HUMAN RESOURCE MANAGEMENT



Mathis | Jackson | Valentine | Meglich

FIFTEENTH EDITION

HUMAN RESOURCE MANAGEMENT



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In comparing the fifteenth edition of *Human Resource Management* with the first edition, the evolution that has occurred in the HR field is very apparent. Because we have carefully researched and recorded the changes in this book, we are told it has become the leader in both the academic and professional segments of the market. The book is a longtime standard in HR classes, and the authors are very gratified that their efforts are appreciated by so many.

While developing this text, we paid close attention to presenting information at an appropriate reading level and length, using many practical examples, and offering other learning devices to make the book more "student friendly." It is also worth noting that the authors have all won teaching and/or research awards, which illustrates knowledge of what it takes to effectively communicate the latest HR information both orally and in written form.

Casual comments from colleagues reveal a lack of clarity about how one successfully revises a textbook in a field that changes as rapidly as Human Resources. There are many hundreds of articles in the academic and professional literatures that have appeared in the three years since our last book was researched. When business examples from *The Wall Street Journal*, *Business Week*, *HR Magazine*, and other trade publications are added, the number is staggering. These articles, as well as the themes that appear in them, represent the changing nature of the subject matter in HR and must be added to the overall knowledge of the field. Consequently, this information must be added to a university text that effectively summarizes the field. This book has provided a comprehensive overview of the HR profession for many editions, and it has successfully done that again in this current edition. You can be confident it contains the most current content that reflects current HR practices in the field.

The field of HR management is different from some other areas of business. There is a definite academic/research side that explores new theories and knowledge, but HR has a more professional/applied side too. Just ask leaders who deal with HR issues on a daily basis. This book focuses on both sides of the HR field, which has resulted in it being used by many individuals to prepare for certification in the HR profession. Our approach has always been that both perspectives are very important in understanding the field, and this strategy is continued in the fifteenth edition.

With this edition, we welcome a new author. Patricia Meglich is an accomplished scholar who has a special interest and expertise in the applied areas of HR given her extensive professional background. You will note more consideration of the practical implications of many HR issues in this current edition of the text. She is a strong addition to the author team.

The Fifteenth Edition

HR takes place in an environment that changes rapidly and impacts the field, resulting in necessary changes to the book being recognized between editions. The fifteenth edition identifies these changes and how they are being dealt with in the field. A few of the most significant characteristics of the fifteenth edition are detailed next. This new edition also contains many other positive content attributes, and you will find them throughout the text.

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"What's Trending" Chapter Sections

Human resource management is a complex field, and highlighting all the current trends is difficult. However, there are a number of issues that are currently affecting organizations, particularly with regard to how they manage people at work. Employees are expected to have the proper knowledge, skills, and abilities to perform in a workplace that has many challenges and new expectations, which requires organizations to implement practices that help employees get better at what they do and perform well. Each chapter provides an overview of the current trends pertaining to the particular topics explored.

Measuring HR Effectiveness

The trend toward holding HR groups accountable for corporate performance has expanded, giving HR professionals a "seat at the strategic table." The days when an HR manager could be successful because "she just loves working with people" are long gone. Benchmarking, metrics, and now analytics are a part of the analysis of how well HR is doing its job. The fifteenth edition uses a metrics icon to indicate where material on measuring HR is covered throughout the book. Such measurement is welcome, as it documents how HR contributes to organizational goals in a tangible way.

Global Human Resource Management

Business is now global in scope, a reality that has dramatically changed the HR profession. Offshoring, global mergers and acquisitions, and cultural differences continue to challenge HR departments. The fifteenth edition covers global issues throughout the chapters to ensure proper coverage of global issues throughout the textbook. Globally related material is indicated with a global icon.

HR Ethics

The study of ethics is emphasized in the academic business community, and HR is a fertile area for the practical application of ethics material. The potential for unethical dealings in compensation, staffing, Equal Employment Opportunity (EEO), and other areas is significant and problematic. At a minimum, investigation of these issues can provide a basis for discussion of HR ethics in the classroom, hopefully leading to greater consideration of ethical challenges in the HR profession. There is an HR ethics icon where HR ethics issues are covered.

Organization of the book

- Each chapter opens with an "HR Headline" designed to introduce chapter material with a real company dilemma or problem. Learning objectives are provided at the beginning of each chapter.
- The latest trends and cutting-edge practices are highlighted in each chapter in a new feature called "What's Trending."
- Chapters contain a mix of three boxed features designed to do different things: *HR Perspective* sections provide real examples of how companies deal with the issue covered. *HR Competencies & Applications* provide a "how to do it" view of the material based on key competencies identified in many professional models of HR. Finally, *HR Ethics* features highlight some of the ethical issues encountered in the profession.

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- Each chapter ends with a point-by-point "Summary."
- The "Critical Thinking Challenges" at the end of each chapter provide questions and exercises that allow readers to apply what has been learned in each chapter.
- New in-depth end of chapter cases showcase HR innovations in current organizations and present readers with a chance to critically assess the effectiveness of innovative people practices.

Material is organized around five sections:

- The Environment of Human Resource Management
- Workforce, Jobs, and Staffing
- Training, Development, and Performance
- Compensation
- Employee Relations

The fifteenth edition presents both the continuity and changes occurring within human resource management. The chapters in each section will be highlighted next, along with some of the topics explored in each chapter.

Section One: The Environment of Human Resource Management

Section One contains chapters emphasizing the changing environment in which HR operates, as well as how HR can effectively adapt. Chapter 1 explains why HR is needed and how employees can function as key assets for an organization. Basic HR functions and current HR challenges are covered. Ethics and HR as a career field are discussed. Different HR competencies that are important in the profession are also explored in this edition. Chapter 2 discusses two primary ways of dealing with the changing environment—strategy and HR planning. The strategic planning process and HR's role in it are covered. A process for conducting HR planning is identified, including environmental analysis, assessing internal and external labor markets, and managing imbalances. The chapter also covers HR metrics and analytics and presents benchmarking and balanced scorecard processes. Good and bad strategy distinctions, HR analytics, and the HR audit are among topics investigated. Chapter 3 deals with the EEO environment, including legal requirements and concepts. This comprehensive chapter also investigates the challenges presented by EEO issues. Gender inequity in compensation, discrimination based on sexual orientation, and religious discrimination/accommodation are discussed.

Section Two: Workforce, Jobs, and Staffing

Section Two looks at people, the jobs they do, and how to bring these two factors together for the purposes of accomplishing work requirements. *Chapter 4* profiles the United States' workforce participation rates and skills gaps, before turning to the nature of jobs, including job design and redesign, flexibility, telework, and work–life balance. The chapter then presents the most comprehensive coverage of job analysis available in a basic HR text. Treatment of the workforce is also covered, as is presentation of jobs, and flexible work opportunities. *Chapter 5* investigates the individual–organizational relationship and retention. Individual performance factors, including a very brief summary of the leading work motivation ideas and the psychological contract, are identified. Absenteeism and turnover,

including measurement issues, are covered. The discussion then turns to retaining employees and the available management options for improving retention. The focus on individual performance factors is emphasized, as is employee engagement, loyalty, and drivers of retention for high-performing employees. *Chapter 6* considers labor markets and recruiting. Online recruiting and the other common recruiting methods are examined, and this information is followed by a comprehensive look at measuring the success of recruiting. Recruiting and employer ethics and the use of technology and social media in recruiting are expanded. *Chapter 7* looks at placement, selection testing, interviewing, and background investigations, among other topics. An assessment of person–environment fit as part of the attraction-selection-attrition framework is also presented.

Section Three: Training, Development, and Performance

Section Three considers bringing people along in their careers in organizations through training, talent management, and career and performance management. Chapter 8 explores different potential strategies for training in the organization. A comprehensive model of the training process leads ultimately to training delivery and evaluation. Issues associated with sales training, the expansion of e-learning (online training) and m-learning (using mobile devices) based on new research, and the increased use of simulation and games in training are also covered. Chapter 9 looks at talent management, leadership development, succession planning, and career issues, topics that have been very much in the literature since the last edition. This is reflected through the entire chapter, with special emphasis on integrating talent management into the organization's strategy and ideas for keeping high performers invested in their jobs. Chapter 10 considers identifying and measuring employee performance. Performance appraisal with all its pros and cons is covered, as well as hints for the appraisal interview. In this edition, ethical issues surrounding performance appraisal are reviewed, and the voluminous new literature in performance has been reviewed and integrated.

Section Four: Compensation

Section Four summarizes compensation, incentives, and benefits. *Chapter 11* introduces basic compensation, total rewards, and the development of a pay system. This edition covers strategic compensation decisions, linkage of pay to motivation theories, and current compensation challenges, including the use of two-tier wage systems. *Chapter 12* considers variable pay (incentives), sales compensation, and executive pay. Individual, group, and organizational incentive systems are reviewed, and the controversial topic of executive compensation is presented. Clawbacks, commissions, "say-on-pay," and exit package changes are also discussed. *Chapter 13* explains the different types of benefits that organizations offer, as well as how to effectively administer and manage these benefits so that employees are satisfied. New or expanded content includes international benefits, the Patient Protection and Affordable Care Act, outsourcing benefit administration, and technology-driven, self-service benefits administration.

Section Five: Employee Relations

Section Five covers risk and safety, employee rights and responsibilities, and unions. *Chapter 14* looks at threats to the well-being of both organizations and employees.

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OSHA, legal requirements for well-being, safety management, and security concerns are specified. Expanded discussions of medical marijuana, counterproductive employee behaviors, and drug testing are provided. *Chapter 15* looks at rights existing in the employment agreement, including privacy rights, workplace monitoring, investigations, and discipline. This edition are covers alternative dispute-resolution techniques and material on employee rights and ethical issues. *Chapter 16* evaluates the union–management relationship through labor laws, history, collective bargaining, and grievance management. New since the last edition is material on politics and unionization, changes in union membership, and union tactics.

Appendices

To keep the chapters sized appropriately, yet provide additional specific information, the book contains seven appendices. These provide details on the bodies of knowledge/competence for HR certification, HR literature, EEO laws, Uniform Guidelines, illegal preemployment inquires, EEO enforcement, and HR job descriptions.

Supplements

Instructor's Resource Website

The Instructor's Resource website puts all of the core resources in one place. The website contains the Instructor's Manual, Test Bank, and PowerPoint presentation slides.

- Instructor's Manual: The Instructor's Manual represents one of the most exciting and useful aids available. Comprehensive teaching materials are provided for each chapter—including overviews; outlines; instructor's notes; suggested answers to end-of-chapter Review and Applications Questions; suggested questions for the "HR Headline," "HR Perspective," "HR Ethics," and "HR Competencies & Applications" features; suggested answers to the end-of-chapter case questions; and suggested questions and comments on the supplemental cases for each chapter.
- Cognero Test Bank: The test bank contains more than 1,800 questions, including multiple-choice, true/false, and essay questions. Questions are additionally identified by type—definition, application, and analytical—and also include AACSB tags for general (NATIONAL) and topic-specific (LOCAL) designations.
- *PowerPoint Slide Presentation:* The PowerPoint presentation contains approximately 400 slides to aid in class lectures.

Print on Demand Student Study Guide

Designed from a student's perspective, this useful guide provides aids that students can use to maximize results in the classroom and on exams, and, ultimately, in the practice of human resources. Chapter objectives and chapter outlines aid students in reviewing for exams. Study questions include matching, true/false, idea completion, multiple-choice, and essay questions. Answer keys are provided for immediate feedback to reinforce learning.

MindTap

MindTap is the digital learning solution that helps instructors engage students and relate HR management concepts to their lives. Through interactive assignments, students connect HR management concepts to real-world organizations and say how managers should perform in given situations. Finally, all activities are designed to teach students to problem-solve and think like management leaders. Through these activities, real-time course analytics, and an accessible reader, MindTap helps you turn cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers.

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As the authors, we are confident the fifteenth edition of *Human Resource Management* will continue to set the standard for the Human Resource field. As the users of the text, we certainly hope you agree.

Robert L. Mathis, SPHR John H. Jackson Sean R. Valentine Patricia A. Meglich, SPHR, SHRM-SCP

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CHAPTER 1

Human Resource Management in Organizations

CHAPTER 2

Human Resource Strategy and Planning

CHAPTER 3

Equal Employment Opportunity

The Environment of Human Resource Management

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CHAPTER

Human Resource Management in Organizations

Learning Objectives

After you have read this chapter, you should be able to:

- **LO1** Understand human resource management and define human capital.
- LO2 Identify how human resource management and employees can be core competencies for organizations.
- LO3 Name the seven categories of HR functions.
- **LO4** Provide an overview of four challenges facing HR today.
- LO5 Explain how ethical issues in organizations affect HR management.
- **LO6** Explain the key competencies needed by HR professionals and why certification is important.

WHAT'S TRENDING IN **HUMAN RESOURCE MANAGEMENT**

There are a number of current HR trends that affect how companies manage people at work. Employees are expected to have the proper knowledge, skills, and abilities (KSAs) to perform in an environment that presents constant changes and new expectations. This requires HR professionals to be at the top of their game when it comes to developing policies that help people get better at what they do. Here are some issues that are currently trending in HR:

- 1. The rapidly changing workplace focuses HR efforts on the development of human capital factors that address organizational needs (e.g., customer service, quality, productivity). Once employees are developed, they need to be placed in the proper jobs with positive work cultures that enable them to effectively use their talents.
- 2. Globalization and workforce diversity present a number of ways for individual differences to help companies. However, challenges associated with the proper placement of employees and the development of positive HR policies in diverse environments are common.
- 3. Technology is viewed as a key means to an end when it comes to managing human resources. Increased social media, online interactions, and the use of software to manage traditional HR functions can enhance how individuals are supervised at work.
- 4. The ability of companies to develop ethics policies, social responsibility, and sustainable practices is viewed as a source of competitive advantage. Developing an ethical culture, offering ethics training, and encouraging employees to give back are all ways that HR leaders can help improve business ethics.



Entrepreneurial HR Culture at MGM Resorts **International**

any companies are creating an entrepreneurial culture for employees so that they can be innovative. Part of this process includes making them business partners and giving them good jobs. Another aspect includes allowing them to voice their opinions, make suggestions about how work gets done, and follow up with positive action. Some HR functions are also changed to offer a worksite that encourages individuals to take chances with new approaches and participate in decision making, and resources that help people develop new ideas can be provided. The HR department is in a unique position to develop these opportunities.

MGM Resorts International, a Las Vegas-based gaming organization, relies on this entrepreneurial approach. Since many of the firm's employees earn their income from tips, the

HEADLINE

Entrepreneurial HR Culture at **MGM** Resorts International 3

PERSPECTIVE

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COMPETENCIES & APPLICATIONS

Building Healthy Organizations 14



ETHICS

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Andrew Zarivny/Shutterstock.com

company encourages them to ask questions and develop ideas that help improve service delivery and workforce management. Innovation is also emphasized in the company's Leadership Institute for executives, where people attend a seminar on innovation, participate in brainstorming sessions, and create new processes that enable the company to cut expenses. One idea, which involved developing a consistent brand of water bottles in the different properties, saved MGM about \$400,000 a year.

MGM relied on a number of other strategic HR ideas to create a culture of innovation. Some of these included:

- Using focus groups to obtain feedback from line employees as part of a broader communication strategy at each of the properties
- Developing a directory called Workday, which contained the contact information for all employees and executives, as a way of sharing information
- Encouraging employees to develop ideas that improved responsiveness to customers' needs

Michelle DiTondo, Senior Vice President of HR, believes that the resulting culture established a workplace where employees feel valued and empowered, leading to greater decision making and participation.¹

Employees are the necessary resources that organizations use to satisfy important business objectives. Having talented individuals employed in a company is the cornerstone of developing a competitive advantage. If an organization is to compete on whatever distinctive core competencies are considered important in its industry (e.g., customer service, quality, strategic planning), having qualified and motivated employees is critical.

By earning the reputation as good employers, companies can attract and retain productive, creative, and reliable people who possess competitive advantages that reach strategic goals. Finding knowledgeable and motivated employees, training them to perform critical jobs, paying them appropriately, giving them important work responsibilities, and providing them opportunities to succeed and gain recognition are but a few of the issues that an organization must address. But how does an employer create these policies and earn such a positive reputation? Most often, it is an HR department that develops and coordinates practices that enable people to make important contributions at work.

Developing sound HR activities can enhance an organization's reputation as a desirable place to work. A company must also look ahead and address emerging challenges and opportunities so that employees are satisfied and perform their jobs at high levels. In particular, there is a need to understand the current trends that are occurring in the field of human resource management.

LO1 Understand human resource management and define human capital.

Human resource management

Designing formal systems in an organization to manage human talent for accomplishing organizational goals

1-1 What Is Human Resource Management?

What is now called human resource management has evolved a great deal since its beginnings around the year 1900. What began as a primarily clerical operation in larger companies concerned with payroll and employee records began to face changes with the social legislation of the 1960s and 1970s. "Personnel departments," as they came to be called, became concerned with the legal implications of policies and procedures affecting employees. In the 1990s, globalization and competition required human resource departments to become more concerned with costs, planning, and the implications of various HR strategies for both organizations and their employees. More recently, human resource operations in some companies have been involved with mergers and acquisitions, outsourcing, and managing vendors of certain traditional HR activities such as payroll and executive search. HR may also advise the CEO or chairman of the board as he or she works to fill vacancies among executives and directors. Rising concerns over corporate scandals and unethical behavior are also encouraging HR professionals to get more involved in programs that increase ethics, compliance, and social responsibility.

Human resource management is designing formal systems in an organization to manage human talent for accomplishing organizational goals. Whether you work in a big company with 10,000 employees or a small nonprofit organization with 10 employees, employees must be recruited, selected, trained, managed, and retained. Employees must also be paid, which means an appropriate and legal compensation system is needed. Each of these activities requires thought and understanding about what works well given current employee concerns and company conditions. Research into these issues and the knowledge gained from successful approaches form the basis of effective HR management.

1-1a Why Organizations Need HR Management

Not every organization has an HR department. In a company with an owner and 10 employees, for example, the owner usually addresses HR issues. However, despite the obvious differences between large and small organizations, the same HR issues must be dealt with in every firm. Luckily, *every* leader in an organization is an HR manager, so there are usually many people who can help address HR issues. Sales managers, head nurses, drafting supervisors, food and beverage directors, college deans, and accounting department supervisors all engage in managing human resources, and their effectiveness depends in part on their ability to understand the principles of HR management.

It is unrealistic, however, to expect these individuals to understand all the details of equal employment regulations, how to design a complex compensation system, or when to conduct a job analysis. Therefore, the presence of an HR department and leaders who understand important HR issues can be helpful. For that reason, larger organizations frequently have people who specialize in these activities, and these professionals are organized into an HR function or department. Yet some firms have never employed HR professionals or have eliminated their HR departments. But their experiences suggest that companies without HR support must deal with a variety of personnel challenges.³ Companies such as Zappos are even trying a "holacracy" approach where departments are dismantled, job titles are dropped,

and management structures are flattened so that self-managed groups are given flexibility to perform tasks that fit their abilities.⁴

Despite these trends, there are many benefits associated with having a dedicated HR department. However, HR professionals must respond appropriately to current business challenges and opportunities if they want to be helpful. A recent survey indicates that worker engagement and performance, leadership development, and employee retention are key issues in companies today, so HR leaders need to effectively address these concerns.⁵ Another survey shows that management of health care issues, loss of senior talent, retirement concerns, and hiring skilled and educated individuals are key challenges that should be addressed.⁶ Other trends include a globalized workforce, greater age diversity, a focus on sustainability, and an emphasis on social media. HR leaders can address these issues by adopting an interdisciplinary business approach (e.g., working with marketing, operations, and finance talent), connecting with outside constituencies, identifying critical organizational challenges, and facilitating organizational change. THR professional might also adapt HR processes to fit workplace changes, work more closely with IT personnel to manage technology, hire more high performers who have the right skills, and be innovation leaders. Finally, sharing employee knowledge and expertise has become a big issue, so HR staff can modify work that limits collaboration. The following "HR Perspective: Transforming HR at Popeyes Louisiana Kitchen" feature highlights some of these emerging trends, as well as others.

Greater cooperation between operating managers and the HR department is also needed for HR efforts to succeed. In many cases, the HR department designs processes and systems that operating managers must help implement. The exact division of labor between the two varies from firm to firm. Throughout this book there will be examples of how HR responsibilities in various areas are divided in organizations that have HR departments.

How Human Resource Management Is Sometimes Seen in Organizations

HR departments have been viewed in different ways, both positively and negatively. HR management is necessary, especially when dealing with the many government regulations enacted over the past several decades. However, the need to protect corporate assets against the many legal issues often makes the HR function play a different role, which may be seen as negative, restrictive, and not focused on getting work done.

The legal compliance role can cause other people to have negative views of HR staff. The negative perception that some employees, managers, and executives have is that HR departments are too bureaucratic, detail oriented, and costly, and that they are comprised of naysayers. Some managers also believe that HR departments reduce innovation and negatively impact the ability to complete work because of poorly executed programs. The availability of software that automates different functions and farms out various HR functions also fuels the belief that HR support is not really needed. ¹⁰ Critics think HR groups don't make important contributions. Despite such concerns, the HR function can benefit the workplace if it is managed well.

Human Resources in Smaller Organizations In the United States and worldwide, small businesses employ more than half of all private-sector employees and generate many new jobs each year. In surveys over several years by the U.S. Small Business Administration (SBA), the issues identified as significant concerns in small organizations were consistent: not having enough qualified workers, the

rapidly increasing costs of employee benefits, payroll taxes, and compliance with government regulations. Notice that all these concerns have an HR focus, especially when compliance with wage/hour, safety, equal employment, and other regulations are considered. This is why some degree of HR support and expertise is always needed in smaller organizations. However, a recent study shows that smaller firms tend to offer much more work flexibility to their employees in the form of working from home, flextime, and personal time,¹¹ which suggests that small businesses are quite progressive in their approach to HR management.

When new employees are hired in a small business, line managers usually do the recruiting, selecting, and orienting. These HR activities, however, reduce the amount of time managers have available to focus on their regular jobs. As a result, when such activities occur frequently, hiring someone to do them allows managers to spend more time on their primary duties. With about 80 to 100 employees,



Transforming HR at Popeyes Louisiana Kitchen

Evidence shows that HR departments have grown, with more money being dedicated to corporate HR efforts. However, changing work environments are challenging HR professionals to do more, even though their numbers and support have steadily risen. People employed in HR have much more responsibility in today's workplace, something that likely won't change as expectations have increased.

This is the case at the Atlanta-based fastfood firm Popeyes Louisiana Kitchen. While the organization's HR group grew from seven to 10 individuals over several years, the work also increased, according to Lynne Zappone, the company's Chief Talent Officer. The group manages as many as three times the number of issues it did in the past. Some of these include creating leadership development opportunities, enhancing customer service, and building food outlets. Popeyes focuses on servant leadership, which requires leaders to believe that the needs of the company and employees outweigh their own concerns. Further, Zappone and her colleagues evaluate how HR can address issues through a strategic lens. All of these responsibilities take time and energy.

Zappone also claims that many HR functions are being altered as the workplace changes. Besides being more focused on strategy, HR staff at Popeyes work on crossfunctional project teams, and the HR function is structured so that each business area has a dedicated HR professional who operates as an advisor on various personnel issues. This enables staff to be more strategic because they work directly with the business units. Zappone also looks to redesign how different HR activities are performed so that more might be done with fewer people.¹²

Despite the growing need for HR personnel, the ability to manage the increasing number of HR responsibilities with current staff is a challenge. Expectations are higher, regardless of how many HR professionals are present. Consider the following questions:

- 1. Given the issues at Popeyes, how would you redesign an HR department in any organization to better tackle a company's needs?
- **2.** What needs do you think deserve the most attention given the current trends in HR?

smaller organizations often find that they would benefit from designating someone to specialize in HR practices. Other specialist HR positions are added (e.g., in compensation, training, or recruiting) as the company grows larger. The need for HR increases as an organization grows until it evolves into a distinct function with specialists assigned to specific duties. However, for HR to be most useful, it must remain firmly attached to the operating management of the organization. Without that attachment, HR functions cannot reach their potential.

LO2 Identify how human resource management and employees can be core competencies for organizations.

1-2 Managing Human Resources in Organizations

Human resources (or more simply, people) who work in organizations may have valuable contributions they can make to a firm's mission based on their human capital. But this will occur only if people are developed and have a reasonable opportunity to contribute. Employees must be placed into the right job, be trained, and be given feedback if they are to perform at high levels. As noted earlier, it is not just the HR department that takes care of these issues—it is often a joint effort between the organization's managers and HR staff members. Managing people ultimately has to do with the decisions these leaders make from among the wide range of possible choices on the formal policies, practices, and methods for managing employees.¹³ Examples of such systems and policies are pay system design, performance measurement, vacation policy, and hiring processes.

1-2a Human Resource Management as a Core Competency

The development and implementation of specific strategies must be based on an organization's areas of strength. Referred to as *core competencies*, those strengths are the foundation for creating the organization's competitive advantage. A *core competency* is a unique capability that creates high value for a company.

Certainly, many organizations have identified that their HR practices differentiate them from their competitors and that HR is a key determinant of competitive advantage. Recognizing this, organizations as diverse as FedEx, Nordstrom, and Dow Corning have focused on people as having special strategic value for the organization.

The same can be true with small companies as well. For example, small community banks have gained numerous small- and medium-sized commercial loan customers because the banks emphasize that their customers can deal with the same employees directly every time they need help rather than having to call an automated service center in another state as is sometimes the case with larger nationwide banks. The focus here is on using people (in this example, loan officers) to help build core competencies in companies.

1-2b Employees as a Core Competency

How might employees become a core competency for an organization? One of the main issues that must be addressed is developing human capital in employees. Building positive human capital brings together all assets of an organization so that work gets done and the company functions well.

Core competency

A unique capability that creates high value for a company

Physical

Organizational Assets

Human

Financial

FIGURE 1-1 Four Types of Organizational Assets

Human Capital Organizations must manage four types of assets to be successful (see Figure 1-1):

- Physical assets: Buildings, land, furniture, computers, vehicles, equipment, and so on
- Financial assets: Cash, financial resources, stocks, bonds or debt, and so on
- *Intellectual property assets*: Specialized research capabilities, patents, information systems, designs, operating processes, copyrights, and so on
- *Human assets*: Individuals with their talents, capabilities, experience, professional expertise, relationships, and so on

All of these assets are important to varying degrees in different firms. But the human assets are the "glue" that holds all the other parts together to achieve results. Certainly, the waiters, bartenders, hosts, and cooks at a Red Lobster restaurant or the stockpersons, cashiers, courtesy clerks, and customer service attendants working for a Kroger grocery store enable all the other assets of their organizations to be used to provide products and services to customers. Effective use of the firm's human capital can often explain a big part of the differences in company success.

Human capital is not just the people in organizations—it also involves what individuals contribute to organizational achievements. Broadly defined, human capital is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organization's workforce.

Sometimes human capital is called *intellectual capital* to reflect the thinking, knowledge, creativity, and decision making that people in organizations contribute. For example, firms with high intellectual capital may have highly educated and trained managers who develop new ways of supervising employees, new business processes that improve quality, or new software for specialized uses. All of these contributions illustrate the potential value of human capital to companies.

A fundamental question involves how organizations and HR groups should most effectively manage human capital. A recent poll suggests that focusing on

Human capital

The collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organization's workforce

valued rewards is one approach that helps with the management of human capital; other approaches include increasing levels of feedback to employees about their work expectations and taking steps to enhance their job satisfaction.¹⁴ Focusing on a "personal value proposition," similar to marketing used to sell a company's product and/or services, is another strategy that enables employees to identify how their knowledge, skills, and abilities can help their organization perform better, with an eye toward improving these characteristics as new needs arise.¹⁵ The following principles can be considered when developing human capital:¹⁶

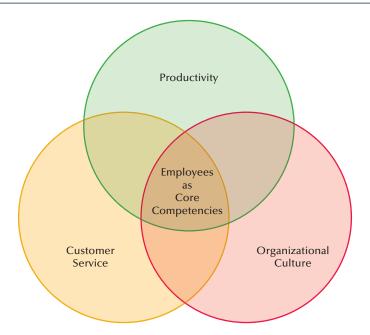
- Recognize the importance of human capital to business success.
- Closely link human capital programs to organizational performance.
- Focus on your current business needs rather than always benchmarking the best practices of other firms.
- Make sure that human capital plans match the best practices that are selected.
- Be future-oriented in your planning to anticipate new human capital needs.
- Give managers a voice in and allow them to lead human capital programs.
- Be ready to alter plans as situations unfold; be flexible.
- Prioritize human capital planning and don't invest in too many initiatives.
- Be sure to track the value of human capital investments and monitor how they affect customers.

There are many other possible areas in which employees can be core competencies for organizations. As shown in Figure 1-2, productivity, customer service and quality, and organizational culture represent several of these areas.



Productivity Employee productivity can be a competitive advantage because when the costs to produce goods and services are lowered through increased

FIGURE 1-2 Areas in Which Employees Can Be Core Competencies



Productivity

Measure of the quantity and quality of work done, considering the cost of the resources used

Unit labor cost

Computed by dividing the average cost of workers by their average levels of output

individual production, lower prices can be charged to consumers. The result is often incremental increases in sales. However, increased productivity does not necessarily mean greater output. Perhaps fewer people (or less money and/or time) are used to produce the same amount. In its most basic sense, **productivity** is a measure of the quantity and quality of work done, considering the cost of the resources used.

A useful way to measure the productivity of human resources is to consider unit labor cost, which is computed by dividing the average cost of workers by their average levels of output. Using unit labor costs, one can see that relatively high wages will not affect competitiveness if high productivity levels are achieved. Low unit labor costs can be a basis for a strategy focusing on human resource competency. Productivity and unit labor costs can be evaluated at the global, country, organizational, departmental, or individual level.

Improving Productivity Organizational-level productivity ultimately affects profitability and competitiveness in a for-profit organization and total costs in a not-for-profit organization. Perhaps of all the resources used in organizations, the ones most closely scrutinized are human resources. It is estimated that the average employee completes work requirements on time and according to standard at a rate of around 30% to 60%, which suggests that managing productivity is a key challenge. The use of poor business approaches such as bureaucratic policies, poorly managed meetings, and low teamwork and collaboration can cause much of this decreased productivity (something called *coordination waste*), but giving employees autonomy and regular performance feedback can decrease many of these problems. In the retail industry, HR can further invest in human capital to enhance productivity and customer service, such as providing better compensation, using cross-training to help customer service, and relying on empowerment.

Additional HR management efforts are designed to enhance productivity as Figure 1-3 indicates. Among the major ways to increase employee productivity are

- *organizational restructuring*, which involves eliminating layers of management and changing reporting relationships as well as cutting staff through downsizing, layoffs, and early retirement buyout programs;
- redesigning work, which often involves making changes to the way work gets
 done by focusing on the characteristics of jobs and altering how tasks are
 structured and coordinated;
- aligning HR activities, which means ensuring that HR efforts and practices
 are consistent with organizational efforts to improve productivity and satisfy
 strategic goals; and
- *outsourcing analyses*, which require the HR department to conduct costbenefit assessments that indicate the overall positive or negative impact of outsourcing—HR then manages outsourcing efforts if they occur.

Customer Service and Quality In addition to productivity, both customer service and quality efforts can significantly affect organizational effectiveness, making them key areas that HR can emphasize when developing employees as core competencies. Having managers and employees focus on customers' needs contributes significantly to achieving organizational goals and maintaining a competitive advantage.

Unfortunately, customer satisfaction is still a challenge in the United States and other countries, and it must be managed. One example illustrates the importance

Organization Restructuring Redesigning Work Revising organizational structure Changing workloads and combining · Reducing staff · Aiding in mergers and acquisitions · Reshaping jobs because of technology changes Goals organizational productivity Reduce unit labor costs **Aligning HR Activities Outsourcing Analysis** Using domestic vendors/contractors Attracting and retaining employees · Training, developing, and evaluating instead of employees employees Outsourcing operations Compensating employees and other internationally HR activities

FIGURE 1-3 HR Approaches to Improving Productivity

of service excellence. Within the first six months after being hired, a new CEO of a large retail company directed that labor costs and staffing in the company stores be reduced. As a result, many customers complained about not being able to find employees to help them, having to wait a long time to check out, and encountering shortages of merchandise on shelves. At the same time, a major competitor expanded its staff and advertised its customer service. The result was that the competitor's sales and profitability grew significantly, while the new CEO's cost-cutting approach created customer problems and hurt the firm's performance. After several years, the CEO resigned, and the retail company took steps to repair its customer service image.

Delivering quality services and/or products can also impact organizational effectiveness. Whether producing automobiles, as General Motors and Toyota do, or providing cellular phone service, as Verizon and AT&T do, a firm must consider how well its products and services meet customer needs. Therefore, many organizations have emphasized efforts to enhance quality. These programs seek to get tasks done correctly and efficiently so that employees deliver high quality. The problems with quality that some U.S. auto manufacturers have had compared with other firms such as Honda and Nissan illustrate the important effect of quality on sales, revenue, costs, and ultimately organizational effectiveness. Attempts to improve

quality have worked better for some organizations than for others, but they usually can be impacted by HR efforts.

Organizational culture

Consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior

Organizational Culture Another important element of the workplace that drives the ability to use human resources as core competencies to meet strategic objectives is organizational culture. **Organizational culture** consists of the shared values and beliefs that give members of an organization meaning and provide them with rules for behavior. These values are deeply embedded in organizations and affect how their members view themselves, define opportunities, and plan strategies. In this sense, such a culture establishes the personality of a company in a similar way that personality shapes an individual, shaping its members' responses and defining what an organization can or is willing to do. The culture of an organization is therefore witnessed by employees in the norms, values, philosophies, rituals, and symbols adopted by the firm. Culture is particularly important because it tells individuals how to behave (or not to behave) in the workplace.

Culture often requires considerable time to develop, but once it is established, it is relatively constant and enduring over time. Newcomers learn the culture from senior employees, and the rules of behavior are therefore perpetuated. These rules are ideally beneficial, so culture can facilitate high employee job performance when it contains positive characteristics. But culture can also be negative, which means changes need to be made to improve the workplace.

Before focusing on the development and implementation of HR policies, managers should develop a positive culture within the organization. When they do so, excellent ideas can be enhanced by a culture that is compatible with the needs of the business. This is how culture can be used to create a competitive advantage.

Organizational culture is often viewed by employees, managers, customers, and others as the social environment that exists within a firm and that affects how a firm gets work done. This culture affects service and quality, organizational productivity, and financial results. From a critical perspective, it is the culture of a company that affects the attraction and retention of competent employees. Aligning the culture with what management is trying to accomplish also determines the health of an organization by creating an environment that capitalizes on human capital strengths. The following "HR Competencies & Applications: Building Healthy Organizations" feature discusses how culture can be enhanced by focusing on organizational health.

LO3 Name the seven categories of HR functions.

1-3 HR Management Functions

HR management involves designing the *formal systems* that are used to manage people in an organization. Usually, both HR managers and line managers provide input into the policies, regulations, and rules that guide HR matters. For example, consider the question of how many days of vacation an employee receives after three years. There is no "right" answer for a given organization that is trying to devise a vacation policy, but the vacation policy that is finally designed is one of the formal systems used to manage people in the organization. Such systems need to be



Building Healthy Organizations

Companies like Southwest Airlines, Zappos .com, and Nordstrom have been successful because they rely on sound technology and business strategy. However, "organizational health" often drives employee motivation and customer loyalty. Organizational health is much broader than corporate culture because it establishes the workplace in which other business functions can operate well. In other words, healthy organizations create a positive workplace that keeps employees satisfied and committed. Low political behavior and turnover, high cohesion and morale, and a more unified sense of purpose are often characteristics of this environment.

A firm's HR department and top managers are key to making companies healthier. HR professionals function as leaders by developing good policies that make the workplace more positive. This often includes management development, performance feedback, and fair rewards. They also act as advisors to top leaders and provide a sounding board for the CEO. The CEO often pushes the idea that organizational health is an important issue. The following approaches should help managers lead efforts to create healthy cultures:

 Developing a positive leadership unit. Put together a group of leaders who trust each

- other and who can develop a positive way of interacting.
- Creating alignment around a common purpose: The leadership team should identify and agree on the company's mission, vision, and goals for success.
- Communicating the company's approach:
 Once a purpose is established, it needs to be discussed frequently with employees to unify them and build a common understanding of the workplace.
- Using HR practices to support the workplace: All of the traditional HR functions should be utilized to create alignment around the purpose.²⁰

The ability to develop healthy organizations and business cultures is a key leadership competency within the HR profession. If you were given the responsibility of improving your firm's health:

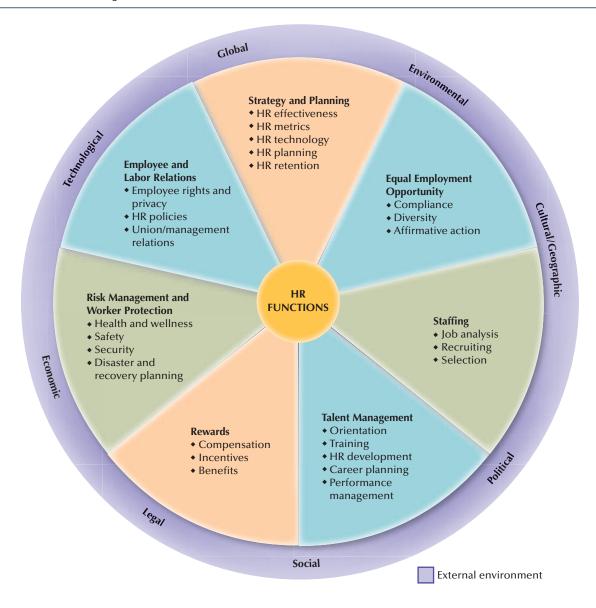
- 1. How would you encourage the CEO and other top leaders to focus their efforts on creating a healthy organization culture? What issues do you think deserve the most attention?
- 2. In addition to the points already mentioned, what steps would you take to develop a healthy organization?

KEY COMPETENCIES: Leadership & Navigation (Behavioral Competency) and Organization (Technical Competency)

formal, that is, agreed upon, written down, and shared with employees. Try to picture the chaos that would result if every supervisor in a very large company could set his or her own vacation policy!

Grouping the areas for which HR typically creates formal systems yields seven interlocking functions, as shown in Figure 1-4. In each organization, these functions are carried out in that firm's unique format that is influenced by external forces that

FIGURE 1-4 HR Management Functions



are global, environmental, cultural/geographic, political, social, legal, economic, and technological in nature. The seven HR functions can be visualized as follows:

- Strategy and planning
- Equal employment opportunity
- Staffing
- Talent management
- Rewards
- Risk management and worker protection
- Employee and labor relations

Each of these functions consists of several areas (which are covered in the forthcoming chapters of this book) as follows:

- *HR strategy and planning*: As part of achieving organizational competitiveness, *strategic planning* for the organization and HR's role in those strategic plans are good starting places. Dealing with workforce surpluses and shortages and predicting human capital needs and availabilities are challenges here. How well HR does what it plans to do is measured by HR metrics and analytics, which are covered in Chapter 2.
- Equal employment opportunity: Compliance with federal, state, and even local equal employment opportunity (EEO) laws and regulations affects all other HR activities. The nature of these laws is discussed in Chapter 3.
- Staffing: The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. The nature of the workforce, job design, and job analysis lay the foundation for staffing by identifying what people do in their jobs and how they are affected by these job characteristics Relationships between individuals and the employing organization affect employee performance and retention. Turnover helps determine how many new employees will be needed, an important piece of information when the firm is recruiting applicants for job openings. The selection process is focused on choosing qualified individuals to fill those jobs. These staffing activities are discussed in Chapters 4, 5, 6, and 7.
- Talent management and development: Beginning with the orientation of new employees, talent management and development includes different types of training. HR development and succession planning for employees and managers are necessary to prepare for future challenges. Career planning identifies paths and activities for individual employees as they move within the organization. Assessing how well employees are performing their jobs is the focus of performance management. Activities associated with talent management are examined in Chapters 8, 9, and 10.
- Rewards: Compensation in the form of pay, incentives, and benefits rewards people for performing organizational work. To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs as incentive rewards. The rapid increase in the cost of benefits, especially health care benefits, will continue to be a major issue for most employers. Compensation, variable pay, and benefits activities are discussed in Chapters 11, 12, and 13.
- Risk management and worker protection: Employers must address various workplace risks to ensure workers are protected, meet legal requirements, and respond to concerns for workplace health and safety. Also, workplace security has grown in importance along with disaster and recovery planning. HR's roles in activities are examined in Chapter 14.
- Employee and labor relations: The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union—management relations must be addressed as well. Activities associated with employee rights and labor—management relations are discussed in Chapters 15 and 16.

These various HR management functions are translated into the daily activities of the HR department if such a group exists in an organization. Operating managers typically perform these activities if a company does not have an HR department.

1-4 Roles for Human Resource Departments

If an organization has a formal HR department or group, there are typically three different roles these individuals might play in the organization. Which role dominates, or whether all three roles are performed, depends on what management wants HR to do and what competencies the HR staff members possess. The potential mix of roles is shown in Figure 1-5, as is how the emphasis on the different roles is likely to change. The following list describes these roles in more depth:

- *Administrative*: Focusing on clerical administration and recordkeeping, including essential legal paperwork and policy implementation
- Operational and employee advocate: Managing HR activities based on the strategies and operations that have been identified by management and serving as "champion" for employee issues and concerns
- *Strategic*: Helping define and implement the business strategy relative to human capital and its contribution to the organization's results

While the administrative role has traditionally been the dominant one for HR, the operational and employee advocate roles are increasingly being emphasized in many organizations. The strategic role requires the ability and focus to contribute to strategic decisions and to be recognized by upper management for these efforts. This practice is likely to grow as firms expect HR groups to be involved in the strategic planning process and to prepare employees to be more strategic. HR staff should understand the business so that their strategies match its needs.

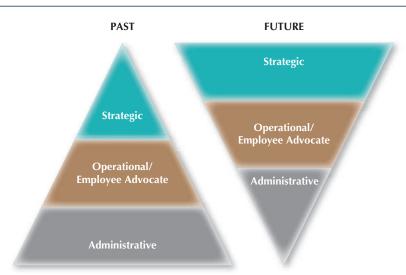


FIGURE 1-5 Mix of Roles for HR Departments

1-4a Administrative Role for Human Resources

The administrative role of HR management involves processing information and recordkeeping. This role has given HR management in some organizations the reputation of being staffed by people who primarily tell managers and employees what *cannot* be done, usually because of some policy or problem from the past. If limited to the administrative role, HR staff members are often clerical and lower-level administrative aides to the organization. Two major shifts driving the transformation of the administrative role are greater use of technology and outsourcing.

Technology and the Administrative Role More HR functions are being performed electronically or done using web-based technology. Technology has changed most HR activities, from employment applications and employee benefits enrollment to e-learning. There will always be a recordkeeping responsibility within HR departments but it can now be done electronically or outsourced. Having employees manage their own records also increases the accuracy of the records.

Outsourcing the Administrative Role Some HR administrative functions can be outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services. The primary reasons HR functions are outsourced are to save money on HR staffing and to take advantage of specialized vendor expertise and technology. These activities are being outsourced to firms both in the United States and around the world. A growing trend among companies that outsource HR functions is to evaluate the quality and effectiveness of the services provided and base the amounts paid to vendors on these assessments.²¹

1-4b Operational and Employee Advocate Role for Human Resources

HR personnel are often viewed as employee advocates because they must effectively balance the needs of employees with the needs of organizations. As the voice for employee concerns, HR professionals may serve as "company morale officers," but they spend considerable time on HR "crisis management" when dealing with employee problems that are related to work. Employee advocacy helps ensure fair and equitable treatment for employees regardless of personal background or circumstances. Despite these benefits, the HR advocate role sometimes creates conflict with operating managers because there may be differences of opinion about how to manage employees. However, without the HR advocate role, employers could face lawsuits, regulatory complaints, and employees with poor work attitudes.

The operational role requires the HR function to cooperate with various managers and identify and implement needed programs and policies in the organization. Operational activities are tactical in nature because they affect how work gets done. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. HR staff must make certain that these efforts support the strategies of the organization.

1-4c Strategic Role for Human Resources

The strategic role for HR involves addressing business realities, focusing on future business requirements, and understanding how the management of human capital fits into the organization's plans. The HR department may or may not assist directly in the formulation of business strategies, but it often helps carry them out. However, HR managers are increasingly being seen as strategic contributors to the success of organizations. The role of HR as a *strategic business partner* is often described as "having a seat at the table" and contributing to the strategic direction and success of the organization. That means HR is involved in *devising* and *implementing* strategy.

The opportunity for the HR department to adopt a strategic role exists in many firms. In for-profit companies, the HR group can develop policies that place the right people in the right jobs at the right times to ensure that goals are being met. In not-for-profit organizations such as governmental and social service entities, HR leaders can manage employees in a business-like manner to accomplish other functional goals. Overall, instead of just understanding HR issues and concerns, HR staff should have a broad business focus to help companies reach their strategic goals.

HR can make strategic contributions in a number of areas. For instance, HR should identify the kinds of employees needed and where to find them. Building worker engagement, retaining good employees, and creating development opportunities for leaders are other key issues that enable HR staff to participate in strategic planning. HR should also know what the true costs of human capital are for an employer. For example, in some situations, it costs twice the annual salaries to replace employees who leave. Turnover is something HR can help control, and successful retention and talent management strategies that the department develops and that save a company money represent important contributions to the bottom line.

Some other examples of areas where HR can make strategic contributions are

- Evaluating mergers and acquisitions for organizational compatibility, potential structural changes, and future staffing needs;
- conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans;
- leading site selection efforts for new facilities or transferring operations to international locations on the basis of workforce needs;
- instituting HR management systems to reduce administrative time, equipment, and staff costs with technology;
- working with executives to develop a revised sales compensation and incentives plan as new products or services are rolled out to customers; and
- identifying organizational training opportunities that will more than pay back the costs.

LO4 Provide an overview of four challenges facing HR today.

1-5 Human Resources Management Challenges

As the field of HR management evolves, a challenging employment environment applies pressure for even more and faster change. These issues are often driven by competitive factors that exist in an industry and that require the HR group to respond with positive practices to enable the organization to remain

competitive. Challenges are also embedded in economic forces that lead to cost pressures and job changes, globalization, changes in the workforce, and technology advancement.

Global competitors, technology changes, and cost concerns are also reflected in changing jobs. As work must be done differently, jobs must sometimes be changed or downsized. Jobs are seldom static; rather, they change and evolve as the organization changes. The following sections discuss these various challenges.

1-5a Competition, Cost Pressures, and Restructuring

Competition keeps pressure on business organizations to keep costs down so that prices will not become excessive, which can result in lost customers. An overriding theme facing managers and organizations is the need to operate in a "cost-less" mode, which means continually looking for ways to reduce costs of all types, including financial, operational, equipment, and labor expenses. Pressure from global competitors has forced many U.S. firms to close facilities, use international outsourcing, change management practices, increase productivity, and decrease labor costs to become more competitive. These shifts have caused some organizations to reduce the number of employees while at the same time scrambling to attract and retain employees with different capabilities than were previously needed.

The human costs associated with downsizing have resulted in increased workloads, some loss of employee loyalty, and turnover among remaining employees. Shifts in the United States and global economy in the past years have changed the number and types of jobs found in the United States. The last recession affected many types of companies, including automotive and financial firms. In general, organizations in the United States have continued to offer private-and public-sector jobs that fall within the service economy, and many of the jobs to be filled in the next several years will be in the service industry rather than in the manufacturing sector.

Job Shifts The growth in some jobs and decline in others illustrate that shifts are indeed occurring. Figure 1-6 lists occupations that are expected to experience the greatest growth in percentage and numbers by 2022. Many of the fastest-growing occupations percentage-wise are related to health care. However, when the growth in the number of jobs is compared to percentage growth, an interesting factor becomes apparent. The highest growth of jobs by percentage is in occupations that generally require more education and training. However, much of the growth in absolute numbers of jobs is expected to be in areas requiring less education and jobs that are generally considered to be lower-skilled occupations.

Overall, many people feel that the job market is improving, with more companies looking to hire workers. For instance, there is increased demand for skilled employees due to job growth in the United States and the corresponding improving economy, with enhanced consumer spending being reported for auto purchases, tourism, property rentals, and home sales.²³ There is also a growing need for free-lance professionals (those who perform work on a contract basis) because of their unique training, experiences, and backgrounds.²⁴ Another example of the shifting economy involves the types of jobs that are expected to disappear in the near future, including social media expert, taxi dispatcher, toll booth operator, word processor/typist, and retail cashier. However, the number of culture officers is expected to

FIGURE 1-6 Some of the Fastest Growing Occupations by 2022

Occupation	Change, 2	Change, 2012–2022	
	Number	Percentage	
Industrial-organizational psychologists	900.0	53.4	
Personal care aides	580,800.0	48.8	
Home health aides	424,200.0	48.5	
Insulation workers, mechanical	13,500.0	46.7	
Interpreters and translators	29,300.0	46.1	
Diagnostic medical sonographers	27,000.0	46.0	
Helpers—brick masons, block masons, stonemasons, and tile and marble setters	10,500.0	43.0	
Occupational therapy assistants	12,900.0	42.6	
Genetic counselors	900.0	41.2	
Physical therapist assistants	29,300.0	41.0	
Physical therapist aides	20,100.0	40.1	
Skincare specialists	17,700.0	39.8	
Physician assistants	33,300.0	38.4	
Segmental pavers	700.0	38.1	
Helpers—electricians	22,400.0	36.9	
Information security analysts	27,400.0	36.5	
Occupational therapy aides	3,000.0	36.2	
Health specialties teachers, postsecondary	68,600.0	36.1	
Medical secretaries	189,200.0	36.0	
Physical therapists	73,500.0	36.0	
Orthotists and prosthetists	3,000.0	35.5	
Brick masons and block masons	25,200.0	35.5	
Nursing instructors and teachers, postsecondary	24,000.0	35.4	
Nurse practitioners	37,100.0	33.7	
Audiologists	4,300.0	33.6	
Dental hygienists	64,200.0	33.3	
Meeting, convention, and event planners	31,300.0	33.2	
Therapists, all other	9,100.0	31.7	
Market research analysts and marketing specialists	131,500.0	31.6	
Substance abuse and behavioral disorder counselors	28,200.0	31.4	

 ${\it Source}: {\it Employment Projections Program, U.S. Department of Labor, U.S. Bureau of Labor Statistics, www.bls.gov.}$

grow because these individuals help develop and strengthen an organization's climate and overall well-being.²⁵ Other occupations that are expected to grow in the future include accountants, civil engineers, electricians, forest firefighters, massage therapists, radiologists, and wind energy operations managers.²⁶

Skills Shortages Various regions of the United States and different industries face significant workforce shortages because of an inadequate supply of workers with the skills needed to perform emerging jobs. It may not be that there are too few people—only that there are too few with many of the required skills. For instance, some of the most difficult jobs to fill include engineers, nurses, technicians, sales representatives, and certain teachers. Positions that require high skills and experience in a trade have been particularly difficult to fill in some cities, for example, Philadelphia, Dallas, Cleveland, and New York. Many of these shortages are leading to increased compensation to attract good employees.²⁷ It has become more critical for employees to maintain up-to-date skills if they want to remain marketable and obtain work where opportunities are available.²⁸

Even though many Americans today graduate from high school and college, employers are concerned about new graduates' job readiness and specific job-related skills. Test results show that students in the United States perform respectably overall in math and science, but well below students in some other competitive nations. Also, college graduates with degrees in computer science, engineering, and the health sciences remain in short supply relative to the demand for them. Unless major improvements are made to the U.S. educational systems, U.S. employers will be unable to find enough qualified workers for the growing number of skilled jobs.



1-5b Globalization

The globalization of business has shifted from trade and investment to the integration of global operations, management, and strategic alliances, which has significantly affected how human resources are managed. Many U.S. firms, both large and small, generate a substantial portion of their sales and profits from other countries; firms such as Coca-Cola, Exxon/Mobil, Microsoft, and General Electric derive a significant portion of total sales and profits from outside the United States. Research suggests that about 400 midsized cities in emerging markets will generate 40% of global growth in the next 15 years; many of these cities are relatively unknown in the West.²⁹ However, many foreign organizations have taken advantage of growth opportunities in the United States. For example, Toyota, based in Japan, has grown its market share and increased its number of jobs in the United States and elsewhere in North America. Also, Toyota, Honda, Nissan, and other Japanese automobile manufacturers, electronics firms, and suppliers have maintained operations in the United States.

Companies often send individuals to foreign worksites to ensure that business operations are consistent with home office expectations. An **expatriate** is a citizen of one country who is working in a second country and employed by an organization headquartered in the first country. Experienced expatriates can provide a pool of talent that can be tapped as the organization expands its operations more broadly into even more countries. There is growing interest in providing expatriates with appropriate housing options that convey the importance of overseas job assignments to them and outsiders. Housing decisions can be facilitated by working with destination consultants who know about potential living areas. Helping expatriates

Expatriate

A citizen of one country who is working in a second country and employed by an organization headquartered in the first country

move into their new homes, preparing them for cultural differences via appropriate educational material and/or counseling, and monitoring the value of the properties on an ongoing basis can help improve expatriate experiences.³⁰ However, some HR leaders are starting to question the use of expatriates, with some firms considering shorter assignments and relying on technology to help build overseas business relationships.³¹

Attracting and placing the proper talent in global organizations can be difficult. A recent survey of Latin American organizations indicated that talent acquisition and poor succession planning were key challenges in overseas locations, particularly when dealing with mergers and acquisitions.³² A number of Canadian organizations are dealing with a lack a qualified tradespersons to staff mining, engineering, construction, and energy jobs in Alberta, and some of these employers are looking to the United States for potential workers.³³ Global staffing has also created political issues. For instance, U.S. employers are having a difficult time hiring enough engineers and educated technology workers because federal legislation restricts the number of high-skilled workers that can be admitted from other countries.

Wage Comparisons across Countries Many economic factors are linked to different political, legal, cultural, and economic systems. For example, in many developed countries, especially in Europe, employment restrictions and wage levels are high. When manufacturing labor costs in the United States are compared with those in Germany and in the Philippines, the differences are significant, as Figure 1-7 shows. Thus, many U.S. and European firms are moving jobs to lower-wage countries.

Critics of globalization cite the extremely low wage rates paid by some international firms and the substandard working conditions that exist in some underdeveloped countries, for example, those found in Apple computer factories in China.³⁴ Various advocacy groups have accused global firms of being "sweatshop" employers. As a result, some global employers have made efforts to ensure that foreign factories adhere to higher HR standards, but others have not. Global employers



FIGURE 1-7 Hourly Compensation for Manufacturing Workers (2012)

Source: U.S. Bureau of Labor Statistics, www.bls.gov.