



WAYNE F. CASCIO
HERMAN AGUINIS

APPLIED
PSYCHOLOGY
IN TALENT
MANAGEMENT

EIGHTH EDITION



Applied Psychology in Talent Management

8th Edition

SAGE PUBLISHING: OUR STORY

We believe in creating fresh, cutting-edge content that helps you prepare your students to make an impact in today's ever-changing business world. Founded in 1965 by 24-year-old entrepreneur Sara Miller McCune, SAGE continues its legacy of equipping instructors with the tools and resources necessary to develop the next generation of business leaders.

- We invest in the right **authors** who distill the best available research into practical applications.
- We offer intuitive **digital solutions** at student-friendly prices.
- We remain permanently independent and fiercely committed to **quality, innovation, and learning.**



Applied Psychology in Talent Management

8th Edition

Wayne F. Cascio
University of Colorado Denver

Herman Aguinis
George Washington University



Los Angeles | London | New Delhi
Singapore | Washington DC | Melbourne



FOR INFORMATION:

SAGE Publications, Inc.
2455 Teller Road
Thousand Oaks, California 91320
E-mail: order@sagepub.com

SAGE Publications Ltd.
1 Oliver's Yard
55 City Road
London, EC1Y 1SP
United Kingdom

SAGE Publications India Pvt. Ltd.
B 1/1 Mohan Cooperative Industrial Area
Mathura Road, New Delhi 110 044
India

SAGE Publications Asia-Pacific Pte. Ltd.
3 Church Street
#10-04 Samsung Hub
Singapore 049483

Acquisitions Editor: Maggie Stanley
Editorial Assistant: Alissa Nance
Content Development Editor: Darcy Scelsi
Production Editor: Tracy Buyan
Copy Editor: Amy Marks
Typesetter: Hurix Digital
Proofreader: Tricia Currie-Knight
Indexer: Sheila Bodell
Cover Designer: Dally Verghese
Marketing Manager: Amy Lammers

Copyright © 2019 by SAGE Publications, Inc.

All rights reserved. No part of this book may be reproduced or utilized in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the publisher.

This book was previously published by: Pearson Education, Inc.

Library of Congress Cataloging-in-Publication Data

Names: Cascio, Wayne F., author. | Aguinis, Herman, 1966- author.

Title: Applied psychology in talent management / Wayne Cascio, University of Colorado, Herman, Herman Aguinis, George Washington University.

Other titles: Applied psychology in human resource management

Description: Eighth edition. | Thousand Oaks, California : SAGE, [2019] | Includes bibliographical references and index.

Identifiers: LCCN 2018002749 | ISBN 9781506375915 (hardcover : alk. paper)

Subjects: LCSH: Personnel management—Psychological aspects. | Psychology, Industrial. | Personnel management—United States. | Psychology, Industrial—United States.

Classification: LCC HF5549 .C297 2019 | DDC 658.3001/9—dc23
LC record available at <https://lcn.loc.gov/2018002749>

Printed in the United States of America

This book is printed on acid-free paper.

18 19 20 21 22 10 9 8 7 6 5 4 3 2 1

BRIEF CONTENTS

Preface to the 8th Edition	xxi
Acknowledgments	xxix
About the Authors	xxx
Chapter 1 • Organizations, Work, and Applied Psychology	1
Chapter 2 • The Law and Talent Management	15
Chapter 3 • People, Decisions, and the Systems Approach	42
Chapter 4 • Criteria: Definitions, Measures, and Evaluation	56
Chapter 5 • Performance Appraisal and Management	80
Chapter 6 • Measuring and Interpreting Individual Differences	119
Chapter 7 • Validation and Use of Individual-Differences Measures	149
Chapter 8 • Fairness in Employment Decisions	179
Chapter 9 • Analyzing Jobs and Work	209
Chapter 10 • Strategic Workforce Planning	236
Chapter 11 • Recruitment	256
Chapter 12 • Selection Methods	276
Chapter 13 • Managerial Selection Methods	311
Chapter 14 • Decision Making for Selection	346
Chapter 15 • Training and Development: Considerations in Design	377
Chapter 16 • Training and Development: Implementation and the Measurement of Outcomes	403
Chapter 17 • International Dimensions of Talent Management	432
Chapter 18 • Organizational Responsibility and Ethical Issues in Talent Management	452
Appendix A: Scientific and Legal Guidelines on Employee Selection Procedures—Checklists for Compliance	483

Appendix B: An Overview of Correlation and Linear Regression	504
Appendix C: Decision Trees for Statistical Methods	512
References	R-1
Author Index	I-1
Subject Index	I-17

DETAILED CONTENTS

Preface to the 8th Edition	xxi
Acknowledgments	xxix
About the Authors	xxx
Chapter 1 • Organizations, Work, and Applied Psychology	1
The Pervasiveness of Organizations	1
Differences in Jobs	2
Differences in Performance	2
A Utopian Ideal	3
Point of View	3
Personnel Psychology and Talent Management in Perspective	3
Globalization of Product and Service Markets	4
Impact on Jobs and the Psychological Contract	5
Effects of Technology on Organizations and People	6
Changes in the Structure and Design of Organizations	7
Changing Roles of Managers and Workers	7
Changing Demographics	9
Implications for Organizations and Their People	10
Plan of the Book	12
Chapter 2 • The Law and Talent Management	15
The U.S. Legal System	16
Legal Systems Outside the United States	18
Unfair Discrimination: What Is It?	18
Legal Framework for Civil Rights Requirements	19
The U.S. Constitution—Thirteenth and Fourteenth Amendments	20
Civil Rights Acts of 1866 and 1871	20
Equal Pay for Equal Work Regardless of Sex	21
<i>Equal Pay Act of 1963</i>	21
<i>Equal Pay for Jobs of Comparable Worth</i>	21
Equal Employment Opportunity: Title VII of the Civil Rights Act of 1964	22
<i>Nondiscrimination on the Basis of Race, Color, Religion, Sex, or National Origin</i>	22
<i>Retaliation, and Employment Advertising</i>	22
<i>Suspension of Government Contracts and Back-Pay Awards</i>	23
<i>Exemptions to Title VII Coverage</i>	23
Age Discrimination in Employment Act of 1967 (as Amended in 1986)	24
Immigration Reform and Control Act of 1986	25
Americans with Disabilities Act of 1990 (as Amended in 2008)	25
<i>Provisions of the ADA</i>	25
<i>Enforcement of the ADA</i>	27

Civil Rights Act of 1991	27
<i>Monetary Damages and Jury Trials</i>	27
<i>Adverse Impact (Unintentional Discrimination) Cases</i>	28
<i>Protection in Foreign Countries</i>	28
<i>Racial Harassment</i>	28
<i>Challenges to Consent Decrees</i>	28
<i>Mixed-Motive Cases</i>	28
<i>Seniority Systems</i>	28
<i>Race Norming</i>	29
<i>Extension to U.S. Senate and Appointed Officials</i>	29
Family and Medical Leave Act of 1993	29
Uniformed Services Employment and Reemployment Rights Act of 1994	30
Enforcement of the Laws—Regulatory Agencies	30
State Fair Employment Practices Agencies	30
Equal Employment Opportunity Commission	30
The Complaint Process	31
Office of Federal Contract Compliance Programs	31
Goals and Timetables	31
Employment Case Law—General Principles	32
Testing	32
Personal History	34
Sex Discrimination	35
Preventive Actions by Employers	36
Age Discrimination	37
“English Only” Rules—National Origin Discrimination?	38
Seniority	38
Preferential Selection	39
Chapter 3 • People, Decisions, and the Systems Approach	42
Costs and Consequences of Decisions—A Way of Thinking	42
Organizations as Systems	44
A Systems View of the Staffing Process	46
Optimizing Staffing Investments	46
Optimizing Staffing Outcomes	48
A Systems View of the Broader Employment Process	48
Work Analysis	49
Strategic Workforce Planning	50
Recruitment	50
Initial Screening	51
Selection	51
Training and Development	52
Performance Management	53
Organizational Exit	54
Chapter 4 • Criteria: Definitions, Measures, and Evaluation	56
Definition	57
Job Performance as a Criterion	59
Dimensionality of Criteria	60
Static Dimensionality	60
Dynamic or Temporal Dimensionality	62

Individual Dimensionality	65
Challenges in Criterion Development	65
Challenge #1: Job Performance (Un)Reliability	66
Challenge #2: Reliability of Job Performance Observation	67
Challenge #3: Dimensionality of Job Performance	67
Performance and Situational Characteristics	68
Environmental and Organizational Characteristics	68
Environmental Safety	68
Lifespace Variables	68
Job and Location	69
Extraindividual Differences and Sales Performance	69
Leadership	69
Steps in Criterion Development	69
Evaluating Criteria	70
Relevance	70
Sensitivity or Discriminability	70
Practicality	71
Criterion Deficiency	71
Criterion Contamination	71
Bias Due to Knowledge of Predictor Information	72
Bias Due to Group Membership	73
Bias in Ratings	73
Composite Criterion Versus Multiple Criteria	73
Composite Criterion	73
Multiple Criteria	74
Differing Assumptions	74
Resolving the Dilemma	75
Research Design and Criterion Theory	75
Distribution of Performance and Star Performers	77
Chapter 5 • Performance Appraisal and Management	80
Purposes Served	81
Realities and Challenges of Performance Management Systems	82
Fundamental Requirements of Successful Performance Management Systems	83
Benefits of State-of-the-Science Performance Management Systems	84
Who Shall Rate?	85
Immediate Supervisor	85
Peers	86
Subordinates	87
Self	88
Clients Served	89
Appraising Performance: Individual Versus Group Tasks	89
Putting It All Together: 360-Degree Systems	90
Agreement and Equivalence of Ratings Across Sources	91
Judgmental Biases in Rating	92
Leniency and Severity	92
Central Tendency	93
Halo	93

Types of Performance Measures	94
Objective Measures	94
Subjective Measures	94
Rating Systems: Relative and Absolute	94
Relative Rating Systems (Employee Comparisons)	95
Rank Ordering	95
Paired Comparisons	95
Forced Distribution	96
Absolute Rating Systems	96
Essays	96
Behavioral Checklists	96
Forced-Choice System	97
Critical Incidents	98
Graphic Rating Scales	98
Behaviorally Anchored Rating Scales	100
Summary Comments on Rating Formats and Rating Process	101
Factors Affecting Subjective Appraisals	103
Evaluating the Performance of Teams	106
Rater Training	108
The Social, Emotional, and Interpersonal Context of Performance	
Management Systems	110
Performance Feedback: Appraisal and Goal-Setting Interviews	112
Communicate Frequently	113
Get Training in Appraisal	113
Judge Your Own Performance First	114
Encourage Subordinate Preparation	114
Use "Priming" Information	114
Warm Up and Encourage Participation	114
Judge Performance, Not Personality or Self-Concept	115
Be Specific	115
Be an Active Listener	115
Avoid Destructive Criticism and Threats to the Employee's Ego	115
Set Mutually Agreeable and Formal Goals	116
Continue to Communicate and Assess Progress Toward Goals Regularly	116
Make Organizational Rewards Contingent on Performance	116

Chapter 6 • Measuring and Interpreting Individual Differences 119

What Is Measurement?	120
Scales of Measurement	121
Nominal Scales	121
Ordinal Scales	121
Interval Scales	122
Ratio Scales	123
Scales Used in Applied Psychological Measurement	124
Selecting and Creating the Right Measure	124
Steps for Selecting and Creating Measures	125
Determining a Measure's Purpose	125
Defining the Attribute	125

<i>Developing a Measure Plan</i>	125
<i>Writing Items</i>	125
<i>Conducting a Pilot Study and Traditional Item Analysis</i>	126
<i>Conducting an Item Analysis Using Item Response Theory</i>	126
<i>Selecting Items</i>	127
<i>Determining Reliability and Gathering Evidence for Validity</i>	127
<i>Revising and Updating Items</i>	127
Selecting an Appropriate Measure: Test-Classification Methods	127
<i>Content</i>	127
<i>Administration</i>	128
<i>Standardized and Nonstandardized Tests</i>	129
<i>Scoring</i>	129
Further Considerations in Selecting a Test	129
Reliability as Consistency	130
Estimation of Reliability	131
Test–Retest	131
Parallel (or Alternate) Forms	132
Internal Consistency	133
<i>Kuder-Richardson Reliability Estimates</i>	133
<i>Split-Half Reliability Estimates</i>	135
Stability and Equivalence	136
Interrater Reliability	137
Summary	138
Interpretation of Reliability	139
Range of Individual Differences	139
Difficulty of the Measurement Procedure	139
Size and Representativeness of Sample	139
Standard Error of Measurement	140
Scale Coarseness	141
Generalizability Theory	142
Interpreting the Results of Measurement Procedures	143
Looking to the Future: Anticipated Innovations in Applied Psychological Measurement	146
Chapter 7 • Validation and Use of Individual-Differences Measures	149
Relationship Between Reliability and Validity	149
Evidence of Validity	151
Content-Related Evidence	152
Criterion-Related Evidence	155
Predictive Studies	156
Concurrent Studies	157
Requirements of Criterion Measures in Predictive and Concurrent Studies	158
Factors Affecting the Size of Obtained Validity Coefficients	159
Range Enhancement	159
Range Restriction	160
Position in the Employment Process	163
Form of the Predictor–Criterion Relationship	163
Retesting	163

Construct-Related Evidence	164
Construct Validation Process	164
An Illustration of Construct Validation	167
Cross-Validation	167
Empirical Cross-Validation	168
Statistical Cross-Validation	168
Comparison of Empirical and Statistical Strategies	169
Gathering Validity Evidence When Local Validation Is Not Feasible	169
Synthetic Validity	169
Test Transportability	170
Validity Generalization	171
How to Conduct a VG Study	172
Refinements to VG Techniques	173
Challenges in Conducting a VG Study	174
Empirical Bayesian Analysis	176
Application of Alternative Validation Strategies: Illustration	177
Chapter 8 • Fairness in Employment Decisions	179
Assessing Differential Validity	180
Differential Validity and Adverse Impact	181
Differential Validity: The Evidence	184
Assessing Differential Prediction and Moderator Variables	185
Differential Prediction: The Evidence	187
Problems in Testing for Differential Prediction	188
Using Meta-Analysis to Assess Differential Prediction	189
Suggestions for Improving the Accuracy of Slope-Based Differential Prediction Assessment	192
Further Considerations Regarding Adverse Impact, Differential Validity, and Differential Prediction	194
Minimizing Adverse Impact Through Test-Score Banding	199
Fairness and the Interpersonal Context of Employment Testing	204
Fair Employment and Public Policy	205
Chapter 9 • Analyzing Jobs and Work	209
Definition, Professional Standards	210
Terminology	211
Aligning Method With Purpose	212
Choices	212
Defining the Job	213
Job Specifications	215
Reliability and Validity of Work Analysis Information	218
Obtaining Information About Jobs and Work	219
Direct Observation and Job Performance	219
Interview	222
SME Panels	223
Questionnaires	224
The Position Analysis Questionnaire	225

Fleishman Job Analysis Survey	226
Critical Incidents	227
Other Sources of Job Information and Job Analysis Methods	228
The Job Analysis Wizard	228
Incorporating Personality Dimensions Into Job Analysis	229
Strategic or Future-Oriented Work Analyses	230
Competency Models	231
Work Analysis for Star Performers	231
Cognitive Task Analysis	232
Occupational Information—From the Dictionary of Occupational Titles to O*NET®	232
Multiple Windows	233
Common Language	233
Taxonomies and Hierarchies of Occupational Descriptors	233
The O*NET® Content Model	233
Chapter 10 • Strategic Workforce Planning	236
What Is Strategic Workforce Planning?	237
Strategic Business and Workforce Plans	238
Levels of Planning	239
The Strategic Planning Process	239
An Alternative Approach	240
Payoffs From Strategic Planning	241
Relationship of HR Strategy to Business Strategy	241
Talent Inventory	243
Information Type	244
Uses	244
Forecasts of Workforce Supply and Demand	245
External Workforce Supply	245
Internal Workforce Supply	246
From Predictable to Unpredictable Supplies of Labor	246
Leadership-Succession Planning	247
Chief Executive Officer (CEO) Succession	248
Workforce Demand	249
Pivotal Jobs	249
Assessing Future Workforce Demand	250
How Accurate Must Demand Forecasts Be?	250
Integrating Supply and Demand Forecasts	251
Matching Forecast Results to Action Plans	252
Control and Evaluation	252
Sampling and Measuring Performance	253
Identifying an Appropriate Strategy for Evaluation	253
Responsibility for Workforce Planning	254
Chapter 11 • Recruitment	256
Recruitment Planning	259
Internal Recruitment	259
External Recruitment	260

Staffing Requirements and Cost Analyses	262
Source Analysis	263
Operations	265
External Sources for Recruiting Applicants	265
Managing Recruiting Operations	267
Measurement, Evaluation, and Control	270
Job Search From the Applicant's Perspective	271
Realistic Job Previews	273
Chapter 12 • Selection Methods	276
Personal History Data	276
Weighted Application Blanks	277
Biographical Information Blanks	278
Résumés	279
Credit History	279
Response Distortion in Personal History Data	280
Validity of Personal History Data	281
Bias and Adverse Impact	282
What Do Biodata Mean?	283
Recommendations and Reference Checks	284
Polygraph Tests	286
Honesty Tests	287
Evaluation of Training and Experience	290
Drug Screening	291
Computer-Based Screening	292
Employment Interviews	294
Response Distortion in the Interview	294
Reliability and Validity	295
Factors Affecting the Decision-Making Process	296
<i>Social/Interpersonal Factors</i>	296
<i>Cognitive Factors</i>	297
<i>Individual Differences</i>	300
<i>Effects of Structure</i>	302
Summary of Evidence-Based Suggestions for Improving the Interview Process and Outcome	304
The Future Is Now: Technology and Big Data	305
Social Media	306
Mobile and Web-Based Selection	307
Computer Scoring of Text	307
Remote Interviewing	308
Virtual Reality Technology	309
Chapter 13 • Managerial Selection Methods	311
Criteria of Managerial Success	312
Global Criterion Measures	312
The Importance of Context	313
Instruments of Prediction	314

Cognitive Ability Tests	314
<i>Controversial Issues in the Use of Cognitive Ability Tests</i>	315
<i>A Recommendation to Address the Controversy</i>	316
Objective Personality Inventories	316
<i>Why and When Does Personality Predict Performance?</i>	317
<i>Response Distortion in Personality Inventories</i>	319
<i>Strategies to Mitigate Response Distortion</i>	320
Leadership Ability Tests	321
Motivation to Manage	323
Personal History Data	325
Peer Assessment	325
Work Samples of Managerial Performance	326
Leaderless Group Discussion	328
<i>Reliability</i>	328
<i>Validity</i>	328
<i>Effects of Training and Experience</i>	329
The In-Basket Test	329
The Business Game	330
Situational Judgment Tests	331
Assessment Centers	333
Assessment Center: The Beginnings	333
Level and Purpose of Assessment	334
Duration and Size	335
Assessors and Their Training	335
Performance Feedback	337
Reliability of the Assessment Process	337
Validity	338
Fairness and Adverse Impact	340
Assessment Center Utility	340
Potential Problems	340
Combining Predictors	342
Chapter 14 • Decision Making for Selection	346
Personnel Selection in Perspective	346
Classical Approach to Personnel Selection	347
Efficiency of Linear Models in Job-Success Prediction	348
Unit Weighting	349
Suppressor Variables	349
Data-Combination Strategies	350
Types of Strategies	351
Effectiveness of Alternative Data-Combination Strategies	351
The Role of Subjective Judgment	352
Alternative Prediction Models	353
Multiple-Regression Approach	353
Multiple-Cutoff Approach	354
<i>Setting a Cutoff</i>	355
<i>Angoff Method</i>	357
<i>Expectancy Charts</i>	357
Multiple-Hurdle Approach	358

Extending the Classical Validity Approach to Selection Decisions:	359
Decision-Theory Approach	360
The Selection Ratio	361
The Base Rate	362
Utility Considerations	362
Evaluation of the Decision-Theory Approach	364
Understanding Outcomes of Selection Decisions: Utility Analysis	364
The Naylor–Shine Model	366
The Brogden–Cronbach–Gleser Model	366
Further Developments of the Brogden–Cronbach–Gleser Model	367
<i>Alternative Methods of Estimating SDy</i>	369
<i>Integration of Selection Utility With Capital-Budgeting Models</i>	370
Application of the Brogden–Cronbach–Gleser Model and the Need to Scrutinize Utility Estimates	371
<i>Top Scorers May Turn Down the Offer</i>	371
<i>There Is a Discrepancy Between Expected and Actual Performance Scores</i>	371
<i>Economic Factors Affect Utility Estimates</i>	372
<i>Top Management May Not Believe the Results</i>	373
Utility and Usefulness	374
The Strategic Context of Personnel Selection Decisions	377

Chapter 15 • Training and Development: Considerations in Design 377

Factors Driving the Increasing Demand for Workplace Training	377
Training and Development Activities: What Are They?	379
Training Design	380
Characteristics of Effective Training	381
Additional Determinants of Effective Training	382
Fundamental Requirements of Sound Training Practice	384
Defining What Is to Be Learned	384
Interactions of Training and Development With Other Systems	385
Assessing Training Needs	386
<i>Organization Analysis</i>	386
<i>Demographic Analysis</i>	387
<i>Operations Analysis</i>	387
<i>Individual Analysis</i>	388
Rapid Prototyping	388
Specifying Training Objectives	389
Creating an Optimal Environment for Training and Learning	390
Team Training	392
Learning and Individual Differences	393
Trainability and Individual Differences	393
Principles That Enhance Learning	393
Goal Setting	395
Behavior Modeling	396
Meaningfulness of the Material	397
Practice	397
<i>Active Practice</i>	397
<i>Overlearning</i>	397

<i>Length of the Practice Session</i>	398
Feedback	398
Transfer of Training	400

Chapter 16 • Training and Development: Implementation and the Measurement of Outcomes 403

Categories of Training and Development Methods	404
Presentation Methods	404
Hands-On Methods	404
Group-Building Methods	406
Technology-Based Training	406
Technique Selection	408
Measuring Training and Development Outcomes	409
Why Measure Training Outcomes?	409
Essential Elements of Measuring Training Outcomes	410
Criteria	410
<i>Time</i>	411
<i>Types of Criteria</i>	411
<i>Levels of Criteria</i>	412
Additional Considerations in Measuring Training Outcomes	413
Strategies for Measuring Training Outcomes in Terms of Financial Impact	414
<i>An Illustration of Utility Analysis</i>	415
<i>Why Not Hold All Training Programs Accountable Strictly in Economic Terms?</i>	416
Influencing Managerial Decisions With Program-Evaluation Data	417
Classical Experimental Designs	417
Design A	419
Design B	420
Design C	420
Design D	421
Limitations of Experimental Designs	422
Quasi-Experimental Designs	424
Design E	426
Design F	426
Design G	427
Design H	427
Statistical, Practical, and Theoretical Significance	429
Logical Analysis	429

Chapter 17 • International Dimensions of Talent Management 432

Capitalism in the 21st Century	433
Globalization and Culture	433
<i>Vertical and Horizontal Individualism and Collectivism</i>	434
<i>Country-Level Cultural Differences</i>	435
Theoretical and Methodological Developments in the Study of Culture	436
<i>The Globalization of Psychological Measurement</i>	437
<i>Transporting Psychological Measures Across Cultures</i>	437
Terminology	438

Identification of Potential for International Management and Cultural Competence	439
Selection for International Assignments	440
General Mental Ability	441
Personality Characteristics and Expatriate Success	441
Other Characteristics Related to Success in International Assignments	442
Cross-Cultural Training	443
Performance Management	446
Performance Criteria	447
Who Should Assess Expatriate Performance?	448
Performance Feedback	448
Repatriation	449
Planning	449
Career Management	450
Compensation	450

Chapter 18 • Organizational Responsibility and Ethical Issues in Talent Management 452

Organizational Responsibility: Definition and General Framework	453
Organizational Responsibility: Benefits	456
Organizational Responsibility: Implementation and the Role of Human Resource Management Research and Practice	457
Employee Privacy	461
Safeguarding Employee Privacy	463
Fair Information Practice in the Information Age	464
Employee Searches and Other Workplace Investigations	465
Testing and Evaluation	466
Obligations to One's Profession	467
Obligations to Those Who Are Evaluated	469
Obligations to Employers	470
Individual Differences Serving as Antecedents of Ethical Behavior	471
Ethical Issues in Organizational Research	472
Ethical Issues at the Research-Planning Stage	473
Ethical Issues in Recruiting and Selecting Research Participants	473
Ethical Issues in Conducting Research: Protecting Research Participants' Rights	474
Ethical Issues in Reporting Research Results	476
Strategies for Addressing Ethical Issues in Organizational Research	478
Science, Advocacy, and Values in Organizational Research	480

Appendix A: Scientific and Legal Guidelines on Employee Selection Procedures—Checklists for Compliance 483

Scientific Guidelines—Summary Checklist	483
Premise	483
Sources of Validity Evidence	483
Planning the Validation Effort and Analysis of Work	483
Criterion-Related Evidence of Validity	484
Feasibility	484
Criterion Development	484

<i>Choice of Predictors</i>	485
<i>Choice of Participants</i>	485
<i>Data Analysis for Criterion-Related Validity</i>	485
Evidence for Validity Based on Content	486
Evidence of Validity Based on Internal Structure	487
Generalizing Validity Evidence	487
Fairness and Bias	488
Operational Considerations	489
<i>Initiating a Validation Effort</i>	489
<i>Selecting Assessment Procedures for the Validation Effort</i>	490
<i>Selecting the Validation Strategy</i>	490
<i>Selecting Criterion Measures</i>	490
<i>Data Collection</i>	490
<i>Data Analyses</i>	491
<i>Communicating the Effectiveness of Selection Procedures</i>	491
Appropriate Use of Selection Procedures	491
Technical Validation Report	492
Administration Guide	492
Other Circumstances Regarding the Validation Effort and Use of Selection Procedures	494
Legal Guidelines on Employee Selection Procedures	494
1. Adverse Impact	494
<i>A. Records Relating to Adverse Impact</i>	494
<i>B. Special Record-Keeping Provisions</i>	495
<i>C. Four-Fifths Rule</i>	495
<i>D. Adverse Impact When User Meets Four-Fifths Rule</i>	495
<i>E. Qualifying Circumstances Relating to Adverse Impact</i>	495
2. Validation	496
<i>A. General Information Regarding Validity</i>	496
<i>B. Identifying Information</i>	496
<i>C. Job Analysis</i>	496
<i>D. Professional Control</i>	497
3. Criterion-Related Validity	497
<i>A. Sample</i>	497
<i>B. Criterion Measures</i>	497
<i>C. Fairness of Criterion Measures</i>	498
<i>D. Results</i>	498
<i>E. Corrections and Categorization</i>	499
<i>F. Concurrent Validity</i>	499
<i>G. Prediction of Performance on Higher-Level Jobs</i>	499
<i>H. Fairness</i>	499
4. Content Validity	500
<i>A. Relevance of a Content Validity Strategy</i>	500
<i>B. Relation Between Selection Procedure and Work Behaviors</i>	500
<i>C. Knowledge, Skills, and Abilities</i>	500
<i>D. Adequacy of Simulation</i>	500
<i>E. Training</i>	501
5. Construct Validity	501
6. Validity Generalization	501
7. Application	502

<i>A. Use of Selection Procedures</i>	502
<i>B. Test Administration</i>	502
<i>C. Selection Decisions</i>	502
<i>D. Reduction of Adverse Impact</i>	503
<i>E. Currency, Interim Use</i>	503
Appendix B: An Overview of Correlation and Linear Regression	504
The Concept of Correlation	504
The Concept of Regression	505
Making Predictions Based on Multiple Predictors	508
Predictive Accuracy of Multiple Regression	510
Appendix C: Decision Trees for Statistical Methods	512
References	R-1
Author Index	I-1
Subject Index	I-17

PREFACE TO THE 8TH EDITION

We are delighted to offer this eighth edition in partnership with Sage Publishing. You will find this edition much improved in terms of looks as well as content. The previous, seventh, edition was published in 2011 and cited literature through December 2009. So, we embarked on an ambitious and comprehensive revision that included a review of 11,335 journal articles, from which we extracted 1,026 relevant ones from the following 24 journals: *Academy of Management Journal*, *Academy of Management Perspectives*, *Academy of Management Review*, *American Psychologist*, *Annual Review of Organizational Psychology and Organizational Behavior*, *Applied Psychology: An International Review*, *European Journal of Psychological Assessment*, *European Journal of Work and Organizational Psychology*, *Human Performance*, *Human Resource Management*, *Human Resource Management Review*, *Industrial and Organizational Psychology: Perspectives on Science and Practice*, *International Journal of Human Resource Management*, *International Journal of Selection and Assessment*, *Journal of Applied Psychology*, *Journal of Business and Psychology*, *Journal of Management*, *Journal of Occupational and Organizational Psychology*, *Journal of Organizational Behavior*, *Journal of Vocational Behavior*, *Organizational Behavior and Human Decision Processes*, *Organizational Research Methods*, *Personnel Psychology*, and *Research in Personnel and Human Resources Management*.

After completing our revision, we deleted a total of 458 citations from the seventh edition and added 625 new ones to the eighth, while keeping the total length of the book approximately the same. Before we get to the new features in each chapter, there are six cross-chapter issues that we want you to know about. First, we changed the title to refer to *talent management* to reflect much of the current research and practice regarding applied psychology in general and human resource management in particular. We chose *talent management* rather than other terms that are now popular, such as *human capital*, because our position is that individuals are not passive recipients of organizational policies and actions; rather, they help shape them on an ongoing basis (Aguinis & Glavas, 2017). Beyond that, enlightened talent management policies transform human capital (workforce KSAOs) into human capital resources that can provide solutions to problems that customers think are important (Collings, Mellahi, & Cascio, in press). Talent management thus encompasses actions that organizations take, and also that individuals themselves take as they manage their own capabilities and careers.

Second, the book addresses many new issues, given that technological and demographic trends are changing the nature of work and organizations worldwide. For example, the Internet has revolutionized assessment practices before people join organizations (e.g., recruitment and selection) and also after (i.e., performance management). Demographic changes, including an aging workforce in the United States and many Western countries, as well as increased domestic and international diversity, have generated substantial research on the consequences of those changes for individuals and organizations.

Third, the nature of research in the field of applied psychology is also changing in important ways. For example, much of it is now generated by scholars affiliated with business schools rather than psychology departments (Aguinis, Bradley, & Brodersen, 2014), which results in more multilevel and multidisciplinary research. Fourth, because we rely on the available scientific evidence, we highlight the size of relations between variables and effects throughout rather than simply saying that a relation or effect exists. We do so by referring to effect sizes in the form of correlation coefficients or other indexes with the caveat that in many cases there

is variability around those effects. Fifth, this edition includes a list of action-oriented learning goals at the beginning of each chapter. This is an important addition because it will allow you to understand the most important state-of-the-science talent management issues included in each chapter in a concise manner—and we hope it will be an important incentive for you to read each chapter. Finally, as in previous editions, a unique feature of this book is that we emphasize the latest knowledge but describe it within the context of the past. We believe it is important to describe the latest developments but also offer historical perspectives on the evolution of the field because, as famously noted by Spanish American philosopher George Santayana, “Those who cannot remember the past are condemned to repeat it.”

Here is a chapter-by-chapter rundown of some new features.

Chapter 1

- Considers the impact of globalization and the digital revolution on product and service markets, as well as on the people who produce those products and services.
- Describes how ubiquitous computing is changing the nature of competition, work, and employment in profound ways that need to be managed actively.
- Emphasizes that leadership in the digital age is not about control, but rather about comfort with uncertainty. Agile management is the key to success.
- Examines the impact of massive demographic changes on labor markets, approaches to managing talent, and the composition of organizations.
- Distinguishes job security from employment security.

Chapter 2

- Includes thoroughly updated case law and relevant citations throughout the chapter.
- Addresses key differences among legal systems outside the United States.
- Updates requirements of the Family and Medical Leave Act.
- Updates requirements under the amended EEOC Guidelines on Discrimination Because of Sex (2016), including those for pregnancy discrimination, sexual harassment, and preventive actions by employers.
- Notes subtle forms of illegal discrimination because of age, such as listing “digital native” as a requirement in job ads.

Chapter 3

- Three basic ideas provide the foundation of this chapter, and they have not changed: *utility theory*, which insists that costs and expected consequences of decisions always be taken into account; *open-systems theory*, which regards organizations as open systems in continual interaction with multiple, dynamic environments; and the *employment process as a network of sequential, interdependent decisions*.
- Introduces the idea of talent flows through a staffing supply chain whose objective is to optimize investments against time and costs across the various elements of the staffing process. This is in contrast to traditional ideas, where the objective was to maximize the payoffs of each individual stage (e.g., recruiting, staffing, closing the deal).

Chapter 4

- Expands the definition of criteria and performance to include both behaviors and results.
- Introduces the use of wearable sensors and electronic performance monitoring to assess performance real-time and on an ongoing basis.
- Introduces the concept of within-person performance analysis to study fluctuations in intraindividual performance over time.
- Describes new evidence regarding nonnormal performance distributions and implications for star performers.

Chapter 5

- Expands this chapter's title and coverage from performance management to performance appraisal and management to more clearly distinguish between these two related but different concepts.
- Includes a new section describing benefits of state-of-the-science performance management systems for employees, managers, and organizations.
- Includes a new section on 360-degree systems and their role in integrating performance information from different sources.
- Expands the discussion of forced-distribution systems.

Chapter 6

- Expands the material regarding new scale construction to include considerations about defining constructs and how test takers interpret the meaning of items.
- Includes new material about unproctored Internet testing and the use of computer adaptive testing.
- Includes new material regarding future trends in applied psychological measurement.

Chapter 7

- Includes new material on how to estimate effect sizes to be used in power analysis.
- Provides new material on the effects of retesting on criterion-related validity estimates.
- Updates information regarding convergent validity.
- Expands evidence supporting the use of synthetic validation.
- Includes updates regarding meta-analysis and validity generalization.

Chapter 8

- Incorporates new information based on the latest conceptual and empirical developments regarding differential validity and differential prediction.

- Introduces the concept of differential prediction generalization.
- Presents a procedure for assessing differential prediction using meta-analysis.
- Adds new material on when and why differential prediction is more or less likely to exist.

Chapter 9

- Emphasizes that while advances in machine learning, automation, and the Internet are changing the ways that work is done, the job as a way to organize and group tasks and responsibilities has not yet disappeared.
- Incorporates the latest guidance from the SIOP *Principles for the Validation and Use of Personnel Selection Procedures* (2018) about job or work analysis.
- Identifies seven choices that confront job analysts.
- Includes new sections that address work analysis for star performers and also cognitive task analysis.
- Provides updated information regarding the scope and coverage of the Occupational Information Network (O*NET®).

Chapter 10

- Revises the treatment of strategic workforce planning.
- Emphasizes the relationship between strategic business planning—long range, middle range, and annual—and parallel processes that occur in strategic workforce planning.
- Stresses the dangers of simply extrapolating labor-supply forecasts from the past by illustrating how unpredictable the supply of labor has become in a world of uncertainty.
- Revises and updates the section on leadership-succession planning, with in-depth treatment of 3M as an example.
- Updates the treatment of leadership succession in family-owned businesses.

Chapter 11

- Recasts the recruitment process as a talent supply chain.
- Emphasizes how the Internet has revolutionized the practice of recruitment to produce a “leveling of the information playing field.”
- Presents three contextual/environmental features that affect all recruitment efforts, namely, characteristics of the firm (the value of its “brand” and its “personality”); characteristics of the vacancy itself (is it mission critical?); and characteristics of the labor markets in which an organization recruits.
- Stresses the advantages of recruiting internally as well as the dangers of managers hoarding talent.
- Explains how companies are using artificial intelligence to screen résumés, and analytics to improve the overall recruitment process, for example, by improving the completion rate of online job applications.

- Notes the intuitive interfaces and tools of cloud-based applicant tracking systems, as well as robust analytics with “dashboards” that illustrate key recruitment metrics.
- Describes the latest strategies firms are using in diversity-based recruitment.
- Presents the latest findings on job search from the applicant’s perspective.

Chapter 12

- Includes a new section on the use of résumés.
- Includes a new section on the use of credit history.
- Updates findings on honesty tests, including recent controversial findings.
- Includes new material on big data and technological advancements, including social media, mobile and Web-based selection, computer scoring of text, remote interviewing, and virtual reality technology.

Chapter 13

- Presents the latest research on cognitive ability testing.
- Expands the discussion of personality assessment to include the dark triad of personality (i.e., Machiavellism, narcissism, and psychopathy) and expands the discussion of faking in personality assessment.
- Addresses the too-much-of-a-good-thing effect in personality that explains nonlinear relations between personality and performance.
- Presents the latest research regarding race-based differences in various types of tests used for managerial selection (e.g., work samples and situational judgment tests).

Chapter 14

- Expands the discussion of evidence regarding the superiority of mechanical methods compared to clinical methods for combining job applicant information to predict future performance.
- Includes new material on how to calculate the precise location of the inflection point where a predictor–criterion relation is no longer linear.
- Adds material on the impact of nonnormal performance distributions on the results of utility analysis.

Chapter 15

- Describes key factors that are driving the demand for well-designed and well-executed programs of workplace learning.
- Emphasizes critical interactions between training and development and other organizational systems.
- Presents current findings on team-based training, including training for virtual teams.
- Offers a balanced view of the advantages and disadvantages of technology-delivered instruction.

- Updates research findings on goal setting, practice, feedback, and transfer of training.

Chapter 16

- Classifies training and development methods into four categories: presentation, hands-on, group building, and technology based.
- Describes 15 different forms of technology-based training.
- To facilitate the selection of a training technique, offers a checklist of features that provide minimal conditions for effective learning to take place.
- Discusses six reasons it is important to assess training outcomes, and six key elements for measuring them.
- Explains why it is important *not* to hold all training programs accountable strictly in economic terms.
- Presents new material on assessing the practical significance of training outcomes.

Chapter 17

- Describes the features of 21st-century capitalism.
- Updates the treatment of country-level cultural differences based on Hofstede's work and the results of the GLOBE research project.
- Presents key theoretical and methodological developments in the study of culture.
- Emphasizes critical requirements to transport psychological measures across cultures.
- Incorporates the latest findings on the use of general mental ability, personality dimensions, global mindset, cultural agility, and self-assessment tools in the selection of expatriates.
- Identifies key differences between performance management in domestic and international contexts and provided research-based guidelines for its implementation.

Chapter 18

- Includes new material on research linking organizational responsibility with human resource management.
- Expands information regarding the role of the HR function in strategizing and implementing organizational responsibility policies and actions.
- Adds new information regarding professional ethical guidelines.
- Includes new material on issues regarding replicability, credibility, and trustworthiness of research results.

Instructor Teaching Site

SAGE offers an exceptionally robust set of offerings for instructor resources, all accessible from each title's companion website. The Instructor Teaching Site is verified and password-protected, offering you both peace of mind and a wealth of support for your courses. It's easy to log on to SAGE's password-protected Instructor Teaching Site at study.sagepub.com/cascio8e for complete and protected access to all text-specific Instructor Resources for *Applied Psychology in Talent Management*, 8th Edition. Simply provide your institutional information for verification, and within 72 hours you'll be able to use your login information for any SAGE title!

Password-protected **Instructor Resources** include the following:

- A **Microsoft® Word test bank**, is available containing multiple choice, true/false, short answer, and essay questions for each chapter. The test bank provides you with a diverse range of prewritten options as well as the opportunity for editing any question and/or inserting your own personalized questions to assess students' progress and understanding.
- Editable, chapter-specific Microsoft® **PowerPoint® slides** offer you complete flexibility in easily creating a multimedia presentation for your course. Highlight essential content and features.
- EXCLUSIVE! Access to certain full-text **SAGE journal articles** that have been carefully selected for each chapter. Each article supports and expands on the concepts presented in the chapter. Combine cutting-edge academic journal scholarship with the topics in your course for a robust classroom experience.
- An **Instructor's Manual** provides an outline of **Key Concepts** covered in each chapter, **Suggested Teaching Strategies** to apply in your classroom, additional **resources** to integrate into your lesson planning, lively and stimulating **chapter activities** that can be used in class to reinforce active learning. The activities apply to individual or group projects. An overview of responses to **discussion questions** found in the text to help launch classroom interaction by prompting students to engage with the material and by reinforcing important content.
- **Video and multimedia links** that appeal to students with different learning styles.
- **Web exercises** direct both instructors and students to useful and current websites, along with creative activities to extend and reinforce learning or allow for further research on important chapter topics.
- A set of all the **graphics from the text**, including all of the tables and figures, in PowerPoint, .pdf, and .jpg formats for class presentations.

Like the previous seven editions, this book is an evidence-based text. Our subject matter is the application of applied psychological research to talent management. Talent management seeks to make organizations more effective and more satisfying as places to work. Our book reflects valuable research-based insights on how to enhance individual well-being as well as individual and organizational performance.

Talent management represents the overlap between applied psychology and human resource management (HRM), excluding such topics as labor law, compensation and benefits, safety, and industrial relations. Talent management is also a subfield of industrial and organizational (I/O) psychology—the study of the behavior of men and women in work settings. Today, with the tremendous growth of I/O psychology in many directions, talent management is appropriately considered only one of many areas to which I/O psychologists have turned their attention.

As in the first seven editions, we have included material of a decidedly theoretical, statistical, or psychometric nature. Although the book addresses technical and operational issues, as well as more strategic and big-picture issues, we anticipate that some readers will criticize the book on the grounds that “things just aren’t done that way in the real world.” Perhaps not, for we agree that some of the ideas in the book are used by few organizations. However, many topics in earlier editions that may have seemed “far out” are now considered “mainstream”—for example, validity generalization, statistical power analysis, situational interviews, and the use of technology in preemployment selection and employee assessment. The book is designed to be forward looking, and, even though some of the material is presented in a conventional manner, with a dose of statistical, psychometric, or psychological theory thrown in, we believe that in the last analysis nothing is more practical. Moreover, our position is that in the broad and often ill-defined domain of talent management, the devil is in the details.

In writing this book, we make two assumptions about our readers: (1) They are familiar with the general problems of HRM or I/O psychology, and (2) they have some background in fundamental statistics—at least enough to understand statistical procedures on a conceptual level, and preferably enough to compute and interpret tests of statistical significance. As in earlier editions, our goals are (a) to challenge the field to advance rather than simply to document past practice, (b) to present a model toward which professionals should aim, and (c) to present scientific procedure and fundamental theory so that the serious student can develop a solid foundation on which to build a broad base of knowledge.

Our overall objective is to integrate applied psychological theory with tools and methods that will enable the student or professional to translate theory into practice effectively. We are well aware that in the complex, dynamic environment in which we live and work, scientific and technological advances are occurring faster than ever before. Hence, education must be a lifelong effort if one is to avoid becoming uneducated and therefore incompetent to perform at a level at which he or she once performed adequately. If the book projects this one message, then the HR profession will be enriched immeasurably.

The response to the first seven editions of this book in psychology departments and in business and professional schools has been particularly gratifying. However, new ideas and research findings in all the areas covered by the book made an eighth edition necessary in order to reflect the current state of the science. We have tried to do just that, as reflected in the new content and many new references we have added. Our goal is that this eighth edition will be a “keeper” and you will use it as a reference book for many years to come.

We would be remiss if we did not acknowledge the moral support and encouragement of our families throughout the project. Their love and devotion make good times better and bad times a little easier to take.

Wayne F. Cascio
Denver, Colorado

Herman Aguinis
Washington, D.C.

ACKNOWLEDGMENTS

SAGE would like to thank the following reviewers who have used the seventh edition in their undergraduate, master's, and doctoral level courses and were kind enough to offer their suggestions for improvements and additions:

Frank Igou, Louisiana Tech University

John F. Binning, Illinois State University

Robert P. Delprino, SUNY Buffalo State College

Rebecca J. Thompson, University of Baltimore

Brian W. Schrader, Emporia State University

Margaret Beier, Rice University

Joseph J. Mazzola, Roosevelt University

Neelam Rattan, San Jose State University

ABOUT THE AUTHORS

Wayne F. Cascio is a Distinguished University Professor at the University of Colorado, and he holds the Robert H. Reynolds Chair in Global Leadership at the University of Colorado Denver. He is past chair of the Society for Human Resource Management Foundation and the Human Resources Division of the Academy of Management, past president of the Society for Industrial and Organizational Psychology, and a past member of the Academy of Management's Board of Governors. He is a Fellow of the National Academy of Human Resources, the Academy of Management, the American Psychological Association, and the Australian Human Resources Institute. Professor Cascio received the Distinguished Career Award from the HR Division of the Academy of Management in 1999; an honorary doctorate from the University of Geneva, Switzerland, in 2004; and the Michael R. Losey Human Resources Research Award from the Society for Human Resource Management in 2010. In 2013, he received the Distinguished Scientific Contributions Award from the Society for Industrial and Organizational Psychology, and in 2016 he received the George Petipas [Lifetime Achievement] Award from the World Federation of People Management Associations. Currently he serves as an editor of the *Journal of International Business Studies* (JIBS), and from 2007 to 2014 he served as a senior editor of the *Journal of World Business*. He also serves as chair of the SHRM Certification Commission and as a member of the Australian HR Institute's National Certification Council. He has consulted with a wide variety of private- and public-sector organizations on six continents, and periodically he testifies as an expert witness in employment discrimination cases. Professor Cascio is an active researcher, writer, and speaker. He has published more than 200 articles and book chapters and 33 books, and he has delivered more than 750 presentations to professional and business audiences worldwide. Professor Cascio earned his B.A. degree from Holy Cross College, his M.A. degree from Emory University, and his Ph.D. in industrial/organizational psychology from the University of Rochester.

Herman Aguinis is the Avram Tucker Distinguished Scholar and Professor of Management in the George Washington University School of Business. He has been a visiting scholar at universities in the People's Republic of China (Beijing and Hong Kong), Malaysia, Singapore, Argentina, France, Spain, Puerto Rico, Australia, and South Africa. His research, teaching, and consulting address the acquisition and deployment of talent in organizations and organizational research methods. His life and professional agenda is to have an impact on the academic community, but also on society at large, and his research has been featured by numerous media outlets including *Forbes*, *Wall Street Journal*, *National Public Radio*, *The Economist*, and *Bloomberg Businessweek*. He has published more than 150 refereed journal articles and eight books, including *Performance Management* (4th edition, 2019); delivered more than 130 presentations at universities in 20 countries; and secured US\$5 million in extramural funds (e.g., National Science Foundation). He has been elected to serve as president of the Academy of Management (AOM), is also a Fellow of AOM, American Psychological Association, Association for Psychological Science, and Society for Industrial and Organizational Psychology, and is a past president of the Iberoamerican Academy of Management. Among many awards, he received the Losey Award by the Society for Human Resource Management Foundation for lifetime achievement in human resource research, AOM Research Methods

Division Distinguished Career Award for lifetime contributions, AOM Entrepreneurship Division IDEA Thought Leader Award, and AOM Practice Theme Committee Scholar Practice Impact Award recognizing an outstanding scholar who has had an impact on policy making and managerial and organizational practices. Also, he received best-article-of-the-year awards from *Journal of Management*, *Personnel Psychology*, *Journal of Organizational Behavior*, *Organizational Research Methods*, and *Academy of Management Perspectives*. In addition to his academic activities, Professor Aguinis has consulted with organizations in the United States, Europe, and Latin America including Accenture, Goldman Sachs, the United Nations, TCI-AT&T, the City of San Francisco Police Department, and Sears Holdings Corp., among others. He was appointed by the U.S. Department of State to serve a five-year term on the Board of Examiners for the United States Foreign Service and has provided expert testimony and written briefs for several high-profile court cases, including the highly publicized *Ricci v. DeStefano* U.S. Supreme Court case involving firefighters in the City of New Haven (Connecticut). For more information, please visit <http://www.hermanaguinis.com>.

*To my son, Joe, daughter-in-law, Tricia, and grandchildren, Tony and Diana—you
make me proud every day.*

—WC

*To my wife, Heidi, and my daughters, Hannah Miriam and Naomi Rebecca,
whose love and support have made this book possible.*

—HA

1

ORGANIZATIONS, WORK, AND APPLIED PSYCHOLOGY

LEARNING GOALS

By the end of this chapter, you will be able to do the following:

- 1.1 Describe what an organization is and how applied psychology can help organizations make the wisest use of the people who staff them
- 1.2 Define the terms *applied psychology*, *talent management*, *human resource management*, and *personnel psychology* and understand how they differ
- 1.3 Explain how demographic changes and diversity will affect recruitment and staffing
- 1.4 Understand the managerial implications of generational diversity
- 1.5 Illustrate how technology and globalization are changing work and organizations
- 1.6 Describe the difference between job security and employment security, as well as the implications of each one for individuals and organizations
- 1.7 Explain the changing roles of managers and workers as the structure and design of organizations continue to evolve
- 1.8 Describe how the digital revolution will affect the workplace of the future, and identify emerging research needs in that area

THE PERVASIVENESS OF ORGANIZATIONS

Throughout our lives, each of us is deeply touched by organizations of one form or another. In the normal course of events, a child will be exposed to a school organization, a church or a religious organization, and perhaps a Little League or a Boy or Girl Scouts organization, as well as the social organization of the local community. After leaving the school organization, the young person may choose to join a military, business, or government organization, and as his or her career unfolds, the person probably will move across several different organizations.

FIGURE 1.1 ■ Inputs to Organizations

The point is simply that our everyday lives are inseparably intertwined with organizational memberships of one form or another.

What common characteristics unite these various activities under the collective label *organization*? The question is not an easy one to answer. Many different definitions of the term have been suggested, and each definition reflects the background and theoretical point of view of its author with respect to what is relevant or important. Yet certain fundamental elements recur in these definitions.

In general, an *organization* is a collection of people working together in a division of labor to achieve a common purpose (Hitt, Miller, & Collela, 2014). Another useful concept views an organization as a system of inputs, throughputs, and outputs. Inputs (raw materials) are imported from the outside environment, transformed or modified (e.g., every day tons of steel are molded into automobile bodies), and finally exported or sold back into the environment as outputs (finished products). Although

there are many inputs to organizations (energy, raw materials, information, etc.), people are the basic ingredients of *all* organizations, and social relationships are the cohesive bonds that tie them together (see Figure 1.1).

This book is about people as members and resources of organizations and about what applied psychology can contribute toward helping organizations make the wisest, most humane use of human resources. At the outset, let's be clear about the definition of some important terms. *Applied psychology*, as used in this book, is a branch of psychology that seeks to apply psychological principles to practical problems in organizations. *Talent management* is the process through which organizations anticipate and meet their needs for talent in strategic jobs (Cappelli & Keller, 2017). Talent management is part of the broader field of *human resource management (HRM)*—an overall approach to management that comprises staffing, retention, development, adjustment, and managing change (Cascio, 2018). *Personnel psychology*, a subfield of industrial and organizational (I/O) psychology, is concerned with individual differences in behavior and job performance and with methods for measuring and predicting such differences. We consider some of the sources of these differences in the sections that follow.

Differences in Jobs

In examining the world of work, one is immediately awed by the vast array of goods and services that have been and are being produced as a result of organized effort. This great variety ranges from the manufacture of tangible products—such as food, automobiles, plastics, paper, textiles, and glassware—to the provision of less tangible services—such as legal counsel, health care, police and fire protection, and education. Thousands of jobs are part of our work-a-day world, and the variety of tasks and human requirements necessary to carry out this work is staggering. Faced with such variability in jobs and their requirements on the one hand, and with people and their individual patterns of values, aspirations, interests, and abilities on the other, programs for the efficient use of human resources are essential.

Differences in Performance

People represent substantial investments by firms—as is immediately evident when one stops to consider the costs of recruiting, selecting, placing, and training as many people as there are organizational roles to fill. But psychology's first law is that people are different. People differ in size, weight, and other physical dimensions, as well as in aptitudes, abilities, personality, interests, and myriad other psychological dimensions. People also differ greatly in the extent to which they are willing and able to commit their energies and resources to the attainment of organizational objectives.

If we observe a group of individuals doing the same kind of work, it will soon be evident that some are more effective workers than others. For example, if we observe a group of carpenters building cabinets, we will notice that some work faster than others, make fewer mistakes than others, and seem to enjoy their work more than others. These observations pose a question of psychological interest: Why? That is, what “people differences” cause these “work differences”? Perhaps these variations in effectiveness are due to differences in abilities. Some of the carpenters may be stronger, have keener eyesight, and have more finely developed motor coordination than others. Perhaps another reason for the observed differences in behavior is motivation. At any given point in time, the strength of forces impelling an individual to put forth effort on a given task, or to reach a certain goal, may vary dramatically. In other words, differences in individual performance on any task, or on any job, could be due to differences in ability, or to differences in motivation, or to both. This has clear implications for the optimal use of individual talents in our society.

A Utopian Ideal

In an idealized existence, our goal would be to assess each individual’s aptitudes, abilities, personality, and interests; to profile these characteristics; and then to place all individuals in jobs perfectly suited to them and to society. Each individual would make the best and wisest possible use of his or her talents, while in the aggregate, society would be making maximal use of its most precious resource.

Alas, this ideal falls far short in practice. The many, and often gross, mismatches between individual capabilities and organizational roles are glaringly obvious even to the most casual observer—history Ph.D.s driving taxicabs for lack of professional work, and young people full of enthusiasm, drive, and intelligence placed in monotonous, routine, dead-end jobs.

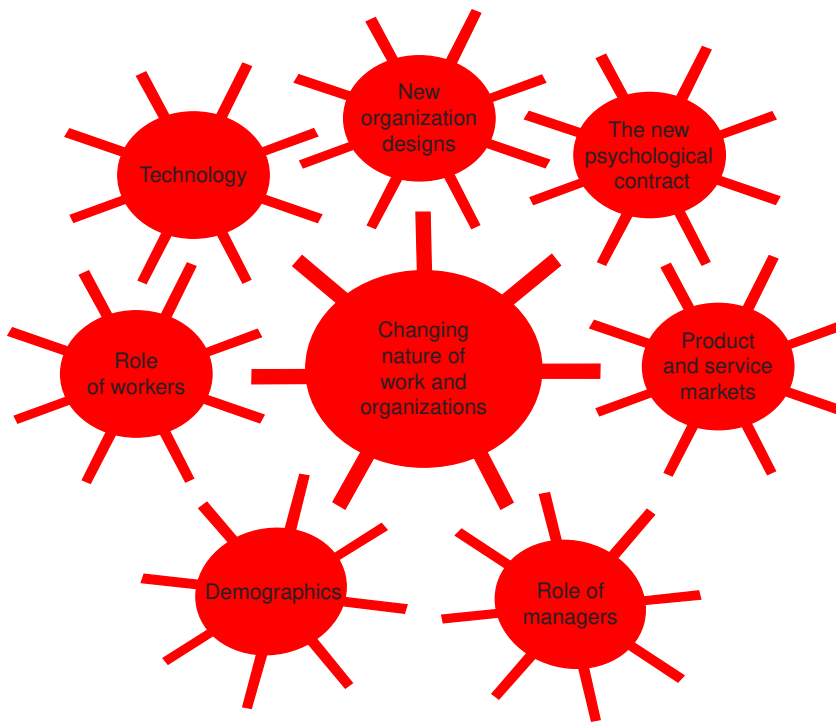
Point of View

In any presentation of issues, it is useful to make explicit underlying assumptions. The following assumptions have influenced the presentation of this book:

1. In a free society, every individual, regardless of race, age, gender, disability, religion, national origin, or other characteristics, has a fundamental and inalienable right to compete for any job for which he or she is qualified.
2. Society can and should do a better job of making the wisest and most humane use of its human resources.
3. Individuals working in the field of human resources and managers responsible for making employment decisions must be as technically competent and well informed as possible, since their decisions will materially affect the course of individual livelihoods and lives. Personnel psychology holds considerable potential for improving the caliber of HRM in organizations. Several recent developments have combined to stimulate this growing awareness. After first describing what personnel psychology is, we will consider the nature of some of these developments.

PERSONNEL PSYCHOLOGY AND TALENT MANAGEMENT IN PERSPECTIVE

People have always been subjects of inquiry by psychologists, and the behavior of people at work has been the particular subject matter of industrial and organizational (I/O) psychology. Yet sciences and subdisciplines within sciences are distinguished not so much by the subject

FIGURE 1.2 ■ The Changing Nature of Work and Organizations

psychology and the broader field of HRM. Both exclude, for example, such topics as labor and compensation law, organization theory, industrial medicine, collective bargaining, and employee benefits. Psychologists have already made substantial contributions to the field of HRM; in fact, most of the empirical knowledge available in such areas as motivation, leadership, and staffing is due to their work. Over the past decade, dramatic changes in markets, technology, demographics, organizational designs, the “psychological contract,” and the respective roles of managers and workers have inspired great emphasis on and interest in personnel psychology and talent management (Cascio, 2010; Cascio & Boudreau, 2016). The following sections consider each of these topics in more detail. Figure 1.2 illustrates them graphically.

Globalization of Product and Service Markets

Globalization—the ability of any individual or company to compete, connect, exchange, or collaborate globally—is exploding. The ability to digitize so many things, to send them anywhere and to pull them in from everywhere via our mobile phones and the Internet, has unleashed a torrent of global flows of information and knowledge. Global flows of commerce, finance, credit, social networks, and more are interlacing markets, media, central banks, companies, schools, communities, and individuals more tightly together than ever before (Cascio, 2018). That same connectivity is also making individuals and institutions more interdependent. As author Tom Friedman notes, “Everyone everywhere is now more vulnerable to the actions of anyone anywhere” (Friedman, 2016, p. 27). Product and service markets have truly become globalized.

Global labor markets are another feature of globalization, created by cheap labor and plentiful resources, combined with ease of travel and communication. This is fueling mobility as

matter they study as by the questions they ask. Thus, both the social psychologist and the engineering psychologist are concerned with studying people. The engineering psychologist is concerned with the human aspects of the design of tools, machines, work spaces, information systems, and aspects of the work environment. The social psychologist studies power and influence, attitude change, communication in groups, and individual and group social behavior.

As noted earlier, personnel psychology is a subfield within I/O psychology. Some of the major areas of interest to personnel psychologists include job analysis and job evaluation; recruitment, screening, and selection; training and development; and performance management.

Personnel psychology and talent management overlap both

more companies expand abroad and people consider foreign postings as a natural part of their professional development. Beyond the positive effects that such circulation of talent brings to both developed and developing countries, it enables employment opportunities well beyond the borders of one's home country (Dulebohn & Hoch, 2017). This means that competition for talent will come not only from the company down the street but also from the employer on the other side of the world (Economist Intelligence Unit, 2014).

Consider three other emerging trends spawned by globalization (Cascio, 2018). The first is increasing workforce flux as more roles are automated or outsourced and more workers are contract based, are mobile, or work flexible hours. This may allow companies to leverage global resources more efficiently, but it also will increase the complexity of management's role. Second, expect more diversity as workers come from a greater range of backgrounds. Those with local knowledge of an emerging market, a global outlook, and an intuitive sense of the corporate culture will be particularly valued. Not surprisingly, talented young people will more frequently choose their employers based, at least in part, on opportunities to gain international experience. Finally, technical skills, although mandatory, will be less defining of the successful manager than the ability to work across cultures and to build relationships with many different constituents (Lublin, 2011; McGovern, 2017).

Why then, is there sometimes a backlash against globalization? It stems largely from a fear on the part of many people that globalization benefits big companies instead of average citizens, as stagnating wages and growing job insecurity in developed countries create rising disenchantment. In theory, less-developed countries win from globalization because they get jobs making low-cost products for rich countries. Rich countries win because, in addition to being able to buy inexpensive imports, they also can sell more sophisticated products, like financial services, to emerging economies. The problem, according to many experts, is that workers in the West are not equipped for today's pace of change, in which jobs come and go and skills can quickly become redundant (Brynjolfsson & McAfee, 2014; Friedman, 2016).

Despite these concerns, economic interdependence among the world's countries will continue. Global corporations will continue to be created through mergers and acquisitions of unparalleled scope. These mega-corporations will achieve immense economies of scale and compete for goods, capital, and labor on a global basis. As a result, prices will drop, and consumers will have more options than ever (Bhagwati, 2007; Ghemawat, 2017).

It takes more than trade agreements, technology, capital investment, and infrastructure, however, to deliver world-class products and services. It also takes the skills, ingenuity, and creativity of a competent, well-trained workforce. Workers with the most advanced skills create higher value products and services and reap the biggest rewards. Attracting, developing, and retaining talent in a culture that supports and nurtures ongoing learning is a continuing challenge for all organizations. Human resource professionals are at the epicenter of that effort.

Impact on Jobs and the Psychological Contract

The job churning that characterized the labor market in the 1990s and early twenty-first century has not let up. If anything, its pace accelerated during and after the Great Recession (Farber, 2011; Schwartz, 2009). Both white- and blue-collar jobs aren't being lost *temporarily* because of a recession; rather, they are being wiped out *permanently* as a result of new technology, improved machinery, and new ways of organizing work (Friedman, 2016; Hamlin & Roberts, 2017). These changes have had, and will continue to have, dramatic effects on organizations and their people.

Corporate downsizing has become entrenched in American culture since the 1980s, but it was not always so. It was not until the final 20 years of the 20th century that such downsizing and the loss of the perceived "psychological contract" of lifelong employment with a

single employer in the public and private sectors of the economy came to characterize many corporate cultures and the American workforce (Cascio, 1993b, 2002a, 2002b). The *psychological contract* refers to an unwritten agreement in which the employee and employer develop expectations about their mutual relationship (Payne, Culbertson, & Boswell, 2008; Rousseau, 1995). For example, absent just cause, the employee expects not to be terminated involuntarily, and the employer expects the employee to perform to the best of his or her ability.

Stability and predictability characterized the old psychological contract. In the 1970s, for example, workers held an average of three to four jobs during their working lives. Change and uncertainty, however, are hallmarks of the new psychological contract. Soon workers will hold 7–10 jobs during their working lives. Job-hopping no longer carries the stigma it once did. Indeed, the massive downsizing of employees has made job mobility the norm rather than the exception. This has led workers operating under the new psychological contract to expect more temporary employment relationships. Paternalism on the part of companies has given way to self-reliance on the part of employees, and also to a decrease in satisfaction, commitment, intentions to stay, and perceptions of an organization's trustworthiness, honesty, and concern for its employees (Lester, Kickul, Bergmann, & De Meuse, 2003; Llopis, 2013). Indeed, our views of hard work, loyalty, and managing as a career will probably never be the same.

Effects of Technology on Organizations and People

We live in a global world where technology, especially information and communication technology, is changing the manner in which businesses create and capture value, how and where we work, and how we interact and communicate. Consider five technologies that are transforming the very foundations of global business and the organizations that drive it: cloud and mobile computing, big data and machine learning, sensors and intelligent manufacturing, advanced robotics and drones, and clean-energy technologies. These technologies are not just helping people to do things better and faster but also enabling profound changes in the ways that work is done in organizations (Cascio & Montealegre, 2016).

The new wave of technological innovation features the emerging general paradigm known as “ubiquitous computing,” or an environment where computational technology permeates almost everything, enabling new ways of connecting people, computers, and objects. The ubiquitous computing infrastructure also enables the collection of enormous amounts of structured and unstructured data, requiring the adjective *big* to distinguish this new paradigm of development. Ubiquitous computing also blurs the boundaries between industries, nations, companies, providers, partners, competitors, employees, freelancers, outsourcers, volunteers, and customers. These blurred boundaries yield opportunities to unify the physical space and the electronic space, which has implications for privacy and security, as well as how companies are organized and manage talent (Montealegre & Cascio, 2017).

As with other new developments, there are negatives as well as positives associated with new technology, and they need to be acknowledged. Workers may be bombarded with mass junk e-mail (spam), company computer networks may be attacked by hackers who can wreak havoc on an organization's ability to function, and employees' privacy may be compromised. A comprehensive review of literature in this area revealed three lessons about the effects of ubiquitous computing. One, *the effects of ubiquitous computing on jobs is a process of creative destruction*. Ubiquitous computing is not the first technology to affect jobs. From steam engines to robotic welders to ATMs, technology has long displaced humans, often creating new and higher skilled jobs in its wake. Two, *ubiquitous computing can be used to enable or to constrain people at work*. As an example, consider electronic monitoring systems. Evidence indicates that attitudes in general, and attitudes toward monitoring in particular, will be more positive when organizations monitor their employees within supportive organizational cultures (Alge & Hansen, 2014).

Supportive cultures welcome employee input into the monitoring system's design, focus on groups of employees rather than singling out individuals, and focus on performance-relevant activities. Three, *ubiquitous computing is changing the nature of competition, work, and employment in ways that are profound and that need to be managed actively*.

A caveat is in order here, however. It relates to the common assumption that since production and service processes have become more sophisticated, high tech can substitute for skill in managing a workforce. Beware of such a “logic trap.” When it comes to engaging and inspiring people to move in the same direction, empathizing with customers, and developing talent, humans will continue to enjoy a strong comparative advantage over machines. No computer will ever manage by walking around, but inspirational leadership will always be in demand (Cascio & Montealegre, 2016). At a broader level, to succeed and prosper in a world where nothing is constant except the increasingly rapid pace of change, companies need motivated, technically literate workers who are willing to retrain continually. However, organizations of the future will look very different from organizations of the past, as the next section illustrates.

Changes in the Structure and Design of Organizations

Many factors are driving change, but none is more important than the rise of Internet technologies. Like the steam engine or the assembly line, the Web has already become an advance with revolutionary consequences, most of which we have only begun to feel. The Web gives everyone in the organization, from the lowliest clerk to the chairperson of the board, the ability to access a mind-boggling array of information—instantaneously from anywhere. Instead of seeping out over months or years, ideas can be zapped around the globe in the blink of an eye. Organizations are adapting to management via the Web: premised on constant change, not stability; organized around networks, not rigid hierarchies; built on shifting partnerships and alliances, not self-sufficiency; and constructed on technological advantages, not bricks and mortar (Cascio, 2018; Friedman, 2016). Twenty-first-century organizations are global in orientation, and all about speed. They are characterized by terms such as *virtual*, *boundaryless*, and *flexible*, with no guarantees to workers or managers.

This approach to organizing is no short-term fad. The fact is that organizations are becoming leaner and leaner, with better and better trained “multi-specialists”—those who have in-depth knowledge about a number of different aspects of the business. Eschewing narrow specialists or broad generalists, organizations of the future will come to rely on cross-trained multi-specialists in order to get things done. One such group whose role is changing dramatically is that of managers.

Changing Roles of Managers and Workers

In the traditional hierarchy that once made up most bureaucratic organizations, rules were simple. Managers ruled by *command* from the top (essentially one-way communication), used rigid *controls* to ensure that fragmented tasks (grouped into clearly defined jobs) could be coordinated effectively, and partitioned information into neat *compartments*—departments, units, and functions. Information was (and is) power, and, at least in some cases, managers clung to power by hoarding information. This approach to organizing—that is, 3-C logic—was geared to achieve three objectives: stability, predictability, and efficiency.

In today's unpredictable, hypercompetitive work environment, the autocratic, top-down command-and-control approach is out of step with the competitive realities that many organizations face. To survive, organizations have to be able to respond quickly to shifting market conditions. In this kind of an environment, a key task for all managers, especially top managers, is to articulate a vision of what their organizations stand for, what they are trying to

accomplish, and how they compete for business in the marketplace. Managers need to be able to explain and communicate how their organizations create value. The next step is to translate that value-creation story into everything that is done, including the implications for employee knowledge and behavior, and to use it as a benchmark to assess progress over time.

Leadership in the digital age is not about control, but comfort with uncertainty. Companies need agility, that is, collaborative innovation to solve unstructured problems. In an attempt to derive a culture that employees wanted to see, GE crowdsourced input from employees and managers. The result was a renewed emphasis on acceleration, agility, and customer focus. IBM embraced a similar approach, known as *agile management*: a set of values and principles that emphasizes iterative, collaborative interactions among members of small teams working in a series of short cycles under conditions of full transparency. From the start, teams incorporate feedback and customer perspectives to deliver solutions that result from experimenting and learning from failure (Knowledge@Wharton, 2017).

The kinds of teams we are describing—intact, identifiable social systems (even if small or temporary) whose members have the authority to manage their own task and interpersonal processes as they carry out their work—go by a variety of names—autonomous work groups, process teams, self-managing work teams, and so on. The kinds of skills needed to succeed in this environment simply weren't needed in organizations designed and structured under 3-C logic. Indeed, lack of management support, organizational resistance to change, and company cultures at odds with the values of agile management limit its innovative potential.

Does this imply that we are moving toward a universal model of organizational and leadership effectiveness? Hardly. Contingency theories of leadership such as path-goal theory (House & Mitchell, 1974), normative decision theory (Vroom & Yetton, 1973), and LPC contingency theory (Fiedler, 1967) suggest that an autocratic style is appropriate in some situations. More often, however, today's networked, interdependent, culturally diverse organizations require transformational leadership (Bass & Riggio, 2006; Lord, Day, Zaccaro, Avolio, & Eagly, 2017). Leaders who transform followers to bring out their creativity, imagination, and best efforts require well-developed interpersonal skills, founded on an understanding of human behavior in organizations. Such strategic leadership is particularly effective under unstable or uncertain conditions (Colbert, Kristof-Brown, Bradley, & Barrick, 2008; Waldman, Ramirez, House, & Puranam, 2001). I/O psychologists and HR professionals are well positioned to help managers develop those kinds of skills.

An alternative approach is to engage talent as needed, thereby lowering overhead costs and improving response time. This is a talent-on-demand model and it is a central feature of the "gig" economy (Boudreau, Jesuthasan, & Creelman, 2015; Cascio & Boudreau, 2017; McGovern, 2017). More and more workers are operating outside the traditional confines of regular, full-time employment. They may be "free agents" or "e-lancers" (i.e., freelancers in the digital world) who work for themselves, or they may be employees of an organization a firm is allied with, employees of an outsourcing or temporary-help firm, or even volunteers. Two factors combine to make nonstandard work more feasible for organizations and workers. The first is technology. Internet-based communication tools, including collaborative workspaces and the opportunity for remote monitoring by companies, makes nonstandard work attractive to individuals as well as organizations (Cascio & Montealegre, 2016). Second, creativity and problem-solving skills play critically important roles in production and value creation in today's knowledge-based economy, and those can originate either inside or outside organizational boundaries. For certain specialized skills, the best way to obtain and keep them current is through a freelance or nonstandard work ecosystem (Boudreau et al., 2015; Meyer, Somaya, & Williamson, 2012).

In this kind of an environment, the managerial roles of "controllers," "planners," and "inspectors" are being replaced by "coaches," "facilitators," and "mentors" (Lund, Ramaswamy, &

Manyika, 2012; Srivastava, Bartol, & Locke, 2006). This doesn't just happen—it requires well-developed interpersonal skills, continuous learning, and an organizational culture that supports and encourages both. Demographic diversity will characterize almost all organizations, as our next section illustrates.

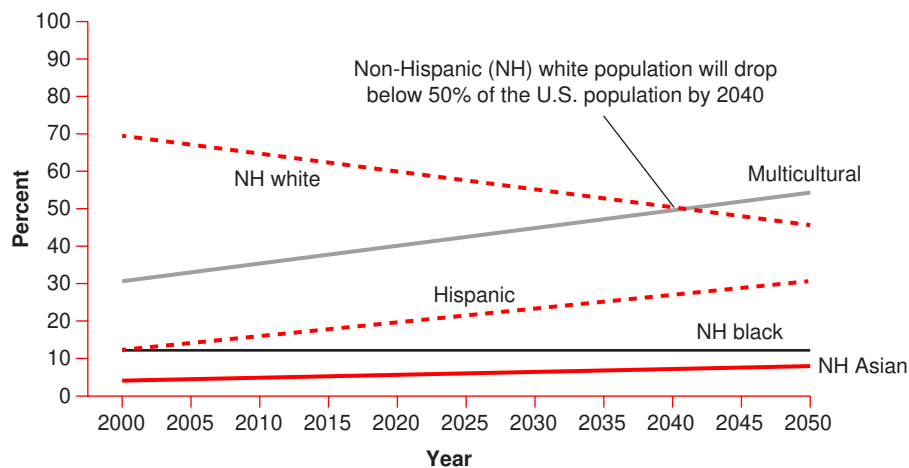
Changing Demographics

Demographically, today's organizations are more diverse than ever before. They comprise more women at all levels; more multiethnic, multicultural workers; older workers; younger workers; more workers with disabilities; robots; and contingent workers. Consider some of the contours of these changes.

Around the globe, the number as well as the mix of people available to work are changing rapidly. The U.S. labor force is aging, as the proportion of the labor force composed of people aged 55 and older rises from 19% in 2010 to 24% in 2050. As Figure 1.3 shows, by 2040 the non-Hispanic white population is projected to drop below 50%, with Hispanics making up more than a quarter of the population, and Asians, African Americans, and other ethnic groups constituting the rest. Immigration is projected to account for 88% of U.S. population growth over the next 50 years, such that by 2055 there will be no majority racial or ethnic group. Globally, the United Nations estimates that by 2060, for every 100 people of working age, there will be 30 people who are 65 and older. That is more than double the ratio of old to young people today. Because of low birth rates, the age wave is more acute in developed countries, increasing the cost of social programs and limiting economic growth. Younger migrants may ease that pain, however (“The first world is aging,” 2015; Jordan, 2015).

In developed economies, many employers are unable to find people with the skill sets they need. By 2020, that talent gap could reach 1.5 million people in the United States and as many as 23 million in China (Lund et al., 2012; Qi, 2017). These trends have two key implications: (1) The reduced supply of workers (at least in some fields) will make finding and keeping employees a top priority, and (2) the task of managing a diverse workforce, of harnessing the motivation and efforts of a wide variety of workers, will present a continuing challenge.

FIGURE 1.3 ■ U.S. Population by Race, 2000 to 2050



Source: National Association of Corporate Directors. (2014, January 16). *The US demographic tsunami: What directors need to know*, p. 6.

Earlier we noted that more women than ever are found at all levels of organizations. Women constitute 47% of the U.S. workforce, and they hold 52% of all managerial and professional positions. So much for the myth that women don't hold high-level business jobs because they supposedly don't aim high enough (Catalyst, 2016; U.S. Bureau of Labor Statistics, 2015). Age diversity is even more pronounced. At present, five generations comprise the U.S. workforce: The *silent generation* (born 1930–1945); the *baby boom generation* (born 1946–1964); *Generation X* (born 1965–1980); *Generation Y*, also known as *millennials* (born 1981–1995); and *Generation Z* (born 1996–2010).

Evidence from time-lag and cross-sectional studies suggests that, despite a number of similarities, the generations in today's workplace differ in aspects of their personalities, work values and attitudes, leadership and teamwork preferences, leader behaviors, and career experiences (Lyons & Kuron, 2014; Twenge, 2010). Meta-analytic results, however, indicate that the relationships between generational membership and work-related outcomes (job satisfaction, organizational commitment, and intent to quit) are moderate to small, essentially zero in many cases. Differences that appear to exist are likely attributable to factors other than generational membership (Costanza, Badger, Fraser, Severt, & Gade, 2012). An overarching theme across studies, however, is that individualism characterizes all generations (Twenge, 2012). An open question is the extent to which observed differences will remain stable or shift over time as the generations move through their respective life courses and career stages.

Age-based stereotypes are common (Posthuma & Campion, 2009), particularly among older workers, but this is just as true for middle-aged and younger workers (Finkelstein, Ryan, & King, 2013). As those authors noted, supervisors can serve as powerful ambassadors of positive age-diverse interactions, both by embodying and facilitating positive views of outgroup members and by promoting open communication and treating people as individuals. To support an aging workforce, Truxillo, Cadiz, and Hammer (2015) outlined 11 possible interventions, from work redesign to optimizing total worker health.

What are the implications for leaders? First, individual differences are always bigger than generational differences (Schumpeter, 2015). Generational differences are manifestations of broader trends in society and work that continue to evolve as the generations move through their respective life courses. Leaders cannot simply assume that past management practices will work in the modern context and that today's practices will work in the future (Lyons & Kuron, 2014). They should focus on finding qualified employees who best fit the organization's values and HR practices rather than attempting to craft strategies to attract the average member of a generation. For example, an organization that emphasizes high commitment might emphasize work–life fit and flexible schedules, while looking for workers who are enthusiastic and hard-working, and who have the requisite skills and experience the organization needs.

It should be clear by now that we are in the midst of a revolution—a revolution at work. Twenty-first-century organizations, both large and small, differ dramatically in structure, design, and demographics from those of even a decade ago. Paternalism is out; self-reliance is in. There is constant pressure to do more with less and a steady emphasis on empowerment, cross-training, personal flexibility, self-managed work teams, and continuous learning. Workers today have to be able to adapt to changing circumstances and to be prepared for multiple careers. *Job security* (the belief that one will retain employment with the same organization until retirement) has become less important to workers than *employment security* (having the kinds of skills that employers in the labor market are willing to pay for). In our next section we consider some organizational responses to these new realities.

Implications for Organizations and Their People

In a world where virtually every factor that affects the production of goods or the delivery of services—capital, equipment, technology, and information—is available to every player in the

global economy, the one factor that doesn't routinely move across national borders is a nation's workforce. Today the quality of a nation's workforce is a crucial determinant of its ability to compete and win in world markets.

Human resources can be sources of sustained competitive advantage as long as they meet three basic requirements: (1) They add positive economic benefits to the process of producing goods or delivering services; (2) the skills of the workforce are distinguishable from those of competitors (e.g., through education and workplace learning); and (3) such skills are not easily duplicated (Barney, 1991). A human resource system (the set of interrelated processes designed to attract, develop, and maintain human resources) can either enhance or destroy this potential competitive advantage (Lado & Wilson, 1994).

Perhaps a quote attributed to Albert Einstein, the famous physicist, best captures the position of this book. After the first atomic reaction in 1942, Einstein remarked: "Everything has changed, except our way of thinking" (*Workplace of the Future*, 1993, p. 2). As I/O psychology in general, and talent management in particular, move deeper into the 21st century, our greatest challenge will be to change the way we think about organizations and their people. As just one example, consider how the digital revolution will affect the workplace of the future, and some emerging research needs in that area (Colbert, Yee, & George, 2016).

There is no doubt that the increasing prevalence of technology influences the way people approach work. We are in near-constant communication with one another, and our lives are chronicled for friends and followers in real time on social media. At the same time, people vary in their proficiency and comfort in achieving desired outcomes at work using technology, often referred to as "digital fluency" (Briggs & Makice, 2012). Clearly, research is needed to fully understand how digital fluency may influence job performance and career progression across a range of professions, as well as how it affects conflict and collaboration in diverse groups (Colbert et al., 2016).

Digitally fluent or not, the effects of technology at work may be both positive and negative. On the positive side, technology has facilitated leaps in productivity, collaboration, and connectivity with others that were unimaginable a few decades ago. At the same time, however, the ubiquitous presence of technology in our lives may limit opportunities to develop deep levels of self-awareness and to behave authentically, especially among those who spend lots of time in online worlds and working with avatars. Managers and organizations need to consider how to address the possibility of reduced self-awareness and authenticity among members of the digital workforce while also remaining aware of the ways that technology might be used to promote healthy identity development (Colbert et al., 2016). To be sure, the prevalence of technology in our daily lives may affect the quality of our interactions with others and may lead to a decline in our level of empathy (a cognitive understanding of another's perspective and an affective response to another's experiences). Meta-analysis revealed that dispositional empathy levels decreased between 1979 and 2009 among college students in the United States (Konrath, O' Brien, & Hsing, 2011). A possible reason for this finding is that the kinds of fully present, face-to-face interactions that foster empathy have become less common in a world of digital communication. More research is needed to fully understand how digitally mediated communication may influence communication, relationship quality, and empathy, especially in the workplace (Colbert et al., 2016).

In our "always-on" society, technology has blurred boundaries between work and nonwork, sometimes to our detriment. Thus, in a study of the daily intrusions of e-mail in nonworking hours, Butts, Becker, and Boswell (2015) found that time required to respond to e-mail outside of work was associated with higher levels of anger, which in turn led to increased work-family conflict. Research is just beginning to provide guidance on how organizations can most effectively manage the digital workforce and leverage technology while avoiding potential downsides.

To be sure, the future world of work will not be a place for the timid, the insecure, or the low skilled. For those who thrive on challenge, responsibility, and risk taking, security will

come from seizing opportunities to adapt and to develop new competencies (Gunz & Peiperl, 2007; Hall & Mirvis, 1995). The need for competent HR professionals with broad training in a variety of areas has never been greater.

PLAN OF THE BOOK

In Chapter 2, we explore a pivotal issue in HRM today: legal requirements for fair employment practice. In particular, we emphasize employment protections in the U.S. Constitution, civil rights laws, and relevant case law. The remainder of the book focuses in greater depth on some of the major issues in contemporary personnel psychology. Each chapter outlines the nature of the topic under consideration, surveys past practice and research findings, describes present issues and procedures, and, where relevant, indicates future trends and new directions for research.

The goal of Chapters 3 through 5 is to provide the reader with a strategy for viewing the employment-decision process and an appreciation of the issues associated with assessing its outcomes. Chapter 3 presents an integrative model in which the major areas of personnel psychology are illustrated as a network of sequential, interdependent decisions. The model then provides a structure for the rest of the book, as well as a conceptual framework from which to view the complex process of matching individuals and jobs.

In Chapter 4, we focus on one of the most persistent and critical problems in the field of talent management, that of developing and applying adequate performance criteria. A thorough understanding and appreciation of the criterion problem is essential, for it is relevant to all other areas of HRM, especially to performance management.

In Chapter 5, we examine current methods, issues, and problems associated with the performance management process, of which performance appraisal is a key component. The objective of performance management is to improve performance at the level of the individual or team every day.

The first part of the book presents fundamental concepts in applied measurement that underlie all employment decisions. Chapters 6 and 7 represent the core of personnel psychology—measurement and validation of individual differences. After comparing and contrasting physical and psychological measurement, we consider the requirements of good measurement (reliability and validity) and the practical interpretation and evaluation of measurement procedures. As a capstone to this part of the text, Chapter 8 is devoted entirely to a consideration of the issue of fairness in employment decisions. Taken together, Chapters 2 through 8 provide a sound basis for a fuller appreciation of the topics covered in the remainder of the book.

To provide a job-relevant basis for employment decisions, information on jobs, work, and workforce planning is essential. This is the purpose of Chapters 9 and 10. In Chapter 9, we examine work analysis (the study of the work to be done, the skills needed, and the training required of the individual jobholder). It is the touchstone for all employment decisions. In Chapter 10, we consider strategic workforce planning. The goal of a strategic workforce-planning system is to anticipate an organization's future staffing requirements and, based on an inventory of present employees, to establish action programs (e.g., in recruitment, training, and deployment) to prepare individuals for future jobs. The chapter emphasizes tying current strategic workforce-planning theory to practice.

Chapters 11 through 14 are concerned with staffing—specifically, recruitment and selection. In Chapter 11, we consider the theoretical and practical aspects of recruitment,

emphasizing both traditional and Internet-based strategies. Chapter 12 is the first of two chapters on selection methods. Its particular focus is on nontest techniques such as personal-history data and employment interviews. Chapter 13 is the second chapter on selection methods, with particular emphasis on managerial selection. Chapter 14 demonstrates how material from the previous three chapters can be integrated into alternative strategies for making selection decisions.

Chapters 15 and 16 focus on the design, implementation, and evaluation of training and development activities for individuals and teams. These topics have drawn special attention in HRM, especially in light of the need to develop skills continually in a dynamic business environment.

The last part of the book comprises Chapters 17 and 18. Chapter 17, “International Dimensions of Talent Management,” examines the effects of culture on many topics considered earlier in the book. Globalization implies more, not less, contact with cultures other than one’s own. Personnel psychology has much to contribute, from identifying international management potential early on to selecting, training, developing, and managing the careers of expatriates.

Finally, Chapter 18 addresses organizational responsibility and ethical issues in talent management and HRM. Responsible organizations consider the expectations of multiple stakeholders as well as the triple bottom line of economic, social, and environmental performance. As for ethical questions in talent management and HRM, there are no easy answers but public discussion of these questions is essential if genuine progress is to be made. Now that we have considered the “big picture,” let’s begin our treatment in Chapter 2 by examining the legal environment within which employment decisions are made.

EVIDENCE-BASED IMPLICATIONS FOR PRACTICE

Organizations are all around us, but how we think about them has changed dramatically over time. Consider just a few such changes:

Product and service markets are global, 24/7/365. New, Internet-based organizations are “born global,” and countries and companies in every region of the world now compete against each other for talent. The result: global labor markets.

The influence of factors such as technology, notably digitization and the Internet, has changed the work and personal lives of millions of people.

Given the massive downsizing that has occurred worldwide in the past few years, the stability and predictability of the old psychological contract have given way to uncertainty, change, and the need for self-reliance.

The ability to work in teams is more important than ever, but those teams may be spread geographically all over the world. Cultural diversity has been woven into the very fabric of workplaces everywhere, spawning the need for information sharing, tolerance, and cultural understanding in order to prosper.

Massive demographic changes are taking place as populations age in developed countries and birth rates drop. This has led to gaps between the kinds of talent needed and the kinds of talent available.

High tech will never substitute for skill in managing a workforce. Inspirational leadership will always be in demand.

Leadership in the digital age is not about control, but comfort with uncertainty.

Discussion Questions

How have globalized product and service markets affected organizations and workers?

Discuss some of the changes that have occurred in the perceptions that workers and organizations have about each other in light of the massive downsizing that has taken place during the past decade.

How does information technology change the roles of managers and workers?

Describe some potential problems and opportunities presented by the changing nature of work.

What challenges does a multigenerational workforce present to managers?

What can organizations do to support older workers?

Why is nonstandard work becoming more feasible for organizations and workers?

What are the implications of agile management?

Do you agree or disagree with the following statement? In the future, technical skills will be less defining of the successful manager than will the ability to work across cultures and to build relationships with many different constituents.

Why is employment security more important to most workers than job security?

2

THE LAW AND TALENT MANAGEMENT

LEARNING GOALS

By the end of this chapter, you will be able to do the following:

- 2.1 Describe the framework of the U.S. legal system
- 2.2 Describe alternative legal routes for complaints against an employer's employment practices
- 2.3 Explain the two major legal theories of unfair employment discrimination
- 2.4 Understand the major legal principles that define key civil rights laws
- 2.5 Identify the six exemptions to Title VII coverage
- 2.6 Define *sexual harassment* and identify preventive steps employers should take
- 2.7 Know when you can and cannot justify "English-only" rules in the workplace
- 2.8 Understand how to prevent age-discrimination claims when downsizing or terminating workers for cause

Comprehensive employment-related legislation, combined with increased motivation on the part of individuals to rectify unfair employment practices, makes the legal aspects of employment among the most dominant issues in human resource management today. All three branches of the federal government have been actively involved in ongoing efforts to guarantee equal employment opportunity (EEO) as a fundamental individual right, regardless of race, color, age, gender, religion, national origin, or disability.

All aspects of the employment relationship, including initial screening, recruitment, selection, placement, compensation, training, promotion, and performance management, have been addressed by legislative and executive pronouncements and by legal interpretations from the courts. With growing regularity, I/O psychologists and HR professionals are being called on to work with attorneys, the courts, and federal regulatory agencies. It is imperative, therefore, to understand thoroughly the rights as well as obligations of individuals and employers under the law and to ensure that these are translated into everyday practice in accordance

with legal guidelines promulgated by federal regulatory agencies. Affirmative action involves a proactive examination of whether equality of opportunity exists. If it does not, a plan is implemented for taking concrete measures to eliminate the barriers and to establish true equality (Society for Human Resource Management, 2016b). Affirmative action has become a fact of modern organizational life. To ignore it is to risk serious economic, human, and social costs.

Every public opinion poll based on representative national samples drawn between 1950 and the present shows that a majority of Americans—black, brown, and white—support EEO and reject differential treatment based on race, regardless of its alleged purposes or results. There is agreement about the ends to be achieved, but there is disagreement about the means to be used (Von Drehle, 2003). EEO has been, and is still, an emotionally charged issue. Congress has provided sound legal bases for effecting changes in EEO through sweeping civil rights legislation. Subsequently, thousands of dissatisfied groups and individuals have won substantial redress on many issues by availing themselves of their legal rights. The combination of the motivation to rectify perceived inequities and an easily available legal framework for doing so has made the legal aspects of the employment relationship a dominant issue in HRM today.

It is imperative, therefore, that I/O psychologists and HR professionals understand the rights and obligations of individuals and employers in this most delicate area. They must be able to work with attorneys (and vice versa), for neither can succeed alone. Each group has a great deal to contribute in order to identify vulnerable employment policies and practices, to make required adjustments in them, and thus to minimize the likelihood of time-consuming and expensive litigation. Let's begin, therefore, with an overview of the legal system, legal terminology, important laws and court decisions, and underlying legal and scientific issues.

THE U.S. LEGAL SYSTEM

Above the complicated network of local, state, and federal laws, the U.S. Constitution stands as the supreme law of the land. Certain powers and limitations are prescribed to the federal government by the Constitution; those powers not given to the federal government are considered to be reserved for the states. The states, in turn, have their own constitutions that are subject to, and must remain consistent with, the U.S. Constitution.

Whereas certain activities are regulated exclusively by the federal government (e.g., interstate commerce), other areas are subject to concurrent regulation by federal and state governments (e.g., equal employment opportunity). It should be emphasized, however, that in the event of a conflict between a state law and the U.S. Constitution (or the laws enacted by Congress in accordance with it), the federal requirements take precedence. Thus, any state or local law that violates the Constitution or federal law is, in effect, unconstitutional. Therefore, it is no defense to argue that one is acting according to such a state or local law.

The legislative branch of government (Congress) enacts laws, called **statutes**, which are considered primary authority. Court decisions and the decisions and guidelines of regulatory agencies are not laws, but interpretations of laws for given situations in which the law is not specific. Nevertheless, these interpretations form a complex fabric of legal opinion and precedent that must be given great deference by the public.

Let's consider the judicial system, one of the three main branches of government (along with the executive and legislative branches), more closely. The judicial power of the United States is vested "in one Supreme Court and in such inferior courts as Congress may from time to time ordain and establish" according to Article III of the Constitution. The system of "inferior" (i.e., lower) courts includes the U.S. district courts, the federal trial courts in each

state. These courts hear cases that fall under federal jurisdiction, usually either cases between citizens of different states or cases relevant to the Constitution or federal law.

Decisions of these lower federal courts may be appealed to 1 of 12 U.S. courts of appeals, corresponding to the geographic region or “circuit” in which the case arose (see Figure 2.1). In turn, these courts’ decisions may be appealed to the U.S. Supreme Court—not as a matter of right, but only when the Supreme Court feels that the case warrants a decision at the highest level. Generally, the Supreme Court will grant **certiorari** (review) when two or more circuit courts have reached different conclusions on the same point of law or when a major question of constitutional interpretation is involved. If the Supreme Court denies a petition for a **writ of certiorari**, then the lower court’s decision is binding.

The state court structure parallels the federal court structure, with state district courts at the lowest level, followed by state appellate (review) courts, and finally by a state supreme court. State supreme court decisions may be reviewed by the U.S. Supreme Court when a question of federal law is involved or when the judicial power of the United States extends as defined by the U.S. Constitution. In all other instances, the state supreme court decision is final.

EEO complaints may take any one of several alternative routes (see Figure 2.2). By far the simplest and least costly alternative is to arrive at an informal, out-of-court settlement with the employer. Often, however, the employer does not have an established mechanism for dealing with such problems. Or, if such a mechanism does exist, employees or other

FIGURE 2.1 ■ The System of Federal Appellate Courts in the United States

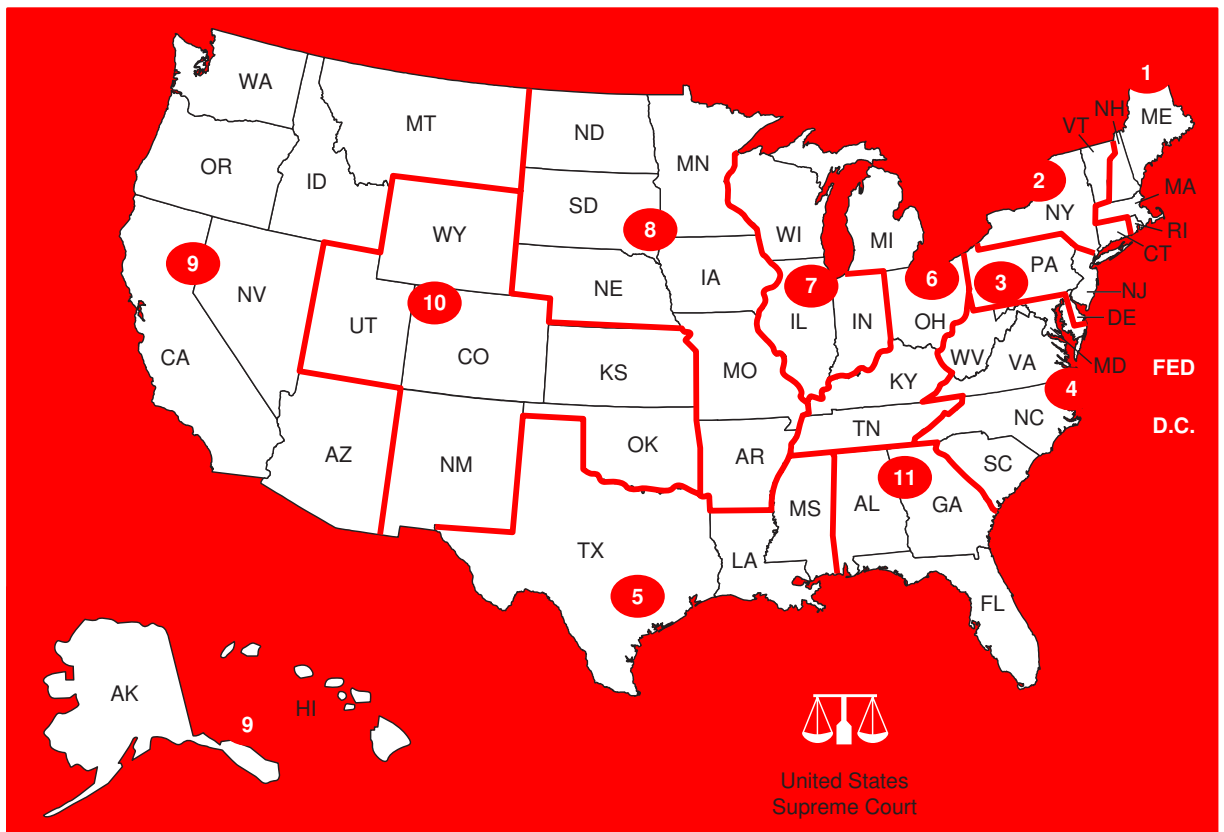
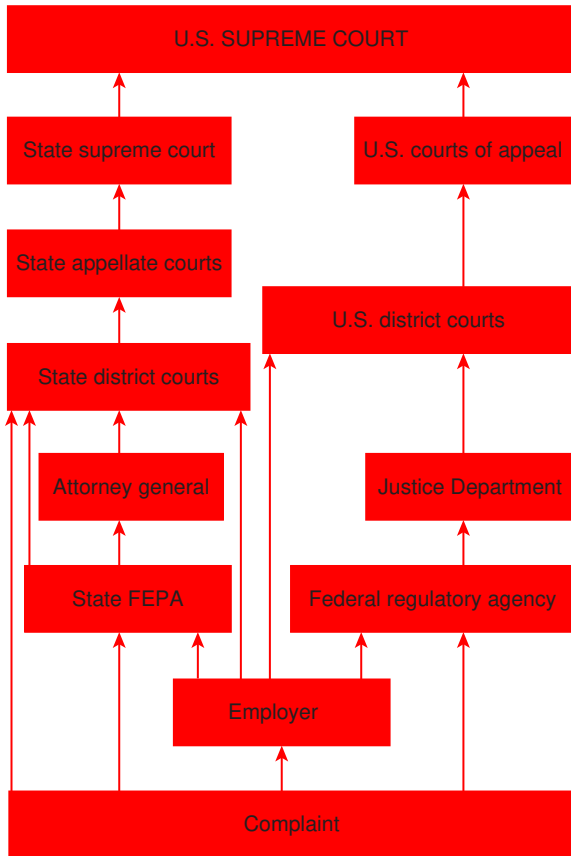


FIGURE 2.2 ■ Possible Legal Routes for Complaints Against an Employer's Employment Practices



Source: Seberhagen, L. W., McCollum, M. D., & Churchill, C. D. (1972). *Legal aspects of personnel selection in the public service*. St. Paul, MN: International Personnel Management Association.

complainants are unaware of it or are not encouraged to use it. So the complainant must choose more formal legal means, such as contacting state and local fair employment practice agencies (where they exist), federal regulatory agencies (e.g., the Equal Employment Opportunity Commission or the Office of Federal Contract Compliance Programs), or the federal and state district courts. At this stage, however, solutions become time consuming and expensive. Litigation is a luxury that few can afford. Perhaps the wisest course of action an employer can take is to establish a sound internal complaint system to deal with problems before they escalate to formal legal proceedings.

LEGAL SYSTEMS OUTSIDE THE UNITED STATES

It is beyond the scope of this chapter to examine comparative legal systems or comparative employment law. At the same time, I/O psychologists and HR professionals might find useful perspectives from 22 countries on the legal environment for staffing (Myors et al., 2008a, 2008b). Those perspectives address issues such as (a) whether racial, ethnic, or religious subgroups are viewed as “disadvantaged,” (b) whether research supports mean differences between groups on individual difference measures relevant to job performance, (c) whether there are laws prohibiting discrimination against specific groups, (d) the evidence required to make and refute a claim of discrimination, (e) the consequences of violation of the laws, (f) whether particular selection methods are limited or banned, (g) whether preferential treatment of members of disadvantaged groups is permitted, and (h) whether the practice of I/O psychology has been affected by the legal environment. Of course, it is always wise to seek professional legal advice on specific questions relevant to any given country.

UNFAIR DISCRIMINATION: WHAT IS IT?

No law has ever attempted to define precisely the term *discrimination*. However, in the employment context, it can be viewed broadly as the giving of an unfair advantage (or disadvantage) to the members of a particular group in comparison to the members of other groups. The disadvantage usually results in a denial or restriction of employment opportunities or in an inequality in the terms or benefits of employment.

Whenever there are more candidates than available positions, it is necessary to select some candidates in preference to others. Selection implies exclusion. As long as the exclusion is based on what can be demonstrated to be job-related criteria, however, that kind of discrimination is entirely proper. It is only when candidates are excluded on a prohibited basis not

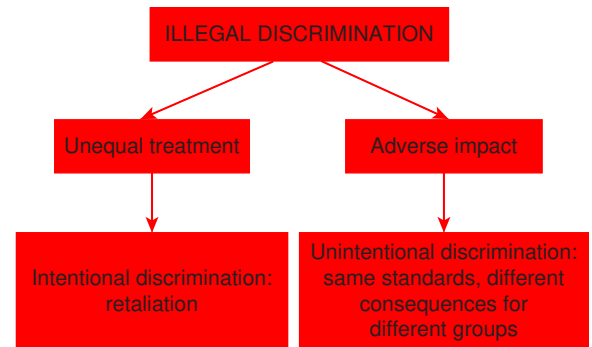
related to the job (e.g., age, race, gender, or disability) that unlawful and unfair discrimination exists. Despite federal and state laws on these issues, they represent the basis of an enormous volume of court cases, indicating that stereotypes and prejudices do not die quickly or easily. Discrimination is a subtle and complex phenomenon that may assume two broad forms (see Figure 2.3):

1. *Unequal (disparate) treatment* is based on an *intention to discriminate*, including the intention to *retaliate* against a person who opposes discrimination, who has brought charges, or who has participated in an investigation or hearing. There are three major subtheories of discrimination within the disparate treatment theory:

- (a) Cases that rely on *direct evidence* of the intention to discriminate. Such cases are proven with direct evidence of pure bias based on an open expression of hatred, disrespect, or inequality, knowingly directed against members of a particular group. For example, a blanket exclusionary policy might deliberately exclude from employment an individual whose disability (e.g., an impairment of her ability to walk) has nothing to do with the requirements of the job she is applying for (financial analyst).
- (b) Cases that are proved through *circumstantial evidence* of the intention to discriminate (see *Schwager v. Sun Oil Co. of Pa.*, 1979), including those that rely on statistical evidence as a method of circumstantially proving the intention to discriminate systematically against classes of individuals.
- (c) *Mixed-motive* cases (a hybrid theory) that often rely on both direct evidence of the intention to discriminate on some impermissible basis (e.g., gender, race, or disability) and proof that the employer's stated legitimate basis for its employment decision is just a pretext for illegal discrimination.

2. *Adverse impact (unintentional) discrimination* occurs when identical standards or procedures are applied to everyone, even though they lead to a substantial difference in employment outcomes (e.g., selection, promotion, and layoffs) for the members of a particular group *and* they are unrelated to success on a job. An example is the use of a minimum height requirement of 5 feet, 8 inches for police cadets. This requirement would have an adverse impact on Asians, Hispanics, and women. The policy is neutral on its face, but it has an adverse impact. To use it, an employer would need to show that applicants must meet the height requirement in order to be able to perform the job.

FIGURE 2.3 ■ Major Forms of Illegal Discrimination



LEGAL FRAMEWORK FOR CIVIL RIGHTS REQUIREMENTS

Employers in the public and private sectors, employment agencies, unions, and joint labor-management committees controlling apprentice programs are subject to the various nondiscrimination **laws**. Government contractors and subcontractors are subject to **executive orders**. Presidential executive orders have the force of law even though they are issued unilaterally by

the president, without congressional approval. They can be altered unilaterally as well. Many business organizations are employers as well as government contractors and, therefore, are directly subject *both* to nondiscrimination laws and to executive orders. It is beyond the scope of this chapter to analyze all the legal requirements pertaining to EEO, but HR professionals should at least understand the major legal principles as articulated in the following federal laws of broad scope:

- The U.S. Constitution—Thirteenth and Fourteenth Amendments
- Civil Rights Acts of 1866 and 1871
- Equal Pay Act of 1963
- Title VII of the Civil Rights Act of 1964 (as amended by the Equal Employment Opportunity Act of 1972)
- Age Discrimination in Employment Act of 1967 (as amended in 1986)
- Immigration Reform and Control Act of 1986
- Americans with Disabilities Act of 1990 (as amended in 2008)
- Civil Rights Act of 1991
- Family and Medical Leave Act of 1993
- Uniformed Services Employment and Reemployment Rights Act of 1994

The U.S. Constitution—Thirteenth and Fourteenth Amendments

The Thirteenth Amendment prohibits slavery and involuntary servitude. Any form of discrimination may be considered an incident of slavery or involuntary servitude, and thus liable to legal action under this amendment. The Fourteenth Amendment guarantees equal protection of the law for all citizens. Both the Thirteenth and Fourteenth Amendments granted Congress the constitutional power to enact legislation to enforce their provisions. It is from this source of constitutional power that all subsequent civil rights legislation originates.

Civil Rights Acts of 1866 and 1871

These laws were enacted based on the provisions of the Thirteenth and Fourteenth Amendments. The Civil Rights Act of 1866 grants all citizens the right to make and enforce contracts for employment, and the Civil Rights Act of 1871 grants all citizens the right to sue in federal court if they feel they have been deprived of any rights or privileges guaranteed by the Constitution and laws. It applies only to “persons within the jurisdiction of the United States” and does not extend to discriminatory conduct occurring overseas (Peikes & Mitchell, 2006).

Until recently, both of these laws were viewed narrowly as tools for Reconstruction-era racial problems. This is no longer so. In *Johnson v. Railway Express Agency* (1975), the Supreme Court held that although Section 1981 of the Civil Rights Act of 1866 on its face relates primarily to racial discrimination in the making and enforcement of contracts, it also provides a federal remedy against discrimination in private employment on the basis of race. It is a powerful remedy. The Civil Rights Act of 1991 amended the Civil Rights Act of 1866 so that workers are protected from intentional discrimination in *all* aspects of employment, not just hiring and promotion. The Civil Rights Act of 1866 allows for jury trials and for compensatory and

punitive damages¹ for victims of *intentional* racial and ethnic discrimination, and it covers both large and small employers, even those with fewer than 15 employees. The Supreme Court has ruled that employees are permitted to sue for retaliation under this law (Smith, 2008).

The 1866 law also has been used to broaden the definition of racial discrimination originally applied to blacks. In a unanimous decision, the Supreme Court ruled in 1987 that race was equated with ethnicity during the legislative debate after the Civil War, and, therefore, Arabs, Jews, and other ethnic groups thought of as “white” are not barred from suing under the 1866 law. The Court held that Congress intended to protect identifiable classes of persons who are subjected to intentional discrimination solely because of their ancestry or ethnic characteristics. Under the law, therefore, race involves more than just skin pigment (“Civil Rights Statutes Extended,” 1987).

Equal Pay for Equal Work Regardless of Sex

Equal Pay Act of 1963

This Act was passed as an amendment to the Fair Labor Standards Act (FLSA) of 1938. For those employers already subject to the FLSA, the Equal Pay Act requires that men and women working for the same establishment be paid the same rate of pay for work that is substantially equal in skill, effort, responsibility, and working conditions. Pay differentials are legal and appropriate if they are based on seniority, merit, systems that measure the quality or quantity of work, or any factor other than sex (e.g., shift differentials, completion of a job-related training program).

The Equal Employment Opportunity Commission (EEOC) administers the Equal Pay Act, the first in a series of federal civil rights laws passed during the 1960s. Wages withheld in violation of its provisions are viewed as unpaid minimum wages or unpaid overtime compensation under the FLSA. The EEOC receives about 1,000 equal-pay complaints per year, and, in 2016, it won \$8.1 million for aggrieved individuals, excluding monetary benefits obtained through litigation (EEOC, 2017d). For individual companies, the price can be quite high, because in correcting any inequity under the act, a company must ordinarily raise the lower rate. In 2011, for example, Novartis Pharmaceutical Corporation settled a sex-discrimination lawsuit for \$152.5 million (Society for Human Resource Management, 2011).

Equal Pay for Jobs of Comparable Worth

When women dominate an occupational field (such as nursing or secretarial work), the rate of pay for jobs in that field tends to be lower than the pay that men receive when they are the dominant incumbents (e.g., in construction or skilled trades). Is the market biased against jobs held mostly by women? Should jobs dominated by women and jobs dominated by men be paid equally if they are of “comparable” worth to an employer? Answering the latter question involves the knotty problem of how to make valid and accurate comparisons of the relative worth of unlike jobs. The key difference between the Equal Pay Act and the comparable-worth standard is this: The Equal Pay Act requires equal pay for men and women who do work that is *substantially equal*. Comparable worth would require equal pay for work of *equal value* to an employer (e.g., librarian and electrician).

Here is the crux of the issue: Are women underpaid for their work, or do they merely hold those jobs that are worth relatively less? Existing federal laws do not support the comparable-worth standard. However, several states and cities have enacted laws that require a comparable-worth standard for public employees (Newman, Gerhart, & Milkovich, 2016).

¹ *Punitive damages* are awarded in civil cases to punish or deter a defendant’s conduct. They are separate from *compensatory damages*, which are intended to reimburse a plaintiff for injuries or harm.

The ultimate resolution of the comparable-worth controversy remains to be seen, but there is an inescapable irony to the whole episode: The Equal Pay Act was passed for the express purpose of eliminating gender as a basis for the payment of wages. Comparable worth, by its very nature, *requires* that some jobs be labeled “male” and others “female.” In so doing, it makes gender the fundamental consideration in the payment of wages.

Is it possible that the goals of comparable worth can be accomplished through normal labor-market processes? Court decisions to date imply that pay differentials between dissimilar jobs will not be prohibited if the differences can be shown to be based on the content of the work, the value of that work to organizational objectives, and the employer’s ability to attract and retain employees in competitive external labor markets (Newman et al., 2016). In short, the appropriate response is to remove the barriers to equal pay for equal work, not to abolish supply and demand.

Equal Employment Opportunity: Title VII of the Civil Rights Act of 1964

The Civil Rights Act of 1964 is divided into several sections or titles, each dealing with a particular facet of discrimination (e.g., voting rights, public accommodations, and public education). For our purposes, Title VII is particularly relevant.

Title VII (as amended by the Equal Employment Opportunity Act of 1972) has been the principal body of federal legislation in the area of fair employment. It established the Equal Employment Opportunity Commission to ensure compliance with the law by employers, employment agencies, and labor organizations. We will consider the organization and operation of the EEOC in greater detail in a later section.

Nondiscrimination on the Basis of Race, Color, Religion, Sex, or National Origin

Employers are bound by the provisions of Section 703(a) of Title VII as amended, which states:

It shall be an unlawful employment practice for an employer—(1) to fail or to refuse to hire or to discharge any individual or otherwise to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual’s race, color, religion, sex, or national origin; or (2) to limit, segregate, or classify his employees or applicants for employment in any way which would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his status as an employee, because of such individual’s race, color, religion, sex, or national origin.

Note that race and color are not synonymous. Under federal law discriminating against people because of the shade of their skin—so-called intra-race or appearance discrimination—is distinct from, but just as illegal as, racial discrimination. For example, whites can be guilty of color discrimination, but not racial discrimination, if they favor hiring light-skinned over dark-skinned blacks. This issue is growing in importance as the sheer number of racial blends increases (EEOC, 2017e).

Retaliation, and Employment Advertising

Title VII, Section 704(a), prohibits discrimination against an employee or applicant because he or she has opposed an unlawful employment practice or made a charge, testified, assisted, or participated in a Title VII investigation, proceeding, or hearing. This is retaliation. As defined by the EEOC in 2016: Federal EEO laws prohibit employers, employment agencies,