to use promotions from within as a motivational tool. Organizations that view the global environment solely from a home country perspective will encounter problems. A more appropriate



Uriel Sinai/Getty Images, Inc.

Many organizations have explored expansion to other countries to find new markets and labor sources. McDonald's started expanding internationally in 1967. They now have over 30,000 restaurants in 120 countries.

transnational corporation

Organization with extensive international operations and subsidiaries in many countries, no longer identifying with a single "home" country.

culture

The patterns or thought and behavior that distinguish one group of people from another.

Countries that value individualism and acquiring things	Countries that value relationships and concern for others
United States	Japan
Great Britain	China
Australia	Pakistan
Canada	Singapore
Netherlands	Venezuela
New Zealand	Philippines

EXHIBIT 1-1 Cultural Values. Countries differ greatly on the emphasis they place on the individual versus the collective. Organizations that plan to enter the global environment need to do their homework to understand the culture and workers.

approach is to recognize the cultural dimensions of a country's environment (see Exhibit 1-1).

Research findings allow us to group countries according to such cultural variables as status differentiation, societal uncertainty, and assertiveness.⁶ These variables indicate a country's means of dealing with its people and how the people see themselves. For example, in an *individualistic society* such as the United States, people are primarily concerned with themselves and their own family. In a *collective society* (the opposite of an individualistic one) such as that in many Asian cultures, people care for all individuals who are part of their group. A strongly individualistic U.S. employee may not work well if sent to a Pacific Rim country, where collectivism dominates without training in how to adapt to the culture. For example, managers may need to focus on accomplishments of the team rather than individual when appraising job performance in a society that is highly collectivist.

Technology

Think about the technology you've used today. For example, how many times have you used your smartphone, tablet, or laptop? Have you checked social media sites to see what's up with friends or update your own status? How dependent are you on a good WiFi? Maybe you're reading this text as an e-book or taking this class online. It's hard to imagine daily life without technology and the Internet.

As mentioned earlier, technology and the Internet are responsible for accelerating the globalization of the world's economy. The influence of the technology and the Internet on our lives, employers, the way we work, and the economy was on the mind of Thomas Friedman, a Pulitzer Prize-winning *New York Times* author, as he explored the foundations of globalization in his best-selling book, *The World Is Flat*. Friedman explained that countries, companies, and individuals are now able to compete on an almost level playing field, aided by cheap instantaneous communication via fiber optics and the Internet. Fast inexpensive transportation of people and goods has also accelerated the process of globalization. Individuals are now empowered to compete globally, regardless of their country of origin. Friedman projects that world economies will be dominated by empowered individuals, creating a business environment that is more diverse and less dominated by organizations in Western countries. This has created a shift in geographic labor supply and demand. Just as the industrial revolution changed national economies by shifting jobs from

craftsmen to mass manufacturing, globalization has shifted demand for manufacturing and services such as customer service to low-cost providers in Mexico, India, and China.

Friedman points out that these forces can't be turned back and will only grow in their impact, requiring HR professionals to be prepared for the challenge by welcoming diversity and adapting training.⁷

Working with Technology

Technology has been a good news/bad news proposition for workers. While technology has reduced the demand for manufacturing jobs through automation and increased competition with other countries, it has also generated an increase in the demand for service producing and technology positions. Employment in **information technology (IT)** is expected to be among the fastest growing job sectors through 2024, along with online publishing and wireless telecommunications.⁸

Peter Drucker, the late management scholar and consultant, held that the key to the productivity of **knowledge workers** depends on the ability to use technology to locate and use information for decision making.⁹ It's increasingly difficult to find careers that do not use any type of technology, requiring HR professionals to be aware of not only technology necessary for HR but also the technology skills necessary for everyone in the organization, including professionals such as registered nurses, accountants, teachers, lawyers, and engineers.

IT refers to the technological infrastructure of an organization. IT professionals select and install hardware and software that suit the organization's information needs and do any customization that is necessary. **Information systems (IS)** is concerned with the way the organization uses IT. IS professionals help determine how IT can enhance decision making, improve organizational performance, and help create competitive advantage. They consider organizational processes such as distribution or finance and determine ways to use technology to operate more efficiently and respond to external circumstances quickly and effectively. IS professionals are likely to be trained in a business school rather than a computer science school.¹⁰

Knowledge-work jobs are designed around the acquisition and application of information.

information technology (IT)

Creating and maintaining the technology infrastructure of an organization.

knowledge workers

Individuals whose jobs are designed around the acquisition and application of information.

information systems (IS)

Using information technology to improve organizational performance.

Technology and HR

Technology has changed the way human resource managers manage and communicate information. Many HR tasks have been automated, making it easier for employees to access HR information quickly and easily via company websites and intranets. These self-service systems allow employees to access frequently requested information such as payroll, benefits, available training, employee handbooks, and deductions conveniently. The **Human Resource Information Systems (HRIS)** that make this possible also gather, store, and analyze HR information allowing HRM professionals to better facilitate payroll, benefits administration, applicant tracking, training, performance management, and many other important HR functions.

HRIS systems can be tailored to the needs of any size business but are considered necessary for organizations with over 200 employees and can be delivered in a variety of ways. On-premise systems are HR software and hardware installed at the company's place of business and maintained by the employer's own IT staff.

human resource information systems (HRIS)

Systems used to gather, store, and analyze information regarding an organization's human resources.

software as a service (SaaS)

Software delivered on the Internet on a subscription basis.

Hosted systems are purchased by the employer but housed at the vendor's site and maintained by the vendor's IT staff. The employer accesses the HR system remotely. **Software as a service (SaaS)** provides the HR services on a subscription basis and is accessed through a web browser, allowing access anywhere the Internet is available. Software as a service is also called a cloud-based service because it's accessed through the Internet. Companies providing SaaS often provide extensive employee access to self-service of HR information through either computers or mobile apps.¹¹

Staffing Chances are you've used an online source like to look for job opportunities. Did you check the "Careers" section of the company website? CareerBuilder, Monster, Indeed, or another online job board? LinkedIn, Facebook, Twitter, or other social media? Most employers recruit online because it's the most effective way to find qualified applicants. Many of these sites also offer advanced search services to employers such as assistance with defining and promoting their "employment brand"; analyzing the success of recruiting efforts; hosting the "Careers" section of the company website; and developing recruiting strategies for positions that are difficult to fill such as engineers, skilled trades, IT, and sales.

Once applicants have been identified, HRM must carefully screen final candidates to ensure they fit well into the organization's culture. HRIS tools help track the hiring process and make sure there is a good match between a candidate's skills and the job description. Online assessments help to determine which candidates are team players, handle ambiguity and stress well, and will be a good fit with company culture. Companies such as Southwest Airlines and Four Seasons Resorts recruit employees who convey a positive attitude, which to them is a better indicator of job success and fit with company culture than experience.

Training and Development HRIS software helps HRM orient, train, and develop employees and help them manage their careers. Web or cloud-based services provide training and development to employees on demand, whenever the employee has the time to concentrate on the material. Online training and teleconferencing also allow HR departments to deliver cost-effective training that helps stretch the HR budget.

Ethics and Employee Rights Every organization needs a clear policy that thoroughly explains appropriate and inappropriate use of company Internet, e-mail, and social media. Employees need to understand that there is no guarantee of privacy when they use e-mail, blogs, and social media, and that personal comments and photos are often grounds for discipline if they can be interpreted as discriminatory, harassing, or defamatory. We will take an extensive look at the privacy rights of employees in Chapter 5, and we will study the ethics of HRM throughout this book.

Internet access at work can create distractions, reduce productivity, and cause security breaches; yet, it's nearly indispensable. Electronic surveillance of employees by employers is an issue that pits an organization's desire for control against an employee's right to privacy. Monitoring software only adds to the ethical dilemma of how far an organization should go in monitoring the behavior of employees (see Ethical Issues in HRM, Invasion of Privacy?).

Compensation It's becoming increasingly difficult for organizations to find and retain technical and professional employees. Many companies have implemented an extensive list of attractive incentives and benefits rarely seen by nonmanagerial employees in typical organizations, for instance, signing bonuses, stock options, cars, free health club memberships, full-time onsite concierges, and subsidies for

mobile phones. Technology is also making compensation more transparent. Online sources such as Glassdoor are making it easier for applicants to compare salaries at prospective employers and current employees to compare salaries within an organization. Pay plans and employee benefits will be addressed in depth in Chapters 11 and 12.

Communication Technology breaks down historical organizational communication pattern flows. It also redefines how meetings, negotiations, supervision, and employee relationships take place. Slack, Skype, GoToMeeting, LinkedIn, Twitter, and other work collaboration software allow employees to keep in close contact regardless of position or location. It's just as simple for employees in Baltimore and Singapore to share company gossip as employees who work two cubicles apart.

Telecommuters Much of the challenge regarding decentralized work sites revolves around training managers to establish and ensure appropriate work quality and on-time completion. Decentralized work sites remove traditional "face time," requiring managers develop new ways to motivate workers they may rarely, if ever, see. Managers must recognize that offsite employees (or telecommuters) will work at their own pace at irregular intervals requiring changes in the way they are supervised. Accountability may need to be measured by results, not how they are accomplished. Offsite workers may also require HRM to rethink compensation. Should workers be paid by the hour, on a salary basis, or by the job performed? Their status as employees or contractors may also need to be examined.

Competitiveness Technology tends to level the competitive playing field.¹² It provides organizations, no matter their size or market power, with the ability to innovate, bring products to market rapidly, and respond to customer requests. Remember that technology allows individuals as well as large organizations to compete worldwide in purchasing or providing services. Many companies have found that services in technology, programming, radiology, and financial analysis can be provided by skilled employees in countries such as India as easily as an employee in the United States.

ETHICAL ISSUES IN HRM

Invasion of Privacy?

Technological advances have presented employers with sophisticated employee monitoring and some real ethical gray areas. Although most of this monitoring is designed to enhance worker productivity, it creates concern over worker privacy. What do managers have the right to know about employees and how far can they go to observe employee behavior on the job? Consider the following:

- Employers may use computer monitoring software to see what's on employee computer screens, track web-surfing, e-mail, and even keystrokes.
- Employers may retrieve deleted employee messages, e-mails, and files.

- Employer-provided mobile phones and possibly even personal mobile phones used for work may contain apps that allow employers to not only monitor use but also to completely wipe the device if lost or if the employee leaves the company.¹³

Ethical Questions

When does an employer's need for information about employee performance cross over the line and interfere with a worker's right to privacy? Is any type of monitoring acceptable if employees are notified ahead of time that they will be monitored?

Legal Compliance

New laws and court decisions change HR in profound ways every day. Additionally, the Department of Labor (DOL), National Labor Relations Board (NLRB), and many other government agencies frequently revisit the way they interpret and enforce policies and laws involving employees and employers. It isn't just on the national level. States and cities create and enforce laws and regulations that may add additional protection for employees. California has a significant number of laws that extend employee rights beyond those provided by the federal government. Some issues that have been addressed in the states include increasing minimum wage above the federal minimum, protecting employment rights of smokers or the obese, requiring employers to provide mandatory sick leave, restrictions on requiring employees to travel in bad weather, and either cracking down on or increasing the rights of illegal immigrants in the workplace. When local or state laws conflict with federal laws, the one that gives employees more protection usually prevails.

legal compliance

Making sure that all legal requirements involved in employment are met.

Because legal rights and requirements are so important, **legal compliance** has become a major responsibility for HRM. Records must be kept, posters must be posted, data must be reported, safety must be monitored, and a thousand other legal requirements need to be monitored to protect the rights of employees and protect the employer from legal liability. We will address many of these requirements as we study hiring, compensation, benefits, unions, safety, and many other topics. Professional organizations such as Society of Human Resource Management (SHRM) help HR professionals keep informed on the latest legal issues and provide lobbying efforts to inform legislators about the concerns of employers and HR professionals. Exhibit 1-2 lists a few of the major laws that have had a tremendous effect on HRM in organizations. We'll explore the laws regarding employment discrimination in depth in Chapter 4 and the other major laws influencing compensation, employee rights, and labor unions in relevant chapters.

Workforce Composition Trends

The terms workforce and labor market are frequently used interchangeably and refer to the available workers in a specific area such as a city, state, country, or region of the world. The number and characteristics of the individuals available to work are a primary concern for HR managers. Many factors influence the composition of the global workforce, including global economics, birthrates, education, and the increasing mobility of the workforce. Several trends emerge that concern HR professionals involved in planning and staffing, especially in global organizations.

Workforce Age

Millennials (people born in the 1980s and 1990s) exceeded the Baby Boom generation (born in the late 1940s to the mid-1960s) in population in the United States in 2015 and is predicted to comprise 75 percent of the world workforce by 2025.¹⁴ By 2050, the number of people in the workforce over 65 is expected to increase by 75 percent in developing countries, but the number of workers between the ages of 25 and 54 will only grow by 2 percent.¹⁵

Baby Boomers are taking their time leaving the workforce in the United States for a variety of reasons, including a need for greater income to sustain current living

Year Enacted	Legislation	Focus of Legislation
1935	National Labor Relations Act (Wagner Act)	Prohibited unfair labor practices by management and protects unions
1938	Fair Labor Standards Act	Provides minimum wage and overtime pay. Defines employee status
1947	Taft–Hartley Act	Protects management rights and prohibits unfair labor practices by unions
1959	Landrum–Griffin Act	Requires financial disclosure for unions
1963	Equal Pay Act	Prohibits wage discrimination
1964	Civil Rights Act Title VII	Prohibits discrimination in all employment decisions on basis of race, religion, ethnicity, sex, and national origin
1967	Age Discrimination in Employment Act	Protects employees over 40 from discrimination
1970	Occupational Safety and Health Act	Protects workers from workplace hazards
1970	Fair Credit Reporting Act	Limits use of credit reports in employment decisions
1974	Privacy Act	Permits employees to review personnel files
1974	Employee Retirement Income and Security Act	Protects employee retirement funds
1978	Mandatory Retirement Act	Raises mandatory retirement age from 65 to 70; uncapped in 1986
1978	Pregnancy Discrimination Act	Protects from discrimination due to pregnancy
1978	Uniform Guidelines of Employee Selection Procedures	Prohibits hiring policies that have an adverse impact on a race, sex, or ethnic group
1986	Immigration Reform and Control Act	Requires verification of citizenship or legal status in the United States
1986	Consolidated Omnibus Budget Reconciliation Act	Provides for benefit continuation when laid off
1988	Drug Free Workplace Act	Requires some federal contractors to follow certain requirements to maintain a drug-free workplace
1988	Employment Polygraph Protection Act	Prohibits use of polygraphs in most HRM practices
1989	Worker Adjustment & Retraining Notification Act (WARN)	Requires employers to give advance notice of plant closing or layoffs
1990	Americans with Disabilities Act	Prohibits discrimination against those with disabilities
1991	Civil Rights Act	Overtures several Supreme Court cases concerning discrimination
1993	Family and Medical Leave Act	Permits employees to take unpaid leave for family matters

EXHIBIT 1-2 Relevant Laws Affecting HRM Practices. Many laws protect the rights of employees in the workplace. These laws protect employee rights to union representation, fair wages, family medical leave, and freedom from discrimination due to conditions that are not related to job performance.

Year Enacted	Legislation	Focus of Legislation
1994	Uniformed Services Employment and Reemployment Rights Act	Protects the civilian employment of non-full-time military service members in the United States called to active duty
1996	Health Insurance Portability and Accountability Act (HIPAA)	Establishes guidelines for protecting private personal information by employers, insurers, and healthcare providers
2002	Sarbanes–Oxley Act	Establishes requirements for proper financial recordkeeping for public companies as well as penalties for noncompliance
2008	Genetic Information Nondiscrimination Act (GINA)	Prevents discrimination based on genetic information about employees or their families
2009	Lilly Ledbetter Fair Pay Act	Reinterprets timeframes available for employees to claim that they were victims of pay discrimination
2010	Patient Protection and Affordable Care Act	Requires employers with 50 or more employees to offer health insurance to employees or pay a penalty

EXHIBIT 1-2 (Continued)

standards or a desire to remain active. Eighty percent of the Baby Boom generation indicates that they expect to work past age 65.¹⁶ Other countries including the Japan, United Kingdom, Italy, and Denmark are facing a rapidly aging and shrinking workforce. This workforce shortage will create challenges for economic growth and due to lower productivity, rising wages, and stress on social welfare programs. In response, some have raised the age that workers are eligible to receive pensions, prompting most older workers to remain in the workforce. HR professionals may see more intergenerational conflict in the workplace as up to four generations have different needs, work ethics, ambitions, learning styles, and expectations.

More Demographic Shifts

Although the increase in the number of women and working mothers entering the workforce in the United States has slowed in recent years, it's growing in other areas. In Latin America, Asia, the Pacific Rim, the Middle East, eastern and central Europe, and Africa, a significant number of women are expected to enter the workforce in the next 10–20 years.¹⁷ They are most likely looking for skilled and professional jobs since the number of women going to some type of postsecondary education is higher than the number of men.

Hispanics and Asians have been the fastest-growing ethnic groups in the population and in the workforce over the last three decades, and the U.S. DOL predicts the trend to continue for the next decade.¹⁸ Some estimates predict the trend to continue much longer, estimating that by 2050, the majority of the U.S. workforce will be Hispanic.¹⁹ Of course, the problem of illegal immigration complicates the issue of worker diversity. HR professionals need to be diligent in understanding and enforcing immigration laws and worker documentation. We will discuss this further in Chapter 7.

Is There a Shortage of Skilled Labor?

If you're less than handy with tools around the house and have tried to find a skilled home-repair person, you may have experienced something that many businesses are also experiencing. Skilled trades are tough positions to fill and the shortage is worldwide. Worldwide job-staffing company Manpower reported that their Talent Shortage Survey found that employers in six of the world's ten largest economies ranked skilled trades as their toughest hiring challenge.²⁰ This includes electricians, carpenters, cabinetmakers, and welders. Some businesses have been unable to expand because they can't fill openings for skilled trades.

A complicated economic environment and changing skill requirements have reduced demand for some jobs while increasing demand for others, leaving HR professionals with a surplus of workers in some areas and a shortage of workers in others. Many manufacturing jobs have moved abroad in the last decade; many other jobs have been automated, and the demand for unskilled production workers is not expected to rebound. At the same time, productivity per worker is on the increase, reducing the number of workers required to produce the same amount of output, further reducing the demand.

It seems that the retirement of the Baby Boom generation would create job opportunities, but it's complicated. Many of these older workers hold positions in the skilled trade areas where looming shortages exist. They will eventually retire, leaving a smaller workforce available for existing jobs in those skilled trade areas. Immigration is expected to fill in some of the gap, resulting in an even more diverse workforce.²¹

New jobs being created increasingly demand highly skilled workers with math and science skills. Unfortunately, young workers worldwide are not choosing to prepare for skilled trades, creating a shortage in many areas. In fact, a survey by Manpower states that fewer than 10 percent of American teenagers, 12 percent of

The need for skilled workers with math and science skills is increasing, and shortages of qualified workers exist.

DIVERSITY TOPICS

Valuing a Diverse Workplace

The workforce is changing, and in response, many organizations share the attitude expressed by Nike that diversity and inclusion are necessary to maintain a competitive advantage in a global marketplace. To fully maximize the contributions of minorities, management must commit to creating a culture that fosters mutual respect and understanding. This can be done by valuing our differences, which enrich our workplace, not only because it's the law, or because it's morally and ethically the right thing to do, or because it makes good business sense, but also because when we open our minds and hearts, we feel better about ourselves. And decency is hard to put a price tag on.



Masterfile

Italian, and 8 percent of Japanese choose to prepare for the skilled blue-collar work needed to meet demand and grow the economy.²² The Manpower report found that their choice may be the result of an image problem or lack of available training. Healthcare and construction will likely see the biggest shortages of skilled applicants by 2022 according to the Bureau of Labor Statistics.²³

In times of labor shortage, good wages and benefits aren't always enough to hire and retain skilled employees. Human resource managers need sophisticated recruitment and retention strategies and need to understand human behavior. Many organizations have chosen to become more appealing to applicants by developing cultures that are positive as well as productive.

Diversity and Inclusion

workforce diversity

The varied personal characteristics that make the workforce heterogeneous.

Many employers are choosing to define **workforce diversity** in a much broader way that recognizes individuality rather than groups and labels. This includes going beyond Equal Employment Opportunity laws that protect recognized groups from discriminatory practices, recognizing that we are all unique individuals who want to be recognized for our uniqueness rather than our similarity to others.²⁴ Employees who are able to be open about all aspects of their spirituality, politics, sexual orientation, disabilities, socioeconomic status, family, cultural influences, and many other beliefs and characteristics, in addition to traditionally recognized and legally protected personal attributes, are happier, more engaged, and more productive.

Multiculturalism is another diversity issue shaping the labor pool. A largest number of immigrants in the last decade have come from Latin American, South American, India, and China,²⁵ bringing their cultures with them. Countries such as Great Britain, Germany, and Canada are experiencing similar changes. Canada, for example, also has large populations of recent immigrants from Asia, Africa, the Caribbean, Central, and South America. These newcomers are making Canada's population more diverse and its workforce more heterogeneous.²⁶ The challenge of HRM is to establish inclusive workplaces that welcome, appreciate, and support our uniqueness.²⁷

inclusion

Valuing the contribution of everyone.

As organizations become more diverse, employers have been adapting their human resource practices to reflect those changes, creating a culture of **inclusion**.²⁸ An inclusive culture allows everyone, regardless of personal characteristics, to feel that they are valued, respected, and have equal access to all organizational opportunities. Most organizations have workforce diversity programs established to hire, promote, and retain minorities; encourage vendor diversity; and provide diversity training for employees. Many, such as Coca-Cola, Nike, and FedEx, conduct cultural audits to ensure that diversity is pervasive in the organization (see Exhibit 1-3). A recent survey of global executives found overwhelming agreement that a diverse workforce improves the ability to connect with a diverse client base; a strategic initiative to increase workforce diversity gives access to a richer talent pool and creates a competitive advantage.²⁹

EXHIBIT 1-3 Coca-Cola

Diversity Mission Statement. Coca-Cola has created a mission statement that specifically addresses a commitment to diversity in the way the organization treats employees, customers, and suppliers. *Source:* www.coca-colacompany.com/our-company/diversity/global-diversity-mission

The Coca-Cola Company's global diversity mission is to mirror the rich diversity of the marketplace we serve and be recognized for our leadership in Diversity, Inclusion and Fairness in all aspects of our business, including Workplace, Marketplace, Supplier, and Community, enhancing the Company's social license to operate.

Even small organizations can encourage diversity. Here are a few suggestions:

- Establish diversity goals and communicate them to all levels in the organization.
- Identify goals, barriers, obstacles, and solutions and develop a plan to overcome them and achieve goals.
- Develop awareness through training, books, videos, and articles. Use outside speakers and consultants, as well as internal resources, to determine how to motivate and maximize the skills of a diverse workforce.
- Establish internally sanctioned employee support systems, networks, or groups.
- Challenge each employee to question his or her beliefs, assumptions, and traditions, and assess how they impact their relationships and decisions.
- Modify existing policies or create diversity policies and communicate them to all current and future hires.
- Hold managers accountable and reward them for developing, mentoring, or providing awareness training.
- Build in accountability through surveys and audits to measure progress as diligently as you would increase production quotas or maintain zero loss-time accidents. Then communicate the results and repeat the process. Continuous improvement applies to diversity as well as to production.

Diversity and Work-Life Balance

Supporting and retaining a diverse global workforce may require employers to create flexibility in the workplace that allows employees to balance career, family, and other responsibilities. For example, research shows that over half of working mothers prefer part-time work as a way to fulfill their family responsibilities as well as career goals. Many Gen Xers (born 1965–1980) and Gen Yers, also called Millennials (born 1982–early 2000s), while passionate about their careers, won't sacrifice family and leisure for their career. This becomes a difficult balance for employers to maintain as the lines between employee work and personal lives blur in the face of a demanding competitive environment.

As Millennials eventually become a majority of the workforce, employers will need to accommodate their preference for a flexible working environment in new ways. For example, although 74 percent want flexible work schedules, 88 percent also want work-life integration, recognizing that work and life are almost seamlessly integrated due to technology. They just want a reasonable way to balance the demands.³⁰

The generational cohort that follows the millennials is just beginning to enter the workforce full time. Their characteristics are still being formed and several different names are being applied. Of course, their workplace preferences and behavior will be studied thoroughly. If you're in this group, how would you describe yourself? Tech-savvy? Independent? Entrepreneurial? Open minded? What do you want in a career and workplace? Stay tuned.

Complicating the issue of work-life balance is the expansion of global organizations. At any time and on any day, global corporations such as Citigroup and Samsung have approximately 250,000 employees working somewhere around the globe. The need to consult with colleagues or customers 8 or 10 time zones away means that many employees of global firms are "on-call" 24 hours a day. Communication technology is a good news, bad news proposition, allowing people to work any time and from any place, yet never allowing them to be completely off the clock and out of touch. Organizational demands for increased productivity are another issue. It's not unusual for employees to work more than 45 hours a week, and some work

much more than 50. Finally, organizations realize that today’s married employee is typically part of a dual-career couple. This makes it increasingly difficult for married employees to find the time to fulfill commitments to home, spouse, children, parents, and friends. It’s exhausting to think about, isn’t it?

Labor Costs

Labor costs are a significant expense for many organizations. Economic factors occasionally force them to reduce the size of their workforce significantly using a variety of methods such as reduced hours, pay reduction, downsizing, outsourcing, offshoring, and using contingent labor. When economic factors improve, many organizations are reluctant to regain their previous employment levels and continue using contingent labor to manage labor costs. Throughout this book, we’ll examine additional ways to control labor costs by reducing costs of employee benefits, managing worker’s compensation and disability claims, and many others. For now, we’ll focus on the challenges of downsizing, contingent workers, and offshoring.

downsizing

An activity in an organization aimed at creating greater efficiency by eliminating certain jobs.

rightsizing

Linking employee needs to organizational strategy.

outsourcing

Sending work “outside” the organization to be done by individuals not employed full time with the organization.

Downsizing

The purpose of **downsizing** is to cut costs in the face of financial pressures or a downturn in the economy. It may also be a strategic move when restructuring requires an organization to close a division or facility. Sometimes, organizations attempt to increase their flexibility to better respond to change. Quality-emphasis programs may create a flatter structure and redesign work to increase efficiency, resulting in the need for fewer employees. Companies such as GE have managed to create agility by dividing their organization into smaller, more flexible units. When downsizing is used as a way of balancing staff to meet changing needs, it may involve cutting staff in some areas as they increase staff in other areas. This change in staffing is often called **rightsizing**. Rightsizing promotes greater use of outside firms for providing necessary products and services—called **outsourcing**—in an effort to remain flexible and responsive to the ever-changing work environment.

DIVERSITY TOPICS

Glass Ceiling Still a Barrier for Women Globally

As women and minority groups struggle to break through the glass ceiling into the executive ranks of U.S. businesses, it’s interesting to compare how women in other countries are progressing. A recent survey found that women in Russia are world leaders, holding 47 percent of senior management positions. How are U.S. women doing? Check the chart below³¹:

Russia	47%
Indonesia	46%
Philippines	40%
France	31%
China	31%
Canada	23%
United States	23%
Germany	18%
India	17%
Japan	7%
Global Average	25%

Contingent Workforce

Many organizations have learned that they can save money and increase their flexibility by converting many jobs into temporary or part-time positions, giving rise to what is commonly referred to as the **contingent workforce**. Temporary workers can be found in nearly every job category including administrative, nursing, accounting, manufacturing, legal, dentistry, IT, engineering, marketing, education, publishing, and even senior management positions.³² The contingent workforce includes the following:

Part-time employees Part-time employees are those who work fewer than 40 hours a week. Part-timers allow organizations flexibility to supplement their staff during peak times and usually receive few benefits. Many retailers maintain a few full-time employees and increase staff for the busier evening and weekend hours with part-time employees. Part-time employees may also split one full-time job with another part-time employee, often called job sharing.

Temporary employees Temporary employees may be employed during peak production periods to meet increased demand for production or services. Temporary workers also act as fill-ins when some employees are off work for an extended time. For example, an administrative assistant position may be filled using a “temp” while the employee is off work during his 12-week unpaid leave of absence for the birth of his daughter.

Contract workers Contract workers, freelancers, subcontractors, and consultants are contracted by organizations to work on specific projects. These workers are often highly skilled. Their fee is set in the contract and is usually paid when the organization receives the completed project. Contract workers are used because their labor cost is fixed, and they incur few of the costs associated with a full-time employee population.

Why do so many organizations depend so heavily on contingent employees? The rapidly changing environment we’ve been discussing often creates a need to quickly adjust workforce size. Having too many permanent, full-time employees limits management’s ability to react. For example, an organization that faces significantly decreased revenues from seasonal fluctuations in sales, or the loss of a large client, may need to cut staff. Deciding whom to layoff and how layoffs will affect productivity and the organization is extremely complex in organizations with a large permanent workforce. On the other hand, organizations that rely heavily on contingent workers have greater flexibility because workers can be easily added or taken off projects as needed. In addition, staffing shortages, opportunities to capitalize on new markets, or obtaining someone who possesses a unique skill for a specialized project all point to a need for flexible staffing.

Issues Contingent Workers Create for HRM

Temporary workers and the flexibility they create present special challenges for human resource managers. Because they often do not receive many of the amenities—such as training, health, and paid-leave benefits—that full-time **core employees** do, contingent workers may tend to view their work as not critically important. Accordingly, they may be less loyal, less committed to the organization,

contingent workforce

The part-time, temporary, and contract workers used by organizations to fill peak staffing needs or perform work not done by core employees.

core employees

An organization’s full-time employee population.

or less motivated on the job than permanent workers. This tendency may be especially relevant to individuals forced into the temporary workforce from full-time employment. Human resource managers must recognize their responsibility to motivate their entire workforce—full-time and temporary employees—and to build their commitment to doing good work!

Where Do They Fit? A management decision to use contingent workers is a strategic one that requires planning and consultation with HRM. The decisions about scheduling, compensation, benefits, whether full-time positions may be offered, and many other issues must be made with consideration for the entire organizational workforce. Organizational culture must be considered, and as mentioned earlier, compliance with legal issues must be addressed.

Pay and Benefits Conflicts HRM must be prepared to deal with potential conflicts between core and contingent workers. The core employees may question the fairness in pay rates and flexibility in scheduling that the contingent workers receive. The core employees' salaries include benefits, but they may forget to factor in benefits when comparing their pay to that of contingent workers. For example, paying a training consultant \$4,000 for presenting a 2-day skills-training program might cause some conflict with core HRM trainers, although the HRM trainer may not have the time or resources to develop such a program. If the consultant offers 20 of these 2-day programs over the year, earning \$80,000 in consulting fees, a \$50,000-a-year company trainer might take offense. These potential conflicts will need to be explained by HRM before they become detrimental to the organization—or, worse, provide an incentive for core employees to leave.

Correctly Classifying Employees The definition of who is and who is not an employee is an important consideration in hiring contingent workers. This is important because contractors are not eligible for family and medical leave, overtime, minimum wage, worker's compensation, unemployment compensation, and many other benefits. Additionally, since employers of contractors generally are not required to pay into social security, Medicare, income tax withholding, state unemployment insurance, and worker's compensation funds, the state and federal governments miss out on those revenues.

The Fair Labor Standards Act (FLSA) outlines the employment relationship. The DOL and Internal Revenue Service enforce the law and provide guidelines for employers to determine which workers are employees and which are not. The DOL has placed a high priority on enforcing compliance with the law. Their goal is to protect not only employees but also employers who are obeying the law and are at a disadvantage with others who have lower labor costs because of the lower costs associated with contractors. IRS guidelines below generally focus on three major categories—behavioral control, financial control, and the relationships of the parties. Businesses must weigh these factors when determining whether a worker is an employee or an independent contractor:

Behavioral: Does the company control or have the right to control what the worker does and how the worker does his or her job?

Financial: Are the business aspects of the worker's job controlled by the payer? These include things such as how the worker is paid, whether expenses are reimbursed, who provides tools, supplies, or other materials.

Type of relationship: Are there written contracts or employee-type benefits such as a pension plan, insurance, or vacation pay? Will the relationship continue, and is the work performed a key aspect of the business?

IRS guidelines admit that there is no specific determinant that makes a worker an employee or independent contractor. The entire relationship must be examined. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. In addition, factors that are relevant in one situation may not be relevant in another. It may seem confusing, but in general, the individual is an employee if the employer controls what will be done, where it will be done, and how it will be done. The individual is probably an independent contractor if the employer only controls the results of the work, not the means or methods used to complete it.³³

Offshoring

Offshoring, the process of moving jobs to another country for economic reasons, has been blamed for the decrease in employment in many industries, particularly in manufacturing. It's partly true, but economists estimate that offshoring may explain no more than 13 percent of manufacturing job losses. Most manufacturing jobs are lost to automated work processes.³⁴ Offshoring isn't always a permanent solution to controlling costs. General Electric has brought production of some appliances back to the United States and a few manufacturers of large, expensive products such as jet engines and power plant turbines also brought production back to the United States. This process is called **reshoring**, or bringing jobs back to the home country. Reasons cited include better educated and skilled workers and more dependable infrastructure such as water, power, and roads. Most economists and business leaders agree that although some companies have started the process of reshoring, the trend of moving jobs to places where the work can be performed by lower paid workers will continue.

Manufacturing jobs are not the only ones to be sent overseas. Many employers see offshoring as a necessity to compete in a global economy and find necessary skills, lower labor costs, and reduced costs of distribution. Jobs frequently sent offshore include services that can be delivered electronically, such as an overseas radiologist reading X-rays e-mailed in the middle of the night or an accountant in India doing work to help a busy CPA firm in the United States during tax season. Other types of jobs that are seeing offshore growth include computer programmers, software developers, systems analysts, and . . . get ready . . . human resources.



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Are these customer service representatives employees, temporary employees, or contract workers? It depends on the amount of control the employer has over the work, details of compensation, and the employment agreement.

offshoring

The process of moving jobs out of one country and into another country.

reshoring

The process of bringing jobs back to the home country.

Continuous Improvement Programs

The ability to compete in a global economy requires an emphasis on quality production and services. The generic terms that describe this revolution are **quality management** and **continuous improvement** (Exhibit 1-5). Hiring, training, and maintaining workers able to support an emphasis on quality management and continuous improvement is a strategic HRM responsibility in many organizations. An early advocate of quality production was W. Edwards Deming, an American statistician who taught statistical methods to control quality in manufacturing. Deming went to Japan in 1950 and began advising many top Japanese managers on ways to improve their production effectiveness.³⁵ A well-managed organization, according to Deming, was one in which statistical control reduced variability and resulted in uniform quality and predictable quantity of output.³⁶ Deming's original program has been expanded into a philosophy of management driven by customer needs and expectations.³⁷ Quality management expands the term *customer* to include everyone involved with the organization including employees and suppliers as well

quality management

Organizational commitment to continuous process of improvement that expands the definition of customer to include everyone involved in the organization.

continuous improvement

Organizational commitment to constantly improving quality of products or services.



EXHIBIT 1-4 Continuous Improvement Programs. Organizations that pay attention to improving the quality of products and the customer experience see big rewards. Copyright Ted Goff 1999

EXHIBIT 1-5 Components of Continuous Improvement. These components of the continuous improvement process help employers determine what factors to consider when facing change.

1. Intense focus on the customer. The customer includes not only outsiders who buy the organization's products or services, but also internal customers (such as shipping or accounts payable personnel) who interact with and serve others in the organization.
2. Concern for continuous improvement. Continuous improvement is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be improved.
3. Improvement in the quality of everything the organization does. Continuous improvement uses a broad definition of quality. It relates not only to the final product but also to how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and so on.
4. Accurate measurement. Continuous improvement uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards, or benchmarks, to identify problems, trace them to their roots, and eliminate their causes.
5. Empowerment of employees. Continuous improvement involves the people on the line in the improvement process. Teams are widely used in continuous improvement programs as empowerment vehicles for finding and solving problems.

kaizen

The Japanese term for an organization's commitment to continuous improvement.

as consumers of the organization's products or services. The objective is to create an organization committed to continuous improvement or, as the Japanese call it, **kaizen**³⁸—one that leads to achieving an effective and lean workplace.

Work Process Engineering

After many years of outsourcing manufacturing of household appliances to places such as China, Vietnam, and the Philippines to take advantage of extremely low wages, General Electric took another look at the practice a few years ago. Overseas wages and transportation costs were climbing. Advances in technology made it cost-efficient to bring production of a high-tech, energy-efficient water heater back to the United States. The appliance was completely redesigned. An existing factory in Louisville, Kentucky, was gutted and redesigned to take advantage of the latest manufacturing technology. The lessons learned from W. Edwards Deming and Frederick Taylor were used to increase efficiencies in materials and labor. A new lower wage structure was implemented for workers and production began. Soon after, a similar process was followed to bring manufacturing of high efficiency lighting and batteries back to the United States.³⁹

General Electric saw that developments in technology and economics made it possible to make dramatic changes in the processes used to make appliances. As we have mentioned several times, many organizations operate in an environment of rapid and dynamic change. If the incremental changes resulting from Continuous Improvement are not adequate to sustain a competitive advantage, it may be time to totally rethink established processes.

Work process engineering goes beyond incremental change and requires an organization to face the possibility that what the organization may really need is radical change. Work process engineering is more radical than continuous improvement and may be a response to game-changing developments in technology, competition, or the economy. It usually entails rethinking or redesigning processes used to accomplish organizational goals with the objective of dramatic improvements in efficiency and competitiveness. These actions will ultimately require many changes that will involve human resource professionals.

work process engineering
Radical, quantum change in an organization.

HRM must be ready to help affected employees overcome barriers to change.

How HRM Can Support Improvement Programs

Whenever an organization embarks on any improvement effort, it introduces change into the organization. Familiar routines are gone, replaced by new technology, processes, coworkers, and supervisors. Is it any wonder that employees react with fear and resistance, possibly even creating barriers to change? HRM must be ready to help affected employees overcome their resistance. Responsibility falls on HRM to prepare the organization and the affected individuals for the coming changes with clear and extensive communication of why the changes will occur, what is expected, and the effects on employees.

When changes in work processes are necessary, HRM must be prepared to train employees in these new processes and help them attain new skill levels that may be associated with improved operations. These skills may include new processes, upgraded technology, teamwork skills, or additional decision-making authority. Although employees may be involved in planning and implementing the necessary changes, uncertainty about what changes mean personally is stressful. As change is implemented, some may lose jobs, survivors may need retraining, and stress levels may be magnified. HRM must be ready to give employees appropriate answers and direction for what to expect, as well as assistance in dealing with conflicts that may

result within the organization. Additionally, as many components of the organization are redefined, HRM activities that affect employees may need to change. For example, if redesigned performance standards change employee compensation packages (e.g., bonus/incentive pay), HRM needs to thoroughly explain the performance standards and how they will be evaluated.

Employee Involvement

Employee involvement increases employee participation and input regarding work and work processes. The goal is to improve employee engagement and productivity. A few common employee involvement strategies include delegation, participative management, work teams, goal setting, and empowering of employees.

How Organizations Involve Employees

On a very basic level, employee involvement requires management to empower employees to make decisions that directly affect their work. To effectively participate in decisions involving the workplace, employees need all the information relevant to the decision and a thorough understanding of the job. Managers also need to delegate the authority to make the decisions and hold employees accountable for the results.

Work teams are an effective way to increase employee involvement. Workers from the same area or different specializations in an organization are brought together to complete complex projects. Often, diverse employee groups find that a team effort capitalizes on the various skills and backgrounds that each member brings to the team. Consider, for example, what kind of group it takes to put together a symphony. One musician could not possibly play all the various instruments at one time.

To blend the music of the orchestra, symphonies have string sections, brass instruments, percussion, and so on. At times, however, a musician may cross over these boundaries, such as the trombonist who also plays the piano. With greater flexibility and involvement, employees are in a better position to achieve the desired ends and feel personal satisfaction with the result.

Tomorrow's organizations will have an even greater emphasis on teams.

Employee Involvement Implications for HRM

Useful employee involvement requires supportive management and a culture of empowerment. This may require HR to train managers and employees in the skills necessary to create a culture of empowerment such as goal setting, delegation, teamwork and team decision making. They may need training in interpersonal skills to make participative management and work teams function properly. In the future, we can anticipate much more involvement from HRM in all parts of the organization.

Other HRM Challenges

The challenges to HRM are in the headlines every day. Issues such as legislation, the economy, offshoring, mergers, bankruptcies, layoffs, workplace violence, and unemployment lead the news, and enter our daily conversation. As you study HRM,