Chapter 1

The Role of Human Resources

Human Resource Management Day to Day

You have just been hired to work in the human resource department of a small company. You heard about the job through a conference you attended, put on by the Society for Human Resource Management (SHRM). Previously, the owner of the company, Jennifer, had been doing everything related to human resource management (HRM). You can tell she is a bit critical about paying a good salary for something she was able to juggle all on her own. On your first day, you meet the ten employees and spend several hours with the company owner, hoping to get a handle on which human resource processes are already set up.

Shortly after the meeting begins, you see she has a completely different perspective of what HRM is, and you realize it will be your job to educate her on the value of a human resource manager. You look at it as a personal challenge—both to educate her and also to show her the value of this role in the organization.

First, you tell her that HRM is a strategic process having to do with the staffing, compensation, retention, training, and employment law and policies side of the business. In other words, your job as human resources (HR) manager will be not only to write policy and procedures and to hire people (the administrative role) but also to use strategic plans to ensure the right people are hired and trained for the right job at the right time. For example, you ask her if she knows what the revenue will be in six months, and Jennifer answers, "Of course. We expect it to increase by 20 percent." You ask, "Have you thought about how many people you will need due to this increase?" Jennifer looks a bit sheepish and says, "No, I guess I haven't gotten that far." Then you ask her about the training programs the company offers, the software used to allow employees to access pay information online, and the compensation policies. She responds, "It looks like we have some work to do. I didn't know that human resources involved all of that." You smile at her and start discussing some of the specifics of the business, so you can get started right away writing the strategic human resource management plan.

The Role of Human Resources

(click to see video)

The author introduces the chapter defining the role of human resource management.

1.1 What Is Human Resources?

> ### LEARNING OBJECTIVES
>
> 1. Explain the role of HRM in organizations.
> 2. Define and discuss some of the major HRM activities.

Every organization, large or small, uses a variety of **capital**[1] to make the business work. Capital includes cash, valuables, or goods used to generate income for a business. For example, a retail store uses registers and inventory, while a consulting firm may have proprietary software or buildings. No matter the industry, all companies have one thing in common: they must have people to make their capital work for them. This will be our focus throughout the text: generation of revenue through the use of people's skills and abilities.

What Is HRM?

Human resource management (HRM)[2] is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. As a field, HRM has undergone many changes over the last twenty years, giving it an even more important role in today's organizations. In the past, HRM meant processing payroll, sending birthday gifts to employees, arranging company outings, and making sure forms were filled out correctly—in other words, more of an administrative role rather than a strategic role crucial to the success of the organization. Jack Welch, former CEO of General Electric and management guru, sums up the new role of HRM: "Get out of the parties and birthdays and enrollment forms.... Remember, HR is important in good times, HR is defined in hard times."Kristen B. Frasch, David Shadovitz, and Jared Shelly, "There's No Whining in HR," *Human Resource Executive Online*, June 30, 2009, accessed September 24, 2010, http://www.hreonline.com/HRE/story.jsp?storyId=227738167.

It's necessary to point out here, at the very beginning of this text, that every manager has some role relating to human resource management. Just because we do not have the title of HR manager doesn't mean we won't perform all or at least some of the HRM tasks. For example, most managers deal with compensation, motivation, and retention of employees—making these aspects not only part of HRM but also part of management. As a result, this book is equally important to

1. Capital includes cash, valuables, or goods used to generate income for a business.

2. The process of employing people, training them, compensating them, developing policies relating to the workplace, and developing strategies to retain employees.

someone who wants to be an HR manager and to someone who will manage a business.

> ## Human Resource Recall
>
> Have you ever had to work with a human resource department at your job? What was the interaction like? What was the department's role in that specific organization?

The Role of HRM

Keep in mind that many functions of HRM are also tasks other department managers perform, which is what makes this information important, despite the career path taken. Most experts agree on seven main roles that HRM plays in organizations. These are described in the following sections.

Staffing

You need people to perform tasks and get work done in the organization. Even with the most sophisticated machines, humans are still needed. Because of this, one of the major tasks in HRM is staffing. **Staffing**[3] involves the entire hiring process from posting a job to negotiating a salary package. Within the staffing function, there are four main steps:

1. **Development of a staffing plan.** This plan allows HRM to see how many people they should hire based on revenue expectations.
2. **Development of policies to encourage multiculturalism at work.** Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.
3. **Recruitment.** This involves finding people to fill the open positions.
4. **Selection.** In this stage, people will be interviewed and selected, and a proper compensation package will be negotiated. This step is followed by training, retention, and motivation.

3. The entire hiring process from the first step of posting a job to the actual hiring of an employee.

Development of Workplace Policies

Every organization has policies to ensure fairness and continuity within the organization. One of the jobs of HRM is to develop the verbiage surrounding these policies. In the development of policies, HRM, management, and executives are involved in the process. For example, the HRM professional will likely recognize the need for a policy or a change of policy, seek opinions on the policy, write the policy, and then communicate that policy to employees. It is key to note here that HR departments do not and cannot work alone. Everything they do needs to involve all other departments in the organization. Some examples of workplace policies might be the following:

- Discipline process policy
- Vacation time policy
- Dress code
- Ethics policy
- Internet usage policy

These topics are addressed further in Chapter 6 "Compensation and Benefits", Chapter 7 "Retention and Motivation", Chapter 8 "Training and Development", and Chapter 9 "Successful Employee Communication".

Compensation and Benefits Administration

HRM professionals need to determine that compensation is fair, meets industry standards, and is high enough to entice people to work for the organization. **Compensation**[4] includes anything the employee receives for his or her work. In addition, HRM professionals need to make sure the pay is comparable to what other people performing similar jobs are being paid. This involves setting up pay systems that take into consideration the number of years with the organization, years of experience, education, and similar aspects. Examples of employee compensation include the following:

- Pay
- Health benefits
- 401(k) (retirement plans)
- Stock purchase plans
- Vacation time
- Sick leave
- Bonuses
- Tuition reimbursement

4. Anything the employee receives for his or her work. It can include pay, benefits, vacation time, and sick leave.

Since this is not an exhaustive list, compensation is discussed further in <u>Chapter 6 "Compensation and Benefits"</u>.

Retention

Retention[5] involves keeping and motivating employees to stay with the organization. Compensation is a major factor in employee retention, but there are other factors as well. Ninety percent of employees leave a company for the following reasons:

1. Issues around the job they are performing
2. Challenges with their manager
3. Poor fit with organizational culture
4. Poor workplace environment

Despite this, 90 percent of managers think employees leave as a result of pay.Leigh Rivenbark, "The 7 Hidden Reasons Why Employees Leave," *HR Magazine,* May 2005, accessed October 10, 2010, <u>http://findarticles.com/p/articles/mi_m3495/is_5_50/ai_n13721406</u>. As a result, managers often try to change their compensation packages to keep people from leaving, when compensation isn't the reason they are leaving at all. <u>Chapter 7 "Retention and Motivation"</u> and <u>Chapter 11 "Employee Assessment"</u> discuss some strategies to retain the best employees based on these four factors.

Training and Development

Once we have spent the time to hire new employees, we want to make sure they not only are trained to do the job but also continue to grow and develop new skills in their job. This results in higher productivity for the organization. Training is also a key component in employee motivation. Employees who feel they are developing their skills tend to be happier in their jobs, which results in increased employee retention. Examples of training programs might include the following:

- Job skills training, such as how to run a particular computer program
- Training on communication
- Team-building activities
- Policy and legal training, such as sexual harassment training and ethics training

5. The process and strategies of keeping and motivating employees to stay with the organization.

We address each of these types of training and more in detail in <u>Chapter 8 "Training and Development"</u>.

Dealing with Laws Affecting Employment

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these laws:

- Discrimination laws
- Health-care requirements
- Compensation requirements such as the minimum wage
- Worker safety laws
- Labor laws

The legal environment of HRM is always changing, so HRM must always be aware of changes taking place and then communicate those changes to the entire management organization. Rather than presenting a chapter focused on HRM laws, we will address these laws in each relevant chapter.

Worker Protection

Safety is a major consideration in all organizations. Oftentimes new laws are created with the goal of setting federal or state standards to ensure worker safety. Unions and union contracts can also impact the requirements for worker safety in a workplace. It is up to the human resource manager to be aware of worker protection requirements and ensure the workplace is meeting both federal and union standards. Worker protection issues might include the following:

- Chemical hazards
- Heating and ventilation requirements
- Use of "no fragrance" zones
- Protection of private employee information

We take a closer look at these issues in Chapter 12 "Working with Labor Unions" and Chapter 13 "Safety and Health at Work".

Communication

Besides these major roles, good communication skills and excellent management skills are key to successful human resource management as well as general management. We discuss these issues in Chapter 9 "Successful Employee Communication".

Awareness of External Factors

In addition to managing internal factors, the HR manager needs to consider the outside forces at play that may affect the organization. Outside forces, or **external factors**[6], are those things the company has no direct control over; however, they may be things that could positively or negatively impact human resources. External factors might include the following:

Figure 1.1

Knowing the law regarding worker protection is generally the job of human resources. In some industries it is extremely important; in fact, it can mean life or death.

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1. Globalization and offshoring
2. Changes to employment law
3. Health-care costs
4. Employee expectations
5. Diversity of the workforce
6. Changing demographics of the workforce
7. A more highly educated workforce
8. Layoffs and downsizing
9. Technology used, such as HR databases
10. Increased use of social networking to distribute information to employees

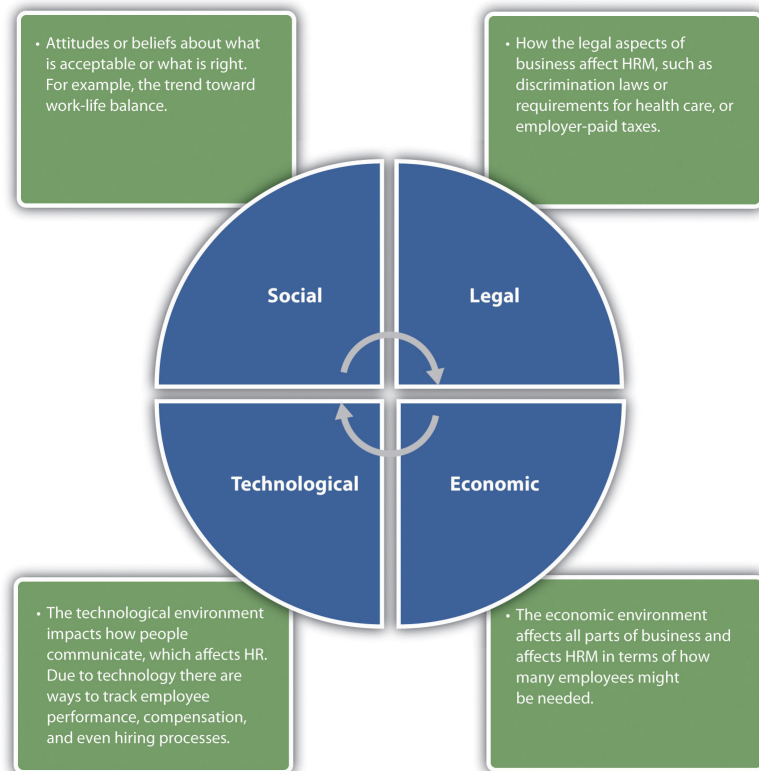6. Anything the company has no direct control over; it could positively or negatively impact human resources.

7. A policy that allows employees to set their own schedules to work around family and personal needs.

8. Allows employees to work from home or a remote location for a specified period of time, such as one day per week.

For example, the recent trend in **flexible work schedules**[7] (allowing employees to set their own schedules) and **telecommuting**[8] (allowing employees to work from home or a remote location for a specified period of time, such as one day per week) are external factors that have affected HR. HRM has to be aware of these outside issues, so they can develop policies that meet not only the needs of the company but also the needs of the individuals. Another example is the Patient Protection and Affordable Care Act, signed into law in 2010. Compliance with this bill has huge implications for HR. For example, a company with more than fifty employees must provide health-care coverage or pay a penalty. Currently, it is estimated that 60 percent of employers offer health-care insurance to their employees.Peter Cappelli, "HR Implications of Healthcare Reform," *Human Resource Executive Online,* March 29, 2010, accessed August 18, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=379096509. Because health-care insurance will be mandatory, cost

concerns as well as using health benefits as a recruitment strategy are big external challenges. Any manager operating without considering outside forces will likely alienate employees, resulting in unmotivated, unhappy workers. Not understanding the external factors can also mean breaking the law, which has a concerning set of implications as well.

Figure 1.2

- Attitudes or beliefs about what is acceptable or what is right. For example, the trend toward work-life balance.
- How the legal aspects of business affect HRM, such as discrimination laws or requirements for health care, or employer-paid taxes.
- The technological environment impacts how people communicate, which affects HR. Due to technology there are ways to track employee performance, compensation, and even hiring processes.
- The economic environment affects all parts of business and affects HRM in terms of how many employees might be needed.

Social — Legal — Technological — Economic

An understanding of key external factors is important to the successful HR professional. This allows him or her to be able to make strategic decisions based on changes in the external environment. To develop this understanding, reading various publications is necessary.

One way managers can be aware of the outside forces is to attend conferences and read various articles on the web. For example, the website of the Society for Human Resource Management, SHRM Online,Society for Human Resource Management, accessed August 18, 2011, http://www.shrm.org/Pages/default.aspx. not only has job postings in the field but discusses many contemporary human resource issues that may help the manager make better decisions when it comes to people management. In Section 1.3 "Today's HRM Challenges", we go into more depth about some recent external issues that are affecting human resource management

roles. In <u>Section 1.1.2 "The Role of HRM"</u>, we discuss some of the skills needed to be successful in HRM.

Figure 1.3

Most professionals agree that there are seven main tasks HRM professionals perform. All these need to be considered in relation to external and outside forces.

KEY TAKEAWAYS

- *Capital* includes all resources a company uses to generate revenue. Human resources or the people working in the organization are the most important resource.
- *Human resource management* is the process of employing people, training them, compensating them, developing policies relating to the workplace, and developing strategies to retain employees.
- There are seven main responsibilities of HRM managers: staffing, setting policies, *compensation* and benefits, *retention*, training, employment laws, and worker protection. In this book, each of these major areas will be included in a chapter or two.
- In addition to being concerned with the seven internal aspects, HRM managers must keep up to date with changes in the *external environment* that may impact their employees. The trends toward *flexible schedules* and *telecommuting* are examples of external aspects.
- To effectively understand how the external forces might affect human resources, it is important for the HR manager to read the HR literature, attend conferences, and utilize other ways to stay up to date with new laws, trends, and policies.

EXERCISES

1. State arguments for and against the following statement: there are other things more valuable in an organization besides the people who work there.
2. Of the seven tasks an HR manager does, which do you think is the most challenging? Why?

1.2 Skills Needed for HRM

> ### LEARNING OBJECTIVES
>
> 1. Explain the professional and personal skills needed to be successful in HRM.
>
> 2. Be able to define human resource management and the certifications that can be achieved in this profession.

One of the major factors of a successful manager or human resource (HR) manager is an array of skills to deal with a variety of situations. It simply isn't enough to have knowledge of HR, such as knowing which forms need to be filled out. It takes multiple skills to create and manage people, as well as a cutting-edge human resource department.

The first skill needed is organization. The need for this skill makes sense, given that you are managing people's pay, benefits, and careers. Having organized files on your computer and good time-management skills are crucial for success in any job, but especially if you take on a role in human resources.

Like most jobs, being able to **multitask**[9]—that is, work on more than one task at a time—is important in managing human resources. A typical person managing human resources may have to deal with an employee issue one minute, then switch and deal with recruiting. Unlike many management positions, which only focus on one task or one part of the business, human resources focuses on all areas of the business, where multitasking is a must.

As trite as it may sound, people skills are necessary in any type of management and perhaps might be the most important skills for achieving success at any job. Being able to manage a variety of personalities, deal with conflict, and coach others are all in the realm of people management. The ability to communicate goes along with people skills. The ability to communicate good news (hiring a new employee), bad news (layoffs), and everything in between, such as changes to policy, makes for an excellent manager and human resource management (HRM) professional.

9. The ability to work on more than one task at a time.

Keys to a successful career in HRM or management include understanding specific job areas, such as managing the employee database, understanding employment

laws, and knowing how to write and develop a strategic plan that aligns with the business. All these skills will be discussed in this book.

A strategic mind-set as an HR professional is a key skill as well. A person with a strategic mind-set can plan far in advance and look at trends that could affect the environment in which the business is operating. Too often, managers focus on their own area and not enough on the business as a whole. The strategic HR professional is able to not only work within his or her area but also understand how HR fits into the bigger picture of the business.

Ethics[10] and a sense of fairness are also necessary in human resources. Ethics is a concept that examines the moral rights and wrongs of a certain situation. Consider the fact that many HR managers negotiate salary and union contracts and manage conflict. In addition, HR managers have the task of ensuring compliance with ethics standards within the organization. Many HR managers are required to work with highly confidential information, such as salary information, so a sense of ethics when managing this information is essential. We discuss ethics from the organizational perspective in <u>Section 1.1.2 "The Role of HRM"</u>.

Dilbert and the Evil HR Director

<u>(click to see video)</u>

Ethics is perhaps one of the most important aspects to being a great HR professional. This humorous video shows how unethical behavior can undermine motivation at work.

> ### Human Resource Recall
>
> Think of your current skills. Are there personal or professional skills you would like to work on?

Finally, while we can list a few skills that are important, understanding the particular business, knowing the business strategy, and being able to think critically about how HR can align itself with the strategy are ways to ensure HR departments are critical parts of the business. HR is a specialized area, much like accounting or finance. However, many individuals are placed in HR roles without having the specific knowledge to do the job. Oftentimes people with excellent skills are promoted to management and then expected (if the company is small) to perform recruiting, hiring, and compensation tasks. This is the reason we will refer to

10. A concept that examines the moral rights and wrongs of certain situations.

management and HR management interchangeably throughout the chapters. In addition, these skills are important for HRM professionals and managers alike.

Having said that, for those of you wanting a career in HRM, there are three exams you can take to show your mastery of HRM material:

1. **Professional in Human Resources (PHR).** To take this exam, an HR professional must have at least two years' experience. The exam is four hours long and consists of 225 multiple-choice questions in a variety of areas. Twelve percent of the test focuses on strategic management, 26 percent on workforce planning, 17 percent on human resource development, 16 percent on rewards, 22 percent on employee and labor relations, and 7 percent on risk management. The application process for taking the exam is given on the Human Resource Certification Institute website at http://www.hrci.org.
2. **Senior Professional in Human Resources (SPHR).** This exam is designed for HR professionals who focus on designing and planning, rather than actual implementation. It is recommended that the person taking this exam has six to eight years of experience and oversees and manages an HR department. In this test, the greater focus is on the strategic aspect of HRM.
3. **Global Professional in Human Resources (GPHR).** This exam is for HR professionals who perform many of their tasks on a global level and whose companies often work across borders. This exam is three hours long, with 165 multiple-choice questions. A person with two years of professional experience can take the certification test. However, because the test has the international aspect, someone who designs HR-related programs and processes to achieve business goals would be best suited to earn this certification.

The benefits of achieving certifications are great. In addition to demonstrating the abilities of the HR professional, certification allows the professional to be more marketable in a very competitive field.

Most companies need a human resource department or a manager with HR skills. The industries and job titles are so varied that it is possible only to list general job titles in human resources:

Figure 1.4

Perhaps one of the most important skills in any kind of management is the ability to communicate.

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1. Recruiter
2. Compensation analyst
3. Human resources assistant
4. Employee relations manager
5. Benefits manager
6. Work-life coordinator
7. Training and development manager
8. Human resources manager
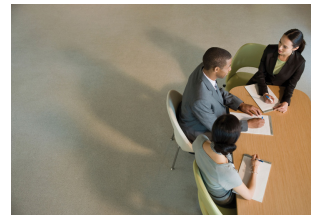9. Vice president for human resources

This is not an exhaustive list, but it can be a starting point for research on this career path.

People Skills in HR

[(click to see video)](#)

This chapter makes the point that communication and people skills, or "soft skills," are necessary to be successful in any job. This video addresses the importance of these skills.

KEY TAKEAWAYS

- There are a number of skills crucial to human resource management. First, being able to organize and *multitask* is necessary. In this job, files must be managed, and an HR manager is constantly working in different areas of the business.
- Communication skills are necessary in HRM as well. The ability to present good and bad news, work with a variety of personalities, and coach employees is important in HRM.
- Specific job skills, such as computer skills, knowledge of employment law, writing and developing strategic plans, and general critical-thinking skills are important in any type of management, but especially in human resource management.
- A sense of fairness and strong *ethics* will make for the best HR manager. Because HR works with a variety of departments to manage conflict and negotiate union contracts and salary, the HR professional needs *ethics* skills and the ability to maintain confidentiality.
- Since one of the major responsibilities of an HR department is to align the HR strategic plan with the business strategic plan, critical and creative thinking, as well as writing, are skills that will benefit the HR manager as well.
- Many people find themselves in the role of HR manager, so we will use the term *HR manager* throughout this book. However, many other types of managers also perform the tasks of recruiting, selecting, and compensating, making this book and the skills listed in this section applicable to all majors.
- Certification exams can be taken to make you more marketable in the field of HRM. These certifications are offered by the HR Certification Institute (HRCI).

EXERCISE

1. What are your perceptions of what an HR manager does on a day-to-day basis? Research this job title and describe your findings. Is this the type of job you expected?

1.3 Today's HRM Challenges

All departments within an organization must prove their value and contributions to the overall business strategy, and the same is true with HRM. As companies are becoming more concerned with cutting costs, HRM departments must show the value they add to the organization through alignment with business objectives. Being able to add value starts with understanding some of the challenges of businesses and finding ways to reduce a negative impact on the business. This section will discuss some of the HRM challenges, and the rest of this text will dive into greater detail about how to manage these challenges.

Containing Costs

If you were to ask most business owners what their biggest challenges are, they will likely tell you that cost management is a major factor to the success or failure of their business. In most businesses today, the people part of the business is the most likely place for cuts when the economy isn't doing well.

Consider the expenses that involve the people part of any business:

1. Health-care benefits
2. Training costs
3. Hiring process costs
4. And many more…

These costs cut into the bottom line of any business. The trick is to figure out how much, how many, or how often benefits should be offered, without sacrificing employee motivation. A company can cut costs by not offering benefits or 401(k) plans, but if its goal is to hire the best people, a hiring package without these items will most certainly not get the best people. Containment of costs, therefore, is a balancing act. An HR manager must offer as much as he or she can to attract and retain employees, but not offer too much, as this can put pressure on the company's bottom line. We will discuss ways to alleviate this concern throughout this book.

For example, there are three ways to cut costs associated with health care:

1. Shift more of the cost of health care to employees
2. Reduce the benefits offered to cut costs
3. Change or better negotiate the plan to reduce health-care costs

Health care costs companies approximately $4,003 per year for a single employee and $9,764 for families. This equals roughly 83 percent and 73 percent of total health-care costs for single employees and employees with families,"Use Three Strategies to Cut Health Care Costs," *Business Management Daily*, September 9, 2010, accessed October 10, 2010, http://www.businessmanagementdaily.com/articles/ 23381/1/Use-3-strategies-to-cut-health-care-costs/Page1.html. respectively. One possible strategy for containment for health-care plans is to implement a cafeteria plan. **Cafeteria plans**[11] started becoming popular in the 1980s and have become standard in many organizations.Mary Allen, "Benefits, Buffet Style—Flexible Plans," *Nation's Business,* January 1997, accessed October 1, 2010, http://findarticles.com/p/ articles/mi_m1154/is_v75/ai_4587731. This type of plan gives all employees a minimum level of benefits and a set amount to spend on flexible benefits, such as additional health care or vacation time. It creates more flexible benefits, allowing the employee, based on his or her family situation, to choose which benefits are right for them. For example, a mother of two may choose to spend her flexible benefits on health care for her children, while a single, childless female may opt for more vacation days. In other words, these plans offer flexibility, while saving money, too. Cost containment strategies around benefits will be discussed in Chapter 6 "Compensation and Benefits".

Another way to contain costs is by offering training. While this may seem counterintuitive, as training does cost money up front, it can actually save money in the long run. Consider how expensive a sexual harassment lawsuit or wrongful termination lawsuit might be. For example, a Sonic Drive-In was investigated by the Equal Opportunity Employment Commission (EEOC) on behalf of seventy women who worked there, and it was found that a manager at one of the stores subjected the victims to inappropriate touching and comments. This lawsuit cost the organization $2 million."LL Sonic Settles EEOC Lawsuit for $2 Million," *Valencia County News Bulletin*, June 23, 2011. Some simple training up front (costing less than the lawsuit) likely would have prevented this from happening. Training employees and management on how to work within the law, thereby reducing legal exposure, is a great way for HR to cut costs for the organization as a whole. In Chapter 8 "Training and Development", we will further discuss how to organize, set up, and measure the success of a training program.

11. A type of benefits plan that gives all employees a minimum level of benefits and a set amount the employee can spend on flexible benefits, such as additional health care or vacation time.

The hiring process and the cost of **turnover**[12] in an organization can be very expensive. Turnover refers to the number of employees who leave a company in a particular period of time. By creating a recruiting and selection process with cost containment in mind, HR can contribute directly to cost-containment strategies company wide. In fact, the cost of hiring an employee or replacing an old one (turnover) can be as high as $9,777 for a position that pays $60,000.James Del Monte, "Cost of Hiring and Turnover," JDA Professional Services, Inc., 2010, accessed October 1, 2010, http://www.jdapsi.com/Client/articles/coh. By hiring smart the first time, HR managers can contain costs for their organization. This will be discussed in Chapter 4 "Recruitment" and Chapter 5 "Selection". Reducing turnover includes employee motivational strategies. This will be addressed in Chapter 7 "Retention and Motivation".

In a survey reported on by the *Sales and Marketing Management* newsletter,"The Cost of Poor Communications," *Sales and Marketing*, December 22, 2006, accessed October 1, 2010, http://www.allbusiness.com/marketing-advertising/4278862-1.html. 85 percent of managers say that ineffective communication is the cause of lost revenue. E-mail, instant messaging, text messages, and meetings are all examples of communication in business. An understanding of communication styles, personality styles, and channels of communication can help us be more effective in our communications, resulting in cost containment. In HRM, we can help ensure our people have the tools to communicate better, and contain costs and save dollars in doing so. Some of these tools for better communication will be addressed in Chapter 9 "Successful Employee Communication".

One cost-containment strategy for US businesses has been offshoring. **Offshoring**[13] refers to the movement of jobs overseas to contain costs. It is estimated that 3.3 million US jobs will be moved overseas by 2015.Vivek Agrawal and Diana Farrell, "Who Wins in Offshoring?" in "Global Directions," special issue, *McKinsey Quarterly*, (2003): 36–41, https://www.mckinseyquarterly.com/Who_wins_in_offshoring_1363. According to the US Census Bureau, most of these jobs are Information Technology (IT) jobs as well as manufacturing jobs. This issue is unique to HR, as the responsibility for developing training for new workers and laying off domestic workers will often fall under the realm of HRM. Offshoring will be discussed in Chapter 14 "International HRM", and training for new workers will be discussed in Chapter 8 "Training and Development".

12. Replacement of employees who are fired or quit. The term is normally expressed as a percentage: the ratio of the number of workers who had to be replaced in a given period to the average number of workers at the organization.

13. Moving jobs overseas to contain costs.

Of course, cost containment isn't only up to HRM and managers, but as organizations look at various ways to contain costs, human resources can certainly provide solutions.
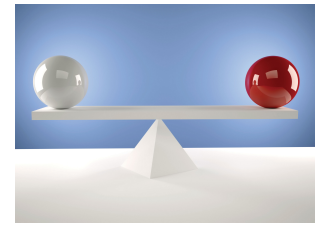
Technology

Technology has greatly impacted human resources and will continue to do so as new technology is developed. Through use of technology, many companies have virtual workforces that perform tasks from nearly all corners of the world. When employees are not located just down the hall, management of these human resources creates some unique challenges. For example, technology creates an even greater need to have multicultural or diversity understanding. Since many people will work with individuals from across the globe, cultural sensitivity and understanding is the only way to ensure the use of technology results in increased productivity rather than decreased productivity due to miscommunications. Chapter 3 "Diversity and Multiculturalism" and Chapter 14 "International HRM" will discuss some specific diversity issues surrounding a global workforce.

Technology also creates a workforce that expects to be mobile. Because of the ability to work from home or anywhere else, many employees may request and even demand a flexible schedule to meet their own family and personal needs. Productivity can be a concern for all managers in the area of flextime, and another challenge is the fairness to other workers when one person is offered a flexible schedule. Chapter 6 "Compensation and Benefits" and Chapter 7 "Retention and Motivation" will discuss flextime as a way to reward employees. Many companies, however, are going a step further and creating **virtual organizations**[14], which don't have a physical location (cost containment) and allow all employees to work from home or the location of their choice. As you can imagine, this creates concerns over productivity and communication within the organization.

The use of smartphones and social networking has impacted human resources, as many companies now disseminate information to employees via these methods. Of course, technology changes constantly, so the methods used today will likely be different one year or even six months from now.

Figure 1.5

One of the biggest contemporary challenges in HRM is figuring out the balance between what benefits to offer versus the impact those benefits have on employee motivation.

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14. An organization that does not have a physical office; rather, employees use technology and do their job from home or the location of their choice.

The large variety of databases available to perform HR tasks is mind boggling. For example, databases are used to track employee data, compensation, and training. There are also databases available to track the recruiting and hiring processes. We will discuss more about technology in HR in Chapter 4 "Recruitment" through Chapter 8 "Training and Development".

Of course, the major challenge with technology is its constantly changing nature, which can impact all practices in HRM.

How Would You Handle This?

Too Many Friends

You are the HR manager for a small company, consisting of twenty-three people plus the two owners, Steve and Corey. Every time you go into Steve's office, you see he is on Facebook. Because he is Facebook friends with several people in the organization, you have also heard he constantly updates his status and uploads pictures during work time. Then, at meetings, Steve will ask employees if they saw the pictures he recently uploaded from his vacation, weekend, or backpacking trip. One employee, Sam, comes to you with a concern about this. "I am just trying to do my job, but I feel if I don't look at his photos, he may not think I am a good employee," she says. How would you handle this?

How Would You Handle This?

https://api.wistia.com/v1/medias/1371241/embed

The author discusses the How Would You Handle This situation in this chapter at: https://api.wistia.com/v1/medias/1371241/embed.

Cyberloafing[15], a term used to describe lost productivity as a result of an employee using a work computer for personal reasons, is another concern created by technology. One study performed by Nucleus Research found that the average worker uses Facebook for fifteen minutes per day, which results in an average loss of 1.5 percent of productivity."Facebook Use Cuts Productivity at Work," *Economic Times*, July 25, 2009, accessed October 4, 2010, http://economictimes.indiatimes.com/tech/internet/Facebook-use-cuts-productivity-at-work-Study/articleshow/4818848.cms. Some workers, in fact, use Facebook over two hours per day during working hours. Restricting or blocking access to the Internet, however, can result in angry employees and impact motivation at work. Motivational factors will be discussed in Chapter 7 "Retention and Motivation".

15. Using a work computer for personal reasons, resulting in lost productivity.

Technology can create additional stress for workers. Increased job demands, constant change, constant e-mailing and texting, and the physical aspects of sitting

in front of a computer can be not only stressful but also physically harmful to employees. Chapter 13 "Safety and Health at Work" will deal with some of these stress issues, as well as safety issues such as carpal tunnel, which can occur as a result of technology in the workplace. More on health and safety will be covered in Chapter 10 "Managing Employee Performance".

The Economy

Tough economic times in a country usually results in tough times for business, too. High unemployment and layoffs are clearly HRM and managerial issues. If a human resource manager works for a unionized company, union contracts are the guiding source when having to downsize owing to a tough economy. We will discuss union contracts in greater detail in Chapter 12 "Working with Labor Unions". Besides union restrictions, legal restrictions on who is let go and the process followed to let someone go should be on the forefront of any manager's mind when he or she is required to lay off people because of a poor economy. Dealing with performance issues and measuring performance can be considerations when it is necessary to lay off employees. These issues will be discussed in Chapter 10 "Managing Employee Performance" and Chapter 11 "Employee Assessment".

Likewise, in a growth economy, the HR manager may experience a different kind of stress. Massive hiring to meet demand might occur if the economy is doing well. For example, McDonald's restaurants had to fill six hundred positions throughout Las Vegas and held hiring day events in 2010."McDonald's Readies for Massive Hiring Spree," Fox 5 News, Las Vegas, May 2010, accessed October 5, 2010, http://www.fox5vegas.com/news/23661640/detail.html (site discontinued). Imagine the process of hiring this many people in a short period of time The same recruiting and selection processes used under normal circumstances will be helpful in mass hiring situations. Recruiting and selection will be discussed in Chapter 4 "Recruitment" and Chapter 5 "Selection".

The Changing and Diverse Workforce

Human resources should be aware that the workforce is constantly changing. For example, in the 2010 census, the national population was 308,745,538, with 99,531,000 in 2010 working full time, down from 2008 when 106,648,000 were working full time.Bureau of Labor Statistics, *Current Population Survey Report*, accessed July 7, 2011, http://www.bls.gov/cps/earnings.htm#education. For full-time workers, the average weekly salary was higher the more educated the worker. See Figure 1.6 for details.

Figure 1.6
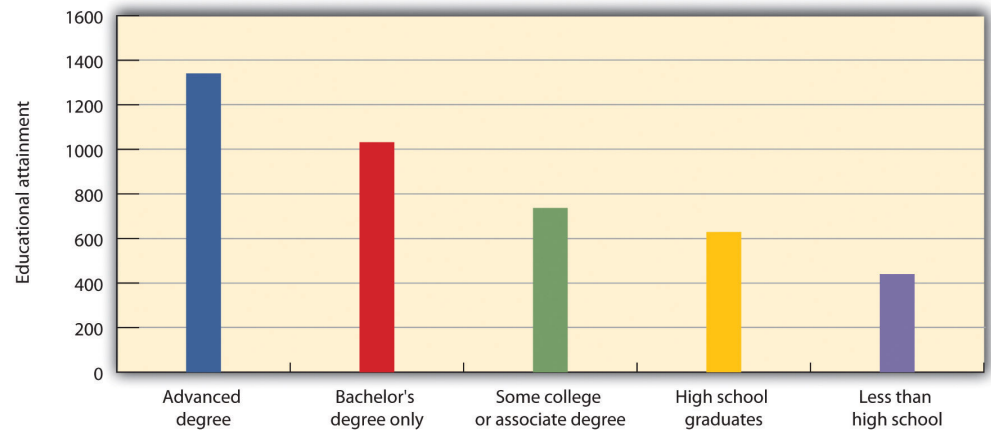
The average weekly earnings for workers in the United States increase with more education.

Source: Data from US Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers," Table 5, Economic News Release, July 20, 2010, accessed August 19, 2011, http://www.bls.gov/opub/ted/2010/ ted_20100726_data.htm.

Fortune 500 Focus

Multigenerational is here to stay, and Xerox is the leader in recruiting of Generation Y talent. This age group has been moving into the labor market over the last six years, and this major demographic change, along with the retirement of baby boomers, has many companies thinking. *Fortune* 500 companies know they must find out where their new stars are coming from. In recruiting this new talent, Xerox isn't looking to old methods, because they know each generation is different. For example, Xerox developed the "Express Yourself" recruiting campaign, which is geared around a core value of this generation, to develop solutions and change. Joe Hammill, the director of talent acquisition, says, "Gen Y is very important. Xerox and other companies view this emerging workforce as the future of our organization."Stephanie Armour, "Generation Y: They've Arrived at Work with a New Attitude," *USA Today,* November 6, 2005. Besides the new recruiting campaign, recruiters are working at what they term "core colleges"—that is, those that produce the kind of talent they need. For example, they developed recruitment campaigns with specific institutions such as the Rochester Institute of Technology because of its strong engineering and printing science programs. On their company website, they have a specific tab for the recent college graduate, emphasizing core values of this generation, including the ability to contribute, support, and build skills. With its understanding of multicultural generations, Xerox has created a talent pool for years to come.

It is expected that over the next ten years, over 40 percent of the workforce will retire, and there will not be enough younger workers to take the jobs once held by the retiring workforce.Alvaro Fernandez, "Training the Aging Workforce," *SharpBrains*, August 10, 2007, accessed October 6, 2010, http://www.sharpbrains.com/blog/2007/08/10/training-the-aging-workforce-and-their-brains. In fact, the American Society of Training and Development says that in the next twenty years, seventy-six million Americans will retire, and only forty-six million will replace them. As you can imagine, this will create a unique staffing obstacle for human resources and managers alike, as they try to find talented people in a pool that doesn't have enough people to perform necessary jobs. The reason for this increase in retirement is the aging baby boomers. **Baby boomers**[16] can be defined as those born between the years 1946 and 1964, according to the Census Bureau. They are called the baby boomers because there was a large increase of babies born after soldiers came back from World War II. Baby boomers account for seventy-six million people in the United States in 2011, the same year in which the first of the baby boomers have started to retire.

16. Defined by being born during the baby boom, which occurred after World War II during the years between 1946 and 1964.

The impact of the baby boomer generation on our country and on human resource management is huge. First, the retirement of baby boomers results in a loss of a major part of the working population, and there are not enough people to fill those jobs that are left vacant. Second, the baby boomers' knowledge is lost upon their retirement. Much of this knowledge isn't formalized or written down, but it contributes to the success of business. Third, elderly people are living longer, and this results in higher health-care costs for all currently in the workforce. It is estimated that three out of five baby boomers do not have enough money saved for retirement,Joe Weisenthal, "3 of 5 Baby Boomers Don't Have Enough for Retirement," *Business Insider Magazine*, August 16, 2010, http://www.businessinsider.com/boomers-cutting-back-2010-8. meaning that many of them will depend on Social Security payments to meet basic needs. However, since the Social Security system is a pay-as-you-go system (i.e., those paying into the system now are paying for current retirees), there may not be enough current workers to cover the current Social Security needs. In fact, in 1950 there were 16 workers to support each Social Security beneficiary, but today there are only 3.3 workers supporting each beneficiary.Brenda Wenning, "Baby Boomer Retirement May Be a Bust," *Metrowest News Daily*, March 21, 2010. The implications can mean that more will be paid by current workers to support retirees.

As a result of the aging workforce, human resources should keep abreast of changes in Social Security legislation and health-care costs, which will be discussed in Chapter 6 "Compensation and Benefits". In addition, human resource managers should review current workers' skill levels and monitor retirements and skills lost upon those retirements, which is part of strategic planning. This will be discussed in Chapter 2 "Developing and Implementing Strategic HRM Plans". Having knowledge about current workers and skills, as well as predicting future workforce needs, will be necessary to deal with the challenges of an aging workforce.

Figure 1.7

Developing an HR strategy around retirement of workers is a

key factor in working with a multigenerational workforce. In addition, HR must understand the various psychologies of varying ages of workers and develop benefits and compensation that meet the needs of all generations.

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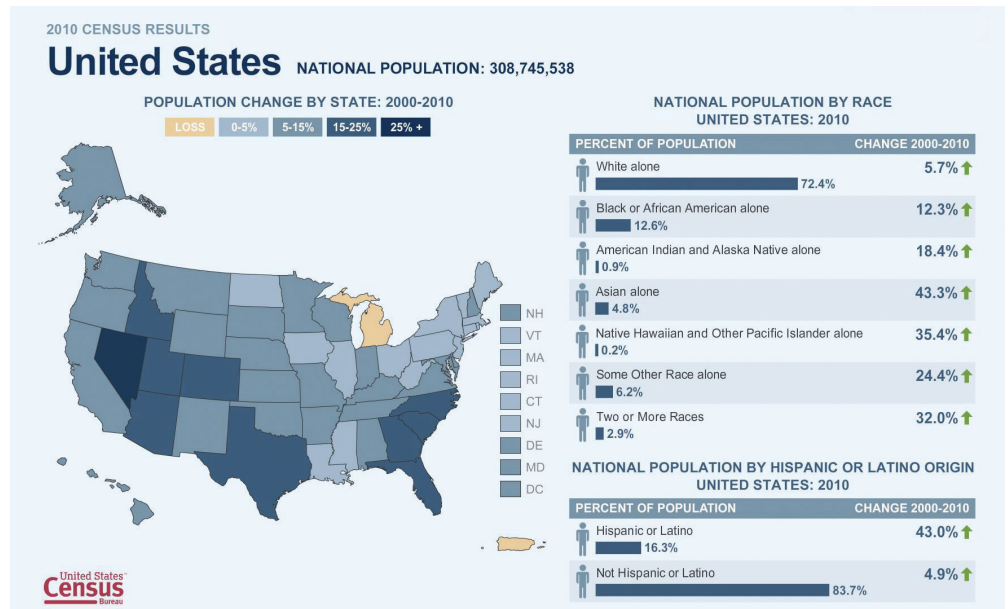
Human Resource Recall

Have you ever worked in a multigenerational organization? What were some of the challenges in working with people who may have grown up in a different era?

Another challenge, besides lack of workers, is the multigenerational workforce. Employees between the ages of seventeen and sixty-eight have different values and different expectations of their jobs. Any manager who tries to manage these workers from varying generations will likely have some challenges. Even compensation preferences are different among generations. For example, the traditional baby boomer built a career during a time of pensions and strongly held values of longevity and loyalty to a company. Compare the benefit needs of this person to someone who is younger and expects to save through a 401(k) plan, and it is clear that the needs and expectations are different.Michelle Capezza, "Employee Benefits in a Multigenerational Workplace," EpsteinBeckerGreen, August 12, 2010, accessed October 6, 2010, http://www.ebglaw.com/showNewsletter.aspx?Show=13313. Throughout this book, we will discuss compensation and motivational strategies for the multigenerational workforce.

Awareness of the diversity of the workforce will be discussed in Chapter 3 "Diversity and Multiculturalism", but laws regarding diversity will be discussed throughout the book. Diversity refers to age, disability, race, sex, national origin, and religion. Each of these components makes up the productive workforce, and each employee has different needs, wants, and goals. This is why it is imperative for the HRM professional to understand how to motivate the workforce, while ensuring that no laws are broken. We will discuss laws regarding diversity (and the

components of diversity, such as disabilities) in <u>Chapter 3 "Diversity and Multiculturalism"</u>, <u>Chapter 4 "Recruitment"</u>, <u>Chapter 5 "Selection"</u>, <u>Chapter 6 "Compensation and Benefits"</u>, and <u>Chapter 7 "Retention and Motivation"</u>.

Figure 1.8 *Demographic Data for the United States by Race*

Source: Map courtesy of the US Census Department.

Ethics

A discussion of ethics is necessary when considering challenges of human resources. Much of the discussion surrounding ethics happened after the early to mid-2000s, when several companies were found to have engaged in gross unethical and illegal conduct, resulting in the loss of billions of dollars from shareholders. Consider the statistics: only 25 percent of employees trusted their CEO to tell the truth, and 80 percent of people said that employers have a moral responsibility to society.Strategic Management Partners, "Unethical Statistics Announced At Business Leaders Event," news release, <u>http://www.consult-smp.com/archives/2005/02/unethical_stati.html</u>, accessed August 31, 2011. Based on these numbers, an ethical workplace is important not only for shareholder satisfaction but for employee satisfaction as well. Companies are seeing the value of implementing ethics codes within the business.

Many human resource departments have the responsibility of designing codes of ethics and developing policies for ethical decision making. Some organizations hire

ethics officers to specifically focus on this area of the business. Out of four hundred companies surveyed, 48 percent had an ethics officer, who reported to either the CEO or the HR executive.Mark McGraw, "The HR-Ethics Alliance," *HR Executive Online*, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153. According to Steve Miranda, chief human resources officer for the Society for Human Resource Management (SHRM), "[the presence of an ethics officer] provides a high-level individual with positional authority who can ensure that policies, practices, and guidelines are effectively communicated across the organization."Mark McGraw, "The HR-Ethics Alliance," *HR Executive Online*, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153, brackets in the original.

For example, the insurance company Allstate recently hired a chief ethics and compliance officer (CECO) who offers a series of workshops geared toward leaders in the organization, because they believe that maintaining high ethical standards starts at the top of an organization. In addition, the CECO monitors reports of ethics complaints within the organization and trains employees on the code of ethics or code of conduct.Mark McGraw, "The HR-Ethics Alliance," *HR Executive Online*, June 16, 2011, accessed July 7, 2011, http://www.hreonline.com/HRE/story.jsp?storyId=533339153. A **code of ethics**[17] is an outline that explains the expected ethical behavior of employees. For example, General Electric (GE) has a sixty-four-page code of conduct that outlines the expected ethics, defines them, and provides information on penalties for not adhering to the code. The code of conduct is presented below. Of course, simply having a written code of ethics does little to encourage positive behavior, so many organizations (such as GE) offer stiff penalties for ethics violations. Developing policies, monitoring behavior, and informing people of ethics are necessary to ensure a fair and legal business.

The following is an outline of GE's code of conduct:"The Spirit and the Letter," General Electric Company, accessed August 10, 2011, http://files.gecompany.com/gecom/citizenship/pdfs/TheSpirit&TheLetter.pdf.

- Obey the applicable laws and regulations governing our business conduct worldwide.
- Be honest, fair, and trustworthy in all your GE activities and relationships.
- Avoid all conflicts of interest between work and personal affairs.
- Foster an atmosphere in which fair employment practices extend to every member of the diverse GE community.
- Strive to create a safe workplace and to protect the environment.
- Through leadership at all levels, sustain a culture where ethical conduct is recognized, valued, and exemplified by all employees.

17. A document that explains the expected ethical behavior of employees.

KEY TAKEAWAYS

- One of the most important aspects to productive HRM is to ensure the department adds value to the rest of the organization, based on the organization's strategic plan.
- One of the major challenges of HRM is containment of costs. This can be done in several ways, for example, in the way health care and benefits are offered. Many companies are developing *cafeteria plans* that satisfy the employee and help contain costs.
- HRM can also contain costs by developing and managing training programs and ensuring employees are well trained to be productive in the job.
- Hiring is a very expensive part of human resources, and therefore HRM should take steps to ensure they are hiring the right people for the job the first time. *Turnover* is a term used to describe the departure of an employee.
- Poor communication results in wasting time and resources. We can communicate better by understanding communication channels, personalities, and styles.
- Technology is also a challenge to be met by human resources. For example, employees may request alternative work schedules because they can use technology at home to get their work done.
- Because technology is part of our work life, *cyberloafing*, or employees spending too much time on the Internet, creates new challenges for managers. Technology can also create challenges such as workplace stress and lack of work-life balance.
- The economy is a major factor in human resource management. HR managers, no matter what the state of the economy, must plan effectively to make sure they have the right number of workers at the right time. When we deal with a down economy, the legal and union implications of layoffs must be considered, and in an up economy, hiring of workers to meet the internal demand is necessary.
- The retirement of *baby boomers* is creating a gap in the workplace, related to not only the number of people available but also the skills people have. *Multigenerational* companies, or companies with workers of a variety of ages, must find ways to motivate employees, even though those employees may have different needs. HR must be aware of this and continually plan for the challenge of a changing workforce. Diversity in the workplace is an important challenge in human resource management. Diversity will be discussed in Chapter 3 "Diversity and Multiculturalism".

- Ethics and monitoring of ethical behavior are also challenges in HRM. Setting ethical standards and monitoring ethical behavior, including developing a *code of conduct*, is a must for any successful business.

EXERCISES

1. Research the various generations: baby boomers, Generation X, and the Y Generation (millennials). Compare and contrast five differences between the generations. How might these differences impact HRM?
2. Review news articles on the current state of the economy. Which aspects of these articles do you think can relate to HRM?

1.4 Cases and Problems

Chapter Summary

- *Human resource management* is the process of employing people, training them, compensating them, developing policies relating to the workplace, and developing strategies to retain employees. Three certification exams, which are offered by the Human Resource Certification Institute, can be taken to show HRM skills and become more marketable.
- Human resource management involves seven main areas: (1) staffing, (2) workplace policies, (3) benefits and compensation, (4) retention, (5) training, (6) employment laws, and (7) employee protection.
- Human resource managers need many different types of skills. Being able to organize, multitask, and communicate effectively, as well as having specific job skills, such as how to run a particular computer program, and a sense of fairness and ethics, is crucial to a successful career in HRM.
- There are many contemporary challenges associated with HRM. First, it is up to everyone in the organization to contain costs. HR managers need to look at their individual departments and demonstrate the necessity and value of their functions to the organization. HR managers can also help contain costs in several ways, such as managing benefits plans and compensation and providing training.
- The fast-changing nature of technology is also a challenge in HRM. As new technologies are developed, employees may be able to implement innovative ways of working such as *flextime*. HR managers are also responsible for developing policies dealing with *cyberloafing* and other workplace time wasters revolving around technology. Employee stress and lack of work-life balance are also greatly influenced by technology.
- Awareness of the changes in the economy allows the human resource manager to adequately plan for reductions and additions to the workforce.
- The aging and changing workforce is our final factor. As *baby boomers* retire, there likely will not be enough people to replace them, and many of the skills the baby boomers have may be lost. In addition, having to work with multiple generations at once can create challenges as different expectations and needs arise from *multigenerational* workforces.

Chapter Summary

[(click to see video)](click to see video)

The author provides a video summary of the chapter.

Chapter Case

Changes, Changes

Jennifer, the owner and manager of a company with ten employees, has hired you to take over the HRM function so she can focus on other areas of her business. During your first two weeks, you find out that the company has been greatly affected by the up economy and is expected to experience overall revenue growth by 10 percent over the next three years, with some quarters seeing growth as high as 30 percent. However, five of the ten workers are expected to retire within three years. These workers have been with the organization since the beginning and provide a unique historical perspective of the company. The other five workers are of diverse ages.

In addition to these changes, Jennifer believes they may be able to save costs by allowing employees to telecommute one to two days per week. She has some concerns about productivity if she allows employees to work from home. Despite these concerns, Jennifer has even considered closing down the physical office and making her company a virtual organization, but she wonders how such a major change will affect the ability to communicate and worker motivation.

Jennifer shares with you her thoughts about the costs of health care on the organization. She has considered cutting benefits entirely and having her employees work for her on a contract basis, instead of being full-time employees. She isn't sure if this would be a good choice.

Jennifer schedules a meeting with you to discuss some of her thoughts. To prepare for the meeting, you perform research so you can impress your new boss with recommendations on the challenges presented.

1. Point out which changes are occurring in the business that affect HRM.
2. What are some considerations the company and HR should be aware of when making changes related to this case study?
3. What would the initial steps be to start planning for these changes?

4. What would your role be in implementing these changes? What would Jennifer's role be?

Team Activities

1. In a group of two to three people, research possible career paths in HRM and prepare a PowerPoint presentation to discuss your findings.
2. Interview an HR manager and discuss his or her career path, skills, and daily tasks. Present your findings to your class.