

NOTES

# Chapter 7

## Trends in Human Resource Management

### LEARNING OUTCOMES

*After reading this chapter, you will be able to:*

- LO 7.1** Describe trends in the labour force composition and their impacts HRM
- LO 7.2** Summarise HRM areas supporting the goal of creating a high-performance work system
- LO 7.3** Define focus on strategy
- LO 7.4** Overview effects of technological developments on HRM performance
- LO 7.5** Explain how the nature of the employment relationship is changing
- LO 7.6** See how flexibility affects human resource management

### INTRODUCTION

Business experts point out that if you want your company to gain an advantage over competitors, you have to do something differently. Some managers are taking a hard look at human resources management, asking if it needs to be a department at all. At the consulting firm LRN Corporation, management decided to eliminate the human resources department. Their idea was that if all managers were responsible for managing talent, they would make those decisions in a way that directly served their group's performance. Beam, the maker of spirits such as Maker's Mark bourbon and Jim Beam whiskey, made its line managers responsible for hiring, training, and making compensation decisions. They are advised by a small group of "business partners," who consult with the line managers on HR questions.

Is this the end of human resource management? Probably not. The typical company today is maintaining the size of its human resource department and even spending a little more on the function. At LRN, current and former employees have said line managers sometimes struggle with making HR decisions. For example, a line manager needs time to figure out how to define a job and set a salary range for it, which slows down the whole hiring process. At Beam, the HR business partners are playing a more strategic role than a traditional HR staffer focused on routine processes. However, these changes may be a sign that today's businesses are impatient with the status quo. It is no longer enough to manage human resources a certain way because other companies do it that way. Rather, HR managers and employees are valuable to the extent they are willing to understand the organization in business terms, including the financial, accounting, and analytic tools that managers use to measure their success.

Despite the hard look that managers are directing at human resource management, organizations depend on this work more than ever. Even with a slow pace of economic growth, many employers report that recruiting the specific kinds of talent they need is getting harder. The skills required within industries often are changing as technology advances, so current employees need training

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as much as ever. Rising costs of benefits, especially health insurance, have demanded creativity in planning compensation packages. The difficult economy has made it essential for organizations to find ways for their employees to work more efficiently—getting more done faster and placing lighter demands on natural resources, all without sacrificing quality and customer service. These efficiency improvements can only come from creative thinking by highly motivated and well-trained workers. Addressing all of these challenges and other trends in today’s business climate requires more innovative human resource management than ever.

This chapter describes major trends that are affecting human resource management. It begins with an examination of the modern labor force, including trends that are determining who will participate in the workforce of the future. Next is an exploration of the ways HRM can support a number of trends in organizational strategy, from efforts to maintain high-performance work systems to changes in the organization’s size and structure. Often, growth includes the use of human resources on a global scale, as more and more organizations hire immigrants or open operations overseas. The chapter then turns to major changes in technology, especially the role of the Internet. As we will explain, the Internet is changing organizations themselves, as well as providing new ways to carry out human resource management. Finally, we explore the changing nature of the employment relationship, in which careers and jobs are becoming more flexible.

### LEARNING OUTCOME 7.1

## CHANGE IN THE LABOR FORCE

The term *labor force* is a general way to refer to all the people willing and able to work. For an organization, the internal labor force consists of the organization’s workers—its employees and the people who have contracts to work at the organization. This internal labor force has been drawn from the organization’s external labor market, that is, individuals who are actively seeking employment. The number and kinds of people in the external labor market determine the kinds of human resources available to an organization (and their cost). Human resource professionals need to be aware of trends in the composition of the external labor market because these trends affect the organization’s options for creating a well-skilled, motivated internal labor force.

### An Aging Workforce

In the United States, the Bureau of Labor Statistics (BLS), an agency of the Department of Labor, tracks changes in the composition of the U.S. labor force and forecasts employment trends. The BLS has projected that from 2012 to 2022, the total U.S. civilian labor force will grow from 155 million to 163 million workers. This 5.5% increase is noticeably lower than the more than 13% increase experienced during the 1990s.

Some of the expected change involves the distribution of workers by age. From 2012 to 2022, the fastest-growing age group is expected to be workers 55 and older. The 25- to 44-year-old group will increase its numbers only slightly, so its share of the total workforce will fall. And young workers between the ages of 16 and 24 will actually be fewer in number. This combination of trends will cause the overall workforce to age. Figure 7.1 shows the change in age distribution, as forecast by the Bureau of Labor Statistics between 2012 and 2022. By 2022, all baby boomers will be at least 55 years old, swelling the ranks of workers nearing retirement. Human resource professionals will therefore spend much of their time on concerns related to planning retirement, retraining older workers, and motivating workers whose careers have plateaued. Organizations will struggle with ways to control the rising costs of health care and other benefits, and many of tomorrow’s managers will supervise employees much older than themselves. At the same time, organizations will have to find ways to attract, retain, and prepare the youth labor force.

Today’s older generation includes many people who are in no hurry to retire. They may enjoy making a contribution at work, have ambitious plans for which they want to earn money, or simply be among the many who have inadequate savings for full retirement. Therefore, older workers often want to be allowed to gradually move toward retirement by working part-time or taking temporary assignments. Scripps Health helps its employees gradually transition to full retirement. Employees are allowed to reduce their work hours gradually while maintaining their health insurance. Employees who work at least 16 hours a week are eligible for training programs and flextime.



## HRM Social

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### What Social-Media Policies Are Suitable across Generations?

Some managers believe organizations need policies restricting employees' access to social media such as Twitter and Facebook. Their belief is based on the assumption that using social media is merely a distraction from doing real work. However, the research evidence for this assumption is mixed—and the impact of social media may vary across generations of workers.

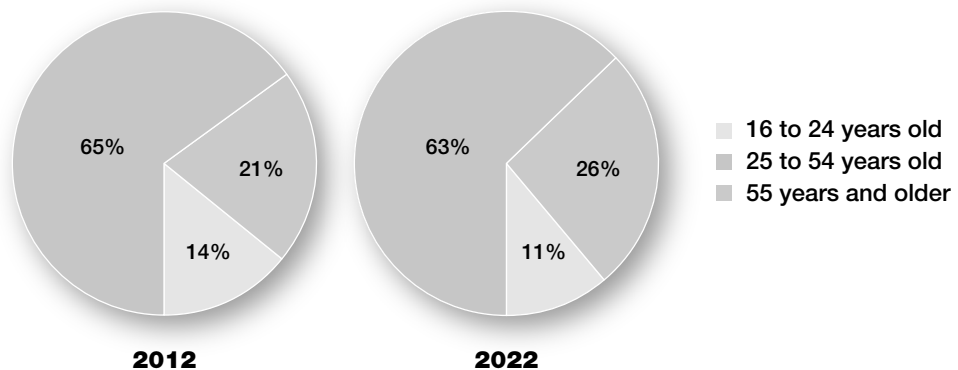
Some studies simply ask employees for their opinions about their access to social media. A survey of Canadian workers found that almost two-thirds have been distracted by social media, e-mail, or Web browsing. One-third reported losing more than an hour a day in checking e-mail and social media, and two-thirds said they would get more done if they were disconnected from the Internet for a set time each day. But in an international survey of information workers, almost half said using social media had *increased* their productivity. The younger the workers, the more likely they were to associate social-media use with greater productivity and to say they could do their jobs even better if their employer would loosen restrictions on the use of social media.

Another study, conducted by the Warwick Business School, in the United Kingdom, measured output instead of opinions. According to the researchers, using social media was associated with greater productivity. The two-year study of employees at a telecommunications company found that they were **more productive when they used social media** to communicate with customers. The mixed results suggest that a single policy might not apply equally well to all employees.

#### Questions

1. Thinking about your current job or a job you would like to have, would access to social media help or distract you? Do you think your age plays a role in your opinion? Why?
2. How could human resource management support decisions about creating a policy for using social media?

Sources: Thomson Reuters, "Two-Thirds of Workers Distracted by Emails, Internet, Social Media: Survey," *Canadian HR Reporter*, April 17, 2014, <http://www.hrreporter.com>; Shea Bennett, "Social Media Increases Office Productivity, but Management Still Resistant, Says Study," *MediaBistro*, June 26, 2013, <http://www.mediabistro.com>; Bernhard Warner, "When Social Media at Work Don't Create Productivity-Killing Distractions," *Bloomberg Businessweek*, April 1, 2013.



Source: Bureau of Labor Statistics, "Employment Projections, 2012–2022," news release, December 19, 2013, <http://www.bls.gov/emp>.

**FIG. 7.1** Age Distribution of U.S. Labor Force, 2012 and 2022

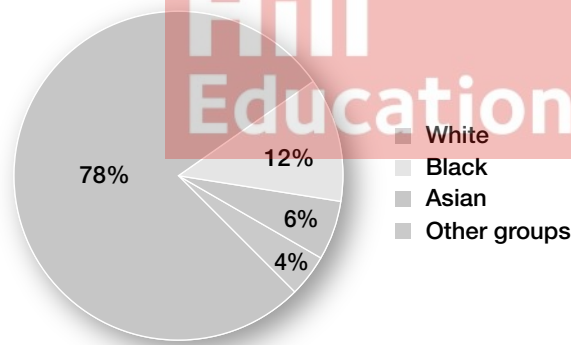
Atlantic Health System allows retirees to take part-time jobs, per diem jobs (billing for each day worked), and temporary assignments. Retired employees have returned to work as consultants and contract workers, and some have telecommuting arrangements (working from home). Many of these assignments give older employees a chance to act as mentors to their younger colleagues.

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With older workers continuing to hold jobs at least part-time, today’s workplaces often bring together employees representing three or four generations. This creates a need for understanding the values and work habits that tend to characterize each generation. For example, members of the silent generation (born between 1925 and 1945) tend to value income and employment security and avoid challenging authority. Baby boomers (born between 1946 and 1964) tend to value unexpected rewards, opportunities for learning, and time with management. Members of Generation X (1965–1980) tend to be pragmatic and cynical, and they have well-developed self-management skills. Those born from 1981 to 1995, often called millennials, or Generation Y, are comfortable with the latest technology, and they want to be noticed, respected, and involved. Some generational differences can be addressed through effective human resource management. For example, organizations train managers to provide frequent feedback to members of Generation Y, and they show respect for older generations’ hard work and respect for authority by asking them to mentor younger workers. Generational differences also can affect how managers approach policies about social media, as described in the “HRM Social” box.

**A Diverse Workforce**

Another kind of change affecting the U.S. labor force is that it is growing more diverse in racial, ethnic, and gender terms. As Figure 7.2 shows, the 2022 workforce is expected to be 78% white, 12% African American, and 10% Asian and other minorities. The fastest growing of these categories are Asian and “other groups” because these groups are experiencing immigration and birthrates above the national average. In addition to these racial categories, the ethnic category of Hispanics is growing even faster, and the Hispanic share of the U.S. labor force is expected to reach 19% of the total by 2022. Along with greater racial and ethnic diversity, there is also greater gender diversity. More women today than in the past are in the paid labor force, and the labor force participation rate for men has been slowly declining. During the economic recession and slow recovery, women’s labor force participation rate also declined slightly, but between 2012 and 2022, women’s share of the labor force is expected to remain steady, at around 47%.



Source: Bureau of Labor Statistics, “Employment Projections, 2012–2022,” news release, December 19, 2013, <http://www.bls.gov/emp>.

**FIG. 7.2** Projected Racial/Ethnic Makeup of the U.S. Workforce, 2022

One important source of racial and ethnic diversity is immigration. The U.S. government establishes procedures for foreign nationals to follow if they wish to live and work permanently in the United States, and it sets limits on the number of immigrants who are admitted through these channels. Of the more than 1 million immigrants who come to the United States legally each year, more than 6 out of 10 are relatives of U.S. citizens. Another 14% come on work-related visas, some of which are set aside for workers with exceptional qualifications in science, business, or the arts. (About half of the work-related visas go to the immediate relatives of those coming to the United States to work, allowing workers to bring their spouse and children.) The U.S. government also grants temporary work visas to a limited number of highly educated workers, permitting them to work in the United States for a set period of

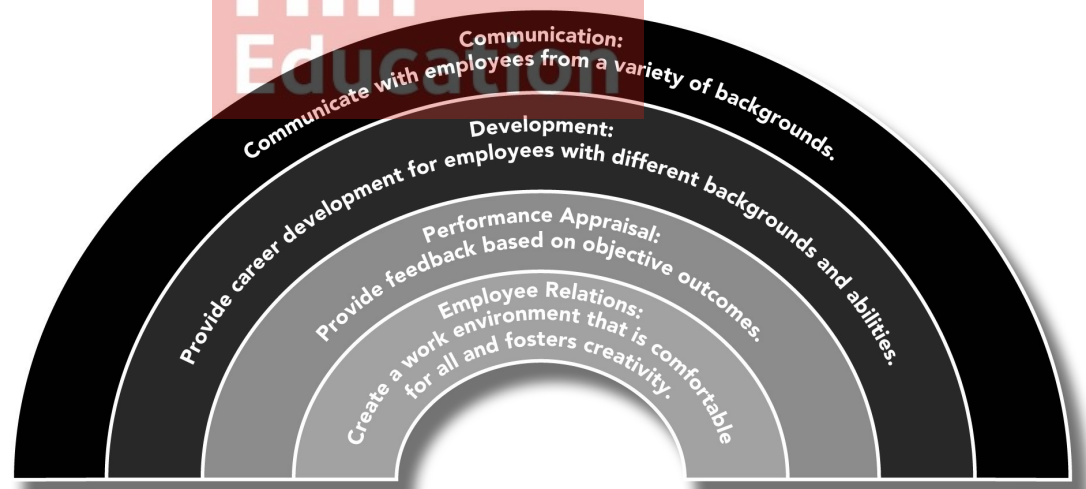
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time but not to remain as immigrants. U.S. law requires employers to verify that any job candidate who is not a U.S. citizen has received permission to work in the United States as an immigrant or with a temporary work permit.

Other foreign-born workers in the United States arrived in this country without meeting the legal requirements for immigration or asylum. These individuals, known as undocumented or illegal immigrants, likely number in the millions. While government policy toward immigrants is a matter of heated public debate, the human resource implications have two practical parts. The first involves the supply of and demand for labor. Many U.S. industries, including meatpacking, construction, farming, and services, rely on immigrants to perform demanding work that may be low paid. In other industries, such as computer software development, employers say they have difficulty finding enough qualified U.S. workers to fill technical jobs. These employers are pressing for immigration laws to allow a greater supply of foreign-born workers.

The other HR concern is the need to comply with laws. In recent years, Immigration and Customs and Enforcement has focused its efforts on auditing employers to ensure they are following proper procedures to avoid employing undocumented immigrants. Businesses that have justified hiring these people on the grounds that they work hard and are needed for the business to continue operating now are facing greater legal risks. Even as some companies are lobbying for changes to immigration laws, the constraints on labor supply force companies to consider a variety of ways to meet their demand for labor, including job redesign, higher pay, and foreign operations.

The greater diversity of the U.S. labor force challenges employers to create HRM practices that ensure they fully utilize the talents, skills, and values of all employees. As a result, organizations cannot afford to ignore or discount the potential contributions of women and minorities. Employers will have to ensure that employees and HRM systems are free of bias and value the perspectives and experience that women and minorities can contribute to organizational goals such as product quality and customer service. As we will discuss further in the next chapter, managing cultural diversity involves many different activities. These include creating an organizational culture that values diversity, ensuring that HRM systems are bias-free, encouraging career development for women and minorities, promoting knowledge and acceptance of cultural differences, ensuring involvement in education both within and outside the organization, and dealing with employees' resistance to diversity. Figure 7.3 summarizes ways in which HRM can support the management of diversity for organizational success.



Source: Based on M. Loden and J. B. Rosener, *Workforce America!* (Homewood, IL: Business One Irwin, 1991).

**Fig. 7.3** HRM Practices That Support Diversity Management

Many U.S. companies have already committed themselves to ensuring that they recognize the diversity of their internal labor force and use it to gain a competitive advantage. In a recent survey of executives at large global corporations, 85% said a “diverse and inclusive workforce” is important for encouraging innovation. Majorities of respondents said their companies have a program to recruit a diverse group of employees (65%) and develop an inclusive workforce (53%).

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### Check Your Progress

Does diversity in the workforce lead to competitive advantage? Discuss.

An organization doesn't have to be a huge global enterprise to benefit from valuing diversity. In Poughkeepsie, New York, the Bridgeway Federal Credit Union has realized that it can best serve the groups in its community by ensuring that its employees are representative of that community. About one-fourth of Bridgeway's members are African American, and about 12% are Hispanics. Many of these members come from low-income households where access to banking services has been limited in the past. To attract and include employees from this community, Bridgeway conducts outreach events in neighborhoods and provides diversity training programs for its employees. With ideas from its diverse employees, Bridgeway has come up with helpful products, such as its Drive Up Savings Account, which provides qualified customers with an auto loan that has a payment plan in which a part of the monthly payments is directed into a savings plan. When the loan is paid off, Bridgeway rewards the borrowers by giving them a discount on the interest they paid, and the customers find that they have saved up a tidy sum.

Throughout this book, we will show how diversity affects HRM practices. For example, from a staffing perspective, it is important to ensure that tests used to select employees are not unfairly biased against minority groups. From the perspective of work design, employees need flexible schedules that allow them to meet nonwork needs. In terms of training, it is clear that employees must be made aware of the damage that stereotypes can do. With regard to compensation, organizations are providing benefits such as elder care and day care as a way to accommodate the needs of a diverse workforce. As we will see later in the chapter, successfully managing diversity is also critical for companies that compete in international markets.

## Skill Deficiencies of the Workforce

The increasing use of computers to do routine tasks has shifted the kinds of skills needed for employees in the U.S. economy. Such qualities as physical strength and mastery of a particular piece of machinery are no longer important for many jobs. More employers are looking for mathematical, verbal, and interpersonal skills, such as the ability to solve math or other problems or reach decisions as part of a team. Often, when organizations are looking for technical skills, they are looking for skills related to computers and using the Internet. Today's employees must be able to handle a variety of responsibilities, interact with customers, and think creatively.

To find such employees, most organizations are looking for educational achievements. A college degree is a basic requirement for many jobs today. Competition for qualified college graduates in many fields is intense. At the other extreme, workers with less education often have to settle for low-paying jobs. Some companies are unable to find qualified employees and instead rely on training to correct skill deficiencies. Other companies team up with universities, community colleges, and high schools to design and teach courses ranging from basic reading to design blueprint reading.

Not all the skills employers want require a college education. The National Association of Manufacturers year after year has reported that the manufacturing companies in the United States have difficulty finding enough people who can operate sophisticated computer-controlled machinery. These jobs rely at least as much on intelligence and teamwork as on physical strength. In some areas, companies and communities have set up apprenticeship and training programs to fix the worker shortage. Some companies are turning to veterans of the wars in Iraq and Afghanistan. These workers have already demonstrated high levels of commitment and teamwork, as well as the ability to make creative use of the resources at hand in difficult situations. Many of them have been trained already by the military in a variety of technical skills. The challenge for employers has been to support these employees in other areas, such as helping them weather the emotional strain of the transition back to civilian life, as well as training them in the technical requirements of their new jobs.

## LEARNING OUTCOME 7.2

### HIGH-PERFORMANCE WORK SYSTEMS

Human resource management is playing an important role in helping organizations gain and keep an advantage over competitors by becoming high-performance work systems. These are organizations that have the best possible fit between their social system (people and how they interact) and technical system (equipment and processes). As the nature of the workforce and the technology available to

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organizations have changed, so have the requirements for creating a high-performance work system. Customers are demanding high quality and customized products, employees are seeking flexible work arrangements, and employers are looking for ways to tap people’s creativity and interpersonal skills. Such demands require that organizations make full use of their people’s knowledge and skill, and skilled human resource management can help organizations do this.

Among the trends that are occurring in today’s high-performance work systems are reliance on knowledge workers, empowerment of employees to make decisions, and use of teamwork. HR professionals who keep up with change are well positioned to help create high-performance work systems.

**Knowledge Workers**

The growth in e-commerce, plus the shift from a manufacturing to a service and information economy, has changed the nature of employees who are most in demand. The Bureau of Labor Statistics forecasts that between 2012 and 2022, most new jobs will be in service occupations, especially health care and social assistance. Construction jobs also are expected to increase, but mostly to replace jobs that were lost during the financial crisis and recession of a few years ago.

The number of service jobs has important implications for human resource management. Research shows that if employees have a favorable view of HRM practices—career opportunities, training, pay, and feedback on performance—they are more likely to provide good service to customers. Therefore, quality HRM for service employees can translate into customer satisfaction.

Besides differences among industries, job growth varies according to the type of job. Table 7.1 lists the 10 occupations expected to gain the most jobs between 2012 and 2022 and the 10 expected to grow at the fastest rate. Occupations with the most jobs are expected to involve health care, sales, food preparation, as well as other services. Many of the fastest-growing occupations also are in the health care field. These and other fast-growing occupations reflect the steadily growing demand for health care and an expected rebound in the construction industry. While some of these jobs and other fast-growing occupations require a college degree, many of the fast-growing occupations require only on-the-job training. (Exceptions are industrial-organizational psychologists and registered nurses.) This means that many companies’ HRM departments will need to provide excellent training as well as hiring.

**TABLE 7.1** Top 10 Occupations for Job Growth

Most New Jobs	Fastest Rate of Growth
Personal care aides	Industrial-organizational psychologists
Registered nurses	Personal care aides
Retail salespersons	Home health aides
Home health aides	Insulation workers, mechanical
Combined food preparation and serving workers <sup>a</sup>	Interpreters and translators
Nursing assistants	Diagnostic medical sonographers
Secretaries and administrative assistants <sup>b</sup>	Helpers: brickmasons, blockmasons, stonemasons, and tile and marble setters
Customer service representatives	Occupational therapy assistants
Janitors and cleaners <sup>c</sup>	Genetic counselors
Construction laborers	Physical therapist assistants

<sup>a</sup>Includes fast food.

<sup>b</sup>Except legal, medical, and executive.

<sup>c</sup>Except maids and housekeeping cleaners.

Source: Bureau of Labor Statistics, “Employment Projections, 2012–2022,” news release, December 19, 2013, <http://www.bls.gov>, Tables 4, 5.

These high-growth jobs are evidence of another trend: The future U.S. labor market will be both a knowledge economy and a service economy. Along with low-education jobs in services like health care and food preparation, there will be many high-education professional and managerial jobs. To meet these human capital needs, companies are increasingly trying to

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attract, develop, and retain knowledge workers. Knowledge workers are employees whose main contribution to the organization is specialized knowledge, such as knowledge of customers, a process, or a profession. Further complicating that challenge, many of these knowledge workers will have to be “technoservice” workers who not only know a specialized field such as computer programming or engineering, but also must be able to work directly with customers.

Knowledge workers are in a position of power because they own the knowledge that the company needs in order to produce its products and services, and they must share their knowledge and collaborate with others in order for their employer to succeed. An employer cannot simply order these employees to perform tasks. Managers depend on the employees’ willingness to share information. Furthermore, skilled knowledge workers have many job opportunities, even in a slow economy. If they choose, they can leave a company and take their knowledge to another employer. Replacing them may be difficult and time consuming.

The idea that only some of an organization’s workers are knowledge workers has come under criticism. To the critics, this definition is no longer realistic in a day of computerized information systems and computer-controlled production processes. For the company to excel, everyone must know how their work contributes to the organization’s success. At the same time, employees—especially younger generations, which grew up with the Internet—will expect to have wide access to information. From this perspective, successful organizations treat *all* their workers as knowledge workers. They let employees know how well the organization is performing, and they invite ideas about how the organization can do better.

Can the “knowledge worker” label really fit everywhere? Think of the expectations organizations have for the typical computer programmer. These high-in-demand employees expect to be valued for their skills, not the hours they put in or the way they dress. Organizations that successfully recruit and retain computer programmers give them plenty of freedom to set up their work space and their own schedule. They motivate by assigning tasks that are interesting and challenging and by encouraging friendly collaboration. To some degree, these kinds of measures apply to many employees and many work situations. W. W. Grainger, for example, is not a glamorous company, but it is one that many companies depend on. Grainger distributes an enormous variety of supplies and parts needed by its business customers. Grainger creates an attractive environment for the modern-day version of the knowledge worker by helping to match them up with jobs in which they matter and can excel, even if that means trying out jobs in a variety of departments. Linda Kolbe, the manager of Grainger’s e-commerce, started as an administrative assistant and worked her way up, with help from the company’s mentoring program. And branch manager Roger Lubert has found that the company is eager to try out his ideas for managing inventory and store operations. The company treats these and other employees as individuals who can both expand their knowledge and apply it to benefit the entire organization.

**Employee Empowerment**

To completely benefit from employees’ knowledge, organizations need a management style that focuses on developing and empowering employees. Employee empowerment means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service. Employees are then held accountable for products and services. In return, they share the resulting losses and rewards. Employee empowerment can also extend to innovation. Employees at all levels are encouraged to share their ideas for satisfying customers better and operating more efficiently and safely. This is empowering if management actually listens to the ideas, implements valuable ones, and rewards employees for their innovations.

HRM practices such as performance management, training, work design, and compensation are important for ensuring the success of employee empowerment. Jobs must be designed to give employees the necessary latitude for making a variety of decisions. Employees must be properly trained to exert their wider authority and use information resources such as the Internet as well as tools for communicating information. Employees also need feedback to help them evaluate their success. Pay and other rewards should reflect employees’ authority and be related to successful handling of their responsibility. In addition, for empowerment to succeed, managers must be trained to link employees to resources within and outside the organization, such as customers, co-workers in other departments, and websites with needed information. Managers must also encourage employees to interact with staff throughout the organization, must ensure that employees receive the information they need, and must reward cooperation. Finally, empowered employees deliver



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the best results if they are fully engaged in their work. *Employee engagement*—full involvement in one’s work and commitment to one’s job and company—is associated with higher productivity, better customer service, and lower turnover.

As with the need for knowledge workers, use of employee empowerment shifts the recruiting focus away from technical skills and toward general cognitive and interpersonal skills. Employees who have responsibility for a final product or service must be able to listen to customers, adapt to changing needs, and creatively solve a variety of problems.

**Teamwork**

Modern technology places the information that employees need for improving quality and providing customer service right at the point of sale or production. As a result, the employees engaging in selling and producing must also be able to make decisions about how to do their work. Organizations need to set up work in a way that gives employees the authority and ability to make those decisions. One of the most popular ways to increase employee responsibility and control is to assign work to teams. Teamwork is the assignment of work to groups of employees with various skills who interact to assemble a product or provide a service. Work teams often assume many activities traditionally reserved for managers, such as selecting new team members, scheduling work, and coordinating work with customers and other units of the organization. Work teams also contribute to total quality by performing inspection and quality-control activities while the product or service is being completed.

In some organizations, technology is enabling teamwork even when workers are at different locations or work at different times. These organizations use *virtual teams*—teams that rely on communications technology such as videoconferences, e-mail, and cell phones to keep in touch and coordinate activities.

Teamwork can motivate employees by making work more interesting and significant. At organizations that rely on teamwork, labor costs may be lower as well. Spurred by such advantages, a number of companies are reorganizing assembly operations—abandoning the assembly line in favor of operations that combine mass production with jobs in which employees perform multiple tasks, use many skills, control the pace of work, and assemble the entire final product.

Witnessing the resulting improvements, companies in the service sector also have moved toward greater use of teamwork. Teamwork is a necessary component of more and more computer programming tasks. Companies that develop software are increasingly using an approach they call *agile*, which involves weaving the development process more tightly into the organization’s activities and strategies. In agile software development, self-directed teams of developers and programmers work directly with the business users of the software, using as much face-to-face communication as possible. Rather than devoting endless hours to negotiating contracts and documenting processes, the teams focus on frequently delivering usable components of the software. Throughout the development process the team is open to changing requirements and computer code as a result of their communication with users. Users of agile software development say it increases customer satisfaction and speeds up the time from concept to usable software.

**LEARNING OUTCOME 7.3****FOCUS ON STRATEGY**

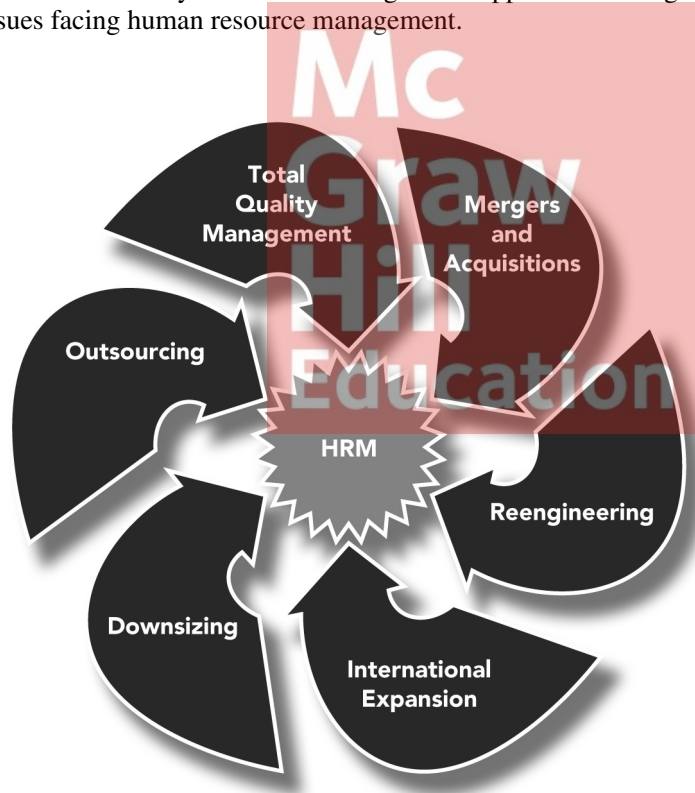
Traditional management thinking treated human resource management primarily as an administrative function, but managers today are beginning to see a more central role for HRM. They are looking at HRM as a means to support a company’s *strategy*—its plan for meeting broad goals such as profitability, quality, and market share. This strategic role for HRM has evolved gradually. At many organizations, managers still treat HR professionals primarily as experts in designing and delivering HR systems (see the “HR Oops!” box). But at a growing number of organizations, HR professionals are strategic partners with other managers.

This means they use their knowledge of the business and of human resources to help the organization develop strategies and to align HRM policies and practices with those strategies. To do this, human resource managers must focus on the future as well as the present, and on company goals as well as human resource activities. They may, for example, become experts at analyzing the business impact of HR decisions or at developing and keeping the best talent to support business

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strategy. Organizations do this, for example, when they integrate all the activities involved in talent management with each other and with the organization’s other processes to provide the skills the organization needs to pursue its strategy. An integrated approach to talent management includes acquiring talent (recruiting and selection), providing the right opportunities for training and development, measuring performance, and creating compensation plans that reward the needed behaviors. To choose the right talent, provide the right training, and so on, HR professionals need to be in close, ongoing contact with the members of the organization who need the talent. And when the organization modifies its strategy, HR professionals are part of the planning process so they can modify talent management efforts to support the revised strategy. One organization that does all this is Universal Weather and Aviation, which provides services and support to the owners of private jets. In this market niche, the company does not expect to find people with the precise set of skills it needs; rather, its talent management program emphasizes finding individuals who are a good fit with the organization’s culture and then training them in the areas where their skills are weak. Executives are rewarded for achieving talent management objectives that include retaining the best-performing employees and identifying potential successors to fill key positions.

The specific ways in which human resource professionals support the organization’s strategy vary according to their level of involvement and the nature of the strategy. Strategic issues include emphasis on quality and decisions about growth and efficiency. Human resource management can support these strategies, including efforts such as quality improvement programs, mergers and acquisitions, and restructuring. Decisions to use reengineering and outsourcing can make an organization more efficient and also give rise to many human resource challenges. International expansion presents a wide variety of HRM challenges and opportunities. Figure 7.4 summarizes these strategic issues facing human resource management.



**Fig. 7.4** Business Strategy: Issues Affecting HRM

**Mergers and Acquisitions**

Often, organizations join forces through mergers (two companies becoming one) and acquisitions (one company buying another). Some mergers and acquisitions result in consolidation within an industry, meaning that two firms in one industry join to hold a greater share of the industry. For example, British Petroleum’s acquisition of Amoco Oil represented a consolidation, or a reduction of the number of companies in the oil industry. Other mergers and acquisitions cross industry lines.



## HR Oops!

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### Less Helpful than a Search Engine?

A lot of managers are disappointed in the support they get from their HR teams, according to a survey by the Hay Group, a global consulting firm. The survey questioned line managers and HR directors in China, the United Kingdom, and the United States about their working relationships. The results suggest that those relationships are often strained.

HR directors reported being challenged by cutbacks in their department. One-third said they spend 21% to 50% of their time responding to inquiries from managers, and three-fourths said line managers want immediate responses. For their part, 41% of line managers in the United States said the HR department is too slow in responding, and 47% said they could make decisions better and faster if they had more information from the department. An embarrassing 29% rated Google above the HR department for providing pertinent information.

Hay's consultants suggest that human resource managers need to focus on how they can empower line managers by providing them with easy access to relevant information.

#### Questions

1. Suggest one way that HR managers might improve their helpfulness to line managers
2. Suggest one way that line managers can improve communications with HR managers, so they get the support they need.

Sources: Laurence Doe, "Relationship between Line Managers and HR under Increasing Strain, Hay Group Finds," *HR Magazine (UK)*, November 21, 2013, <http://www.hrmagazine.co.uk>; Hay Group, "More Managers Turn to Google for HR Information," *Business Wire*, November 20, 2013, <http://www.businesswire.com>; Philip Spriet, "'Power On': From Passing the Buck to Activating the Line," Hay Group Blog, October 16, 2013, <http://blog.haygroup.com>.

In a merger to form Citigroup, Citicorp combined its banking business with Traveler's Group's insurance business. Furthermore, these deals more frequently take the form of global megamergers, or mergers of big companies based in different countries (as in the case of BP-Amoco).

HRM should have a significant role in carrying out a merger or acquisition. Differences between the businesses involved in the deal make conflict inevitable. Training efforts should therefore include development of skills in conflict resolution. Also, HR professionals have to sort out differences in the two companies' practices with regard to compensation, performance appraisal, and other HR systems. Settling on a consistent structure to meet the combined organization's goals may help bring employees together.

#### High Quality Standards

To compete in today's economy, companies need to provide high-quality products and services. If companies do not adhere to quality standards, they will have difficulty selling their product or service to vendors, suppliers, or customers. Therefore, many organizations have adopted some form of total quality management (TQM)—a companywide effort to continually improve the ways people, machines, and systems accomplish work. TQM has several core values:

- Methods and processes are designed to meet the needs of internal and external customers (that is, whomever the process is intended to serve).
- Every employee in the organization receives training in quality.
- Quality is designed into a product or service so that errors are prevented from occurring, rather than being detected and corrected in an error-prone product or service.
- The organization promotes cooperation with vendors, suppliers, and customers to improve quality and hold down costs.
- Managers measure progress with feedback based on data.

## NOTES

Based on these values, the TQM approach provides guidelines for all the organization's activities, including human resource management. To promote quality, organizations need an environment that supports innovation, creativity, and risk taking to meet customer demands. Problem solving should bring together managers, employees, and customers. Employees should communicate with managers about customer needs.

Quality improvement can focus on the HRM function itself. One area where managers are increasingly pressing for improvement is performance management. Business consultants note that many companies have grown dissatisfied with the ways they measure and reward performance, believing that the traditional practices do not yield measurable benefits. George Boué, a human resources executive with the real estate firm Stiles Corporation, says his company has tried to improve the quality of performance management by hiring coaches to help employees figure out how to develop their skills.

### Cost Control

Some organizations have a low-cost, low-price strategy. These organizations particularly depend on human resource management to identify ways for limiting costs related to maintaining a qualified, motivated workforce. However, this challenge is relevant in any organization. HR managers contribute to success whenever they help lower costs without compromising quality.

Human resource management supports cost control both by helping the organization use human resources more efficiently and by making HRM processes as efficient as possible. This has become particularly relevant to employee benefits, specifically health insurance. The cost of this benefit has grown rapidly, while the Affordable Care Act has introduced a set of employer requirements, which can be expensive. How to manage the costs while meeting the requirements is complicated. Employers need to weigh factors such as legal requirements, the costs and types of plans available, the impact on departments' budgets, and the effect on employee morale and retention, as well as on the ability to recruit new employees. Management relies on well-informed HR managers to identify alternatives and recommend which ones will best support the company's strategy.

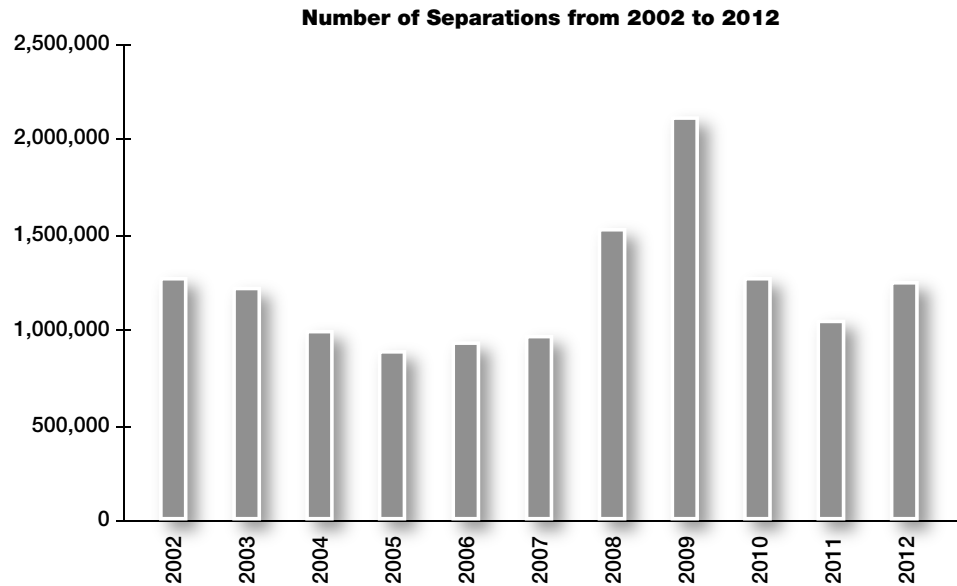
Beyond specific issues such as health insurance and the Affordable Care Act, human resource management can support strategic efforts to control costs through downsizing, reengineering, and outsourcing.

### Downsizing

As shown in Figure 7.5, the number of employees laid off when organizations downsized soared in 2008 and 2009. Since those years, downsizing has continued, but at a declining rate. The surge in unemployment created a climate of fear for many workers. Even at organizations that were maintaining their workforce, employees tended to worry, and employees who might have otherwise left tended to hold on to their jobs if they could. Therefore, an important challenge for employers was how to maintain a reputation as an employer of choice and how to keep employees engaged in their work and focused on the organization's goals. The way employers meet this challenge will influence how sustainably they can compete, especially as unemployment falls and talented workers see possibilities for work in other organizations.

Downsizing presents a number of challenges and opportunities for HRM. In terms of challenges, the HRM function must "surgically" reduce the workforce by cutting only the workers who are less valuable in their performance. Achieving this is difficult because the best workers are most able (and often willing) to find alternative employment and may leave voluntarily before the organization lays off anyone. Early-retirement programs are humane, but they essentially reduce the workforce with a "grenade" approach—not distinguishing good from poor performers but rather eliminating an entire group of employees. In fact, contrary to popular belief, research has found that downsizing is associated with negative stock returns and lower profitability following the layoffs. One reason may be that although labor costs fall after a downsizing, sales per employee also tend to fall. Circuit City, for example, tried to save money by laying off its highest-paid salespeople. Customers soon found that they preferred other electronics retailers, and Circuit City went out of business. In contrast, Southwest Airlines, which has never laid off employees—not even after air travel plummeted following the terrorist attacks of September 11, 2001—has outperformed its rivals. Like Southwest's managers, Susan Marvin, president of Marvin Windows, thinks it is illogical to call employees the company's "greatest asset" and then lay them off. Although the

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Sources: Bureau of Labor Statistics, "Extended Mass Layoffs: Fourth Quarter 2011, Annual Totals 2011," news release, February 10, 2012, <http://www.bls.gov/mls>; Bureau of Labor Statistics, "Mass Layoff Statistics," last updated May 13, 2013, <http://data.bls.gov>.

**FIG. 7.5** *Number of Employees Laid Off during the Past Decade*

recent economic recession has been devastating to the construction business and its suppliers, Marvin has avoided layoffs and let employment decline naturally by not replacing employees who have retired during the lean years. Instead, employees have been doing without bonuses and some employee benefits, and the workweek has been shortened, reducing pay to hourly workers. Susan Marvin is convinced that the impact on morale of everyone pulling together during tough times builds a strong commitment to the organization.

Another HRM challenge is to boost the morale of employees who remain after the reduction. HR professionals should maintain open communication with remaining employees to build their trust and commitment, rather than withholding information. All employees should be informed why the downsizing is necessary, what costs are to be cut, how long the downsizing will last, and what strategies the organization intends to pursue. Finally, HRM can provide downsized employees with outplacement services to help them find new jobs. Such services are ways an organization can show that it cares about its employees, even though it cannot afford to keep all of them on the payroll.

### **Reengineering**

Rapidly changing customer needs and technology have caused many organizations to rethink the way they get work done. For example, when an organization adopts new technology, its existing processes may no longer result in acceptable quality levels, meet customer expectations for speed, or keep costs to profitable levels. Therefore, many organizations have undertaken reengineering—a complete review of the organization's critical work processes to make them more efficient and able to deliver higher quality.

Ideally, reengineering involves reviewing all the processes performed by all the organization's major functions, including production, sales, accounting, and human resources. Therefore, reengineering affects human resource management in two ways. First, the way the HR department itself accomplishes its goals may change dramatically. Second, the fundamental change throughout the organization requires the HR department to help design and implement change so that all employees will be committed to the success of the reengineered organization. Employees may need training for their reengineered jobs. The organization may need to redesign the structure of its pay and benefits to make them more appropriate for its new way of operating. It also may need to recruit employees with a new set of skills. Often, reengineering results in employees being laid off or reassigned to new jobs, as the organization's needs change. HR professionals should also help with this transition, as they do for downsizing.

## Outsourcing

Many organizations are increasingly outsourcing some of their business activities. Outsourcing refers to the practice of having another company (a vendor, third-party provider, or consultant) provide services. For instance, a manufacturing company might outsource its accounting and transportation functions to businesses that specialize in these activities. Outsourcing gives the company access to in-depth expertise and is often more economical as well.

Not only do HR departments help with a transition to outsourcing, but many HR functions are being outsourced. According to a recent survey of human resource managers, about 70% of companies had outsourced at least one HR activity. The functions that were most likely to be outsourced were employee assistance, retirement planning, and outplacement. Goodyear Tire and Rubber Company improved its recruiting and hiring practices by outsourcing these activities to a specialist. The recruiting service provider started by learning about Goodyear's history, culture, and experiences with recruiting. It used Internet technology to streamline the hiring process and track the progress of job candidates throughout that process. After outsourcing this function, Goodyear began making quicker hiring decisions, improved the diversity and quality of employees it hired, and reduced employee turnover. See the "Best Practices" box for another example of HR outsourcing.

## Expanding into Global Markets

Companies are finding that to survive they must compete in international markets as well as fend off foreign competitors' attempts to gain ground in the United States. To meet these challenges, U.S. businesses must develop global markets, keep up with competition from overseas, hire from an international labor pool, and prepare employees for global assignments. This global expansion can pose some challenges for human resource management as HR employees learn about the cultural differences that shape the conduct of employees in other parts of the world.

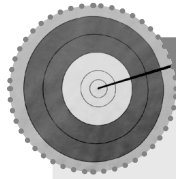
Companies that are successful and widely admired not only operate on a multinational scale, but also have workforces and corporate cultures that reflect their global markets. Yum Brands was quick to seize on the potential of China's massive population: in 1987, its KFC restaurants became the first fast-food chain to enter China, and its Pizza Hut brand was the first pizza chain there in 1990. Today the company has more than 6,000 restaurants in the country with plans to open hundreds more. More than half the company's sales are made in China. Behind the success of this overseas expansion is a willingness to adapt menus to local tastes and develop local management talent.

## The Global Workforce

For today's and tomorrow's employers, talent comes from a global workforce. Organizations with international operations hire at least some of their employees in the foreign countries where they operate. In fact, regardless of where their customers are located, organizations are looking overseas to hire talented people willing to work for less pay than the U.S. labor market requires. The efforts to hire workers in other countries are common enough that they have spurred the creation of a popular name for the practice: offshoring. Just a few years ago, most offshoring involved big manufacturers building factories in countries with lower labor costs. But today it is so easy to send information and software around the world that even start-ups are hiring overseas. During the 2000s, large U.S.-based multinational companies were shrinking their domestic employment while hiring overseas. Even when they made cuts overseas during the last recession, they tended to cut more domestic than foreign workers. The trend was driven by more than labor costs: demand for the companies' products was often growing faster in other parts of the world. More recently, however, the offshoring trend has slowed. Labor costs in popular locations such as China have risen, and some companies have even announced plans for *reshoring*, or reestablishing some of their operations in North America.

Hiring in developing nations such as India, Mexico, and Brazil gives employers access to people with potential who are eager to work yet who will accept lower wages than elsewhere in the world. Challenges, however, may include employees' lack of familiarity with technology and corporate practices, as well as political and economic instability in the areas. Important issues that HR experts can help companies weigh include whether workers in the offshore locations can provide the same or better skills, how offshoring will affect motivation and

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## Best Practices

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### Outsourcing Enriches the Bottom Line for Land O'Lakes

Land O'Lakes is an example of a company that has successfully reduced costs by outsourcing human resource activities. Best known for its butter and other dairy products, the company is a food and agriculture cooperative owned by the farmers who participate in the business. The co-op's 10,000 employees work toward a strategy of delivering strong financial performance for its farmer-owners while providing programs and services that help the farmers operate more successfully.

In support of that strategy, Pam Grove, the senior director of benefits and HR operations, led Land O'Lakes to outsource the administration of employee benefits. Management determined that benefits administration was not an activity that contributed to the company's strategy, and Land O'Lakes already had successfully used an outside firm to administer its 401(k) retirement savings plan. So Grove arranged to have a firm administer its health insurance and pension plans as well.

Outsourcing achieved the basic goal of reducing costs, but that was not the only advantage. Grove freed up time for focusing on strategy-related activities, and she says the outsourcing arrangement also has improved service to employees. When the company tackled health benefit costs by offering a high-deductible health plan, which shifts spending decisions to employees, Grove and her staff visited 100 Land O'Lakes locations to explain the new option. Employee enrollment was double her expectations, helping the company save millions of dollars while keeping employees satisfied with their benefits.

#### Questions

1. When does outsourcing make strategic sense for an organization such as Land O'Lakes?
2. How does Grove ensure that a cost-conscious practice such as outsourcing is well received by employees?

Sources: Land O'Lakes Inc., "Company," <http://www.landolakesinc.com>, accessed April 22, 2014; Land O'Lakes Inc., "Careers," <http://www.landolakesinc.com/careers>, accessed April 22, 2014; Susan J. Wells, "Benefits Strategies Grow: And HR Leads the Way," *HR Magazine*, March 2013.

recruitment of employees needed in the United States, and whether managers are well prepared to manage and lead offshore employees. At the same time, as companies based in these parts of the world are developing experienced employees and managers, they are becoming competitors for global talent. Information technology companies based in India, for example, have in recent years increased their hiring of employees in the United States and Europe. This poses a new challenge for U.S. recruiters who may need to improve their tactics and offers if they want to win the war for the best talent.

Even hiring at home may involve selection of employees from other countries. The beginning of the 21st century, like the beginning of the last century, has been a time of significant immigration, with over a million people obtaining permanent resident status in 2012 alone. Figure 7.6 shows the distribution of immigration by continent of origin. The impact of immigration is especially large in some regions of the United States, with the largest immigrant populations being in the cities and suburbs of New York, Los Angeles, Miami, Chicago, and Houston. About 7 out of 10 foreign-born workers are Hispanics and Asians. Employers in tight labor markets—such as those seeking experts in computer science, engineering, and information systems—have been especially likely to recruit international students.

#### **International Assignments**

Besides hiring an international workforce, organizations must be prepared to send employees to other countries. This requires HR expertise in selecting employees for international assignments and

preparing them for those assignments. Employees who take assignments in other countries are called expatriates.

U.S. companies must better prepare employees to work in other countries. The failure rate for U.S. expatriates is greater than that for European and Japanese expatriates. To improve in this area, U.S. companies must carefully select employees to work abroad based on their ability to understand and respect the cultural and business norms of the host country. Qualified candidates also need language skills and technical ability.

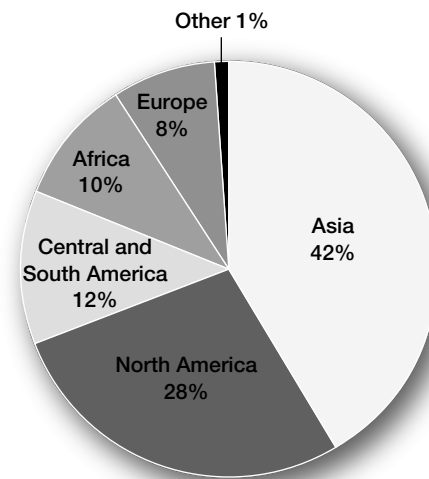
#### LEARNING OUTCOME 7.4

### TECHNOLOGICAL CHANGE IN HRM

Advances in computer-related technology have had a major impact on the use of information for managing human resources. Large quantities of employee data (including training records, skills, compensation rates, and benefits usage and cost) can easily be stored on personal computers and manipulated with user-friendly spreadsheets or statistical software. Often these features are combined in a human resource information system (HRIS), a computer system used to acquire, store, manipulate, analyze, retrieve, and distribute information related to an organization's human resources. An HRIS can support strategic decision making, help the organization avoid lawsuits, provide data for evaluating programs or policies, and support day-to-day HR decisions. Table 7.2 describes some of the technologies that may be included in an organization's HRIS.

Source: Department of Homeland Security, Office of Immigration Statistics, "U.S. Legal Permanent Residents: 2012," *Annual Flow Report*, March 2013, Table 3, p. 4, www.dhs.gov.

**Fig. 7.6** Where Immigrants to the United States Came from in 2012



**TABLE 7.2** New Technologies Influencing HRM

Technology	What it Does	Example
Internet portal	Combines data from several sources into a single site; lets user customize data without programming skills.	A company's manager can track labor costs by work group.
Shared service centers	Consolidate different HR functions into a single location; eliminate redundancy and reduce administrative costs; process all HR transactions at one time.	AlliedSignal combined more than 75 functions, including finance and HR, into a shared service center.
Cloud computing, such as application service providers (ASPs)	Lets companies rent space on a remote computer system and use the system's software to manage its HR activities, including security and upgrades.	KPMG Consulting uses an ASP to host the company's computerized learning program.
Business intelligence	Provides insight into business trends and patterns and helps businesses improve decisions.	Managers use the system to analyze labor costs and productivity among different employee groups.
Data mining	Uses powerful computers to analyze large amounts of data, such as data about employee traits, pay, and performance.	Managers can identify high-potential employees throughout a large organization and offer them development opportunities.

The support of an HRIS can help HR professionals think strategically. As strategies are planned, implemented, and changed, the organization must be constantly prepared to have the right talent in place at all levels. This requires keeping track of an enormous amount of information related to employees' skills, experience, and training needs, as well as the organization's shifting needs for the future. An HRIS can support talent management by integrating data on recruiting, performance

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management, and training. Integrating the data means, for example, that the HRIS user can see how specific kinds of recruiting, hiring, and training decisions relate to performance success. This helps HR professionals identify how to develop the organization’s talent and where to recruit new talent so that an ongoing supply of human resources is available to fill new positions or new openings in existing positions.

**Electronic Human Resource Management (e-HRM)**

Many HRM activities have moved onto the Internet. Electronic HRM applications let employees enroll in and participate in training programs online. Employees can go online to select from items in a benefits package and enroll in the benefits they choose. They can look up answers to HR-related questions and read company news, perhaps downloading it as a podcast. This processing and transmission of digitized HR information is called electronic human resource management (e-HRM).

E-HRM has the potential to change all traditional HRM functions. For example, employees in different geographic areas can work together. Use of the Internet lets companies search for talent without geographic limitations. Recruiting can include online job postings, applications, and candidate screening from the company’s website or the websites of companies that specialize in online recruiting, such as Monster.com or CareerBuilder. Employees from different geographic locations can all receive the same training over the company’s computer network.

Technology trends that are shaping Internet use are also shaping e-HRM. One example, is social networking. Table 7.3 identifies some ways that creative organizations are applying social networking tools to human resource management.

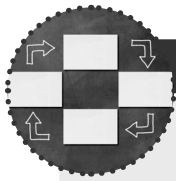
**TABLE 7.3** HRM Applications for Social Networking

Application	Purpose
Sites for capturing, sharing, storing knowledge	Preserving knowledge that otherwise could be lost when employees retire
Online surveys to gather employees’ opinions	Increasing employees’ engagement with the jobs and the organization
Networking tools to create online expert communities	Identifying employee expertise and making it available to those who can apply it
Online discussions, such as commenting tools	Promoting creativity and innovation
Sites where users can post links to articles, webinars, training programs, and other information	Reinforcing lessons learned during training and on-the-job experience
Instant messaging and other communication tools to use with mentors and coaches	Providing employee development through mentoring and coaching
Site where the HR department posts job openings and responds to candidates’ questions	Identifying and connecting with promising job candidates

Sources: P. Brotherson, “Social Networks Enhance Employee Learning,” *T + D*, April 2011, pp. 18–19; T. Bingham and M. Connor, *The New Social Learning* (Alexandria, VA: American Society for Training and Development, 2010); M. Derven, “Social Networking: A Frame for Development,” *T + D*, July 2009, pp. 58–63; M. Weinstein, “Are You Linked In?” *Training*, September/October 2010, pp. 30–33.

Another recent technology trend is *cloud computing*, which generally refers to arrangements in which remote server computers do the user’s computing tasks. Thus, an organization that once owned a big mainframe computer to process data for payroll and performance data could contract with a service provider to do the data processing on its computer network and make the results available online. Access to cloud computing makes powerful HRIS tools available even to small organizations with limited computer hardware. Some organizations specialize in offering such services. An example is Workday, which hosts software for human resource management, including workforce planning, job design, analysis of compensation to make sure it is aligned with performance, and assessment of the organization’s skills and training needs.

Privacy is an important issue in e-HRM. A great deal of HR information is confidential and not suitable for posting on a website for everyone to see. One solution is to set up e-HRM on an *intranet*, which is a network that uses Internet tools but limits access to authorized users in



## HR How To

### Providing HR Services on Mobile Devices

Software companies are creating apps that let employees view their pay stubs, request time off, check the amounts of their bonuses, fill out and approve time sheets, look up coworkers in company directories, and more. At the same time, a growing number of employees expect to be able to use their mobile devices for looking up work-related information. Given the possibility of and pressure for mobile HRM, here are some guidelines for making it work:

- Learn which mobile devices employees are using. Make sure applications will run properly on all the devices.
- Set priorities for introducing mobile applications that support your company's strategy.
- Make sure your company has mobile-friendly versions of its careers website. Many of today's job hunters are looking for leads on their mobile devices, and they expect to be able to submit an application that way.
- If your company uses online training, create versions that run well on mobile devices.
- Select vendors that not only have software for existing mobile devices but also will be flexible as hardware changes. Check references to find out whether vendors have a history of keeping up with changing technology.
- Investigate the security protection built into any app you are considering.
- Test mobile HRM apps to be sure they are easy to use and understand.

#### Questions

1. How could offering a mobile version of its careers website support an organization's strategy?
2. What could be an advantage of using a software vendor for mobile HR apps, instead of having your organization's employees create the apps?

Sources: Dave Zielinski, "The Mobilization of HR Tech," *HR Magazine*, February 2014, Business Insights: Global, <http://bi.galegroup.com>; Jennifer Alsever, "Objective: Hire Top Talent," *Fortune*, January 23, 2014, <http://money.cnn.com>; Tom Keebler, "New Considerations for HR Service Delivery Success: Where to Begin?" *Workforce Solutions Review*, December 2013, pp. 17-19.

the organization. With any e-HRM application, however, the organization must ensure that it has sufficient security measures in place to protect employees' privacy.

### Sharing of Human Resource Information

Information technology is changing the way HR departments handle record keeping and information sharing. Today, HR employees use technology to automate much of their work in managing employee records and giving employees access to information and enrollment forms for training, benefits, and other programs. As a result, HR employees play a smaller role in maintaining records, and employees now get information through self-service. This means employees have online access to information about HR issues such as training, benefits, compensation, and contracts; go online to enroll themselves in programs and services; and provide feedback through online surveys. Today, employees routinely look up workplace policies and information about their benefits online, and they may receive electronic notification when deposits are made directly to their bank accounts.

Self-service is especially convenient when combined with today's use of mobile computing devices such as smartphones and tablet computers. For example, organizations that use the services of ADP can download a free mobile app that enables employees to look up their payroll and benefits information. Employees can use the app to fill out their time sheet or look up their 401(k) (retirement savings plan) contributions and balance. Employers can use the app to deliver company news or offer a directory with employees' contact information. To read more ideas for providing HR applications on mobile devices, see the "HR How To" box.

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A growing number of companies are combining employee self-service with management self-service, such as the ability to go online to authorize pay increases, approve expenses, and transfer employees to new positions. More sophisticated systems extend management applications to decision making in areas such as compensation and performance management. To further support management decisions, the company may create an *HR dashboard*, or a display of how the company is performing on specific HR metrics, such as productivity and absenteeism. For example, Cisco Systems helps with talent management by displaying on its HR dashboard how many of its people move and why. The data can help management identify divisions where the managers are successfully developing new talent.

In the age of social networking, information sharing has become far more powerful than simply a means of increasing efficiency through self-service. Creative organizations are enabling information sharing online to permit a free flow of knowledge among the organization's people. Essilor International uses social networking to improve learning in the 40 countries where it makes and sells lenses for use by eye doctors. Trainers share knowledge of what is working best for them: for example, a Thai lens-processing center came up with a game to teach workers to understand lens shapes and then made it available online. A more dramatic application of social networking to human resource management is the talent management at Morning Star, a California tomato processor. Morning Star has no formal hierarchy or job descriptions. Instead, each employee writes a letter describing his or her responsibilities. As the company has grown to hundreds of full-time employees, it began to use a database of the employees' letters. Employees can go into the database to modify their letters, search for employees with needed experience, or offer one another feedback related to the commitments they made in their letters.

**LEARNING OUTCOME 7.5**

**CHANGE IN THE EMPLOYMENT RELATIONSHIP**

Technology and the other trends we have described in this chapter require managers at all levels to make rapid changes in response to new opportunities, competitive challenges, and customer demands. These changes are most likely to succeed in flexible, forward-thinking organizations, and the employees who will thrive in such organizations need to be flexible and open to change as well. In this environment, employers and employees have begun to reshape the employment relationship.

**A Psychological Contract**

We can think of that relationship in terms of a psychological contract, a description of what an employee expects to contribute in an employment relationship and what the employer will provide the employee in exchange for those contributions. Unlike a written sales contract, the psychological contract is not formally put into words. Instead, it describes unspoken expectations that are widely held by employers and employees. In the traditional version of this psychological contract, organizations expected their employees to contribute time, effort, skills, abilities, and loyalty. In return, the organizations would provide job security and opportunities for promotion.

However, this arrangement is being replaced with a new type of psychological contract. Companies expect employees to take more responsibility for their own careers, from seeking training to balancing work and family. These expectations result in less job security for employees, who can count on working for several companies over the course of a career. In exchange for top performance and working longer hours without job security, employees want companies to provide flexible work schedules, comfortable working conditions, more control over how they accomplish work, training and development opportunities, and financial incentives based on how the organization performs. Employees realize that companies cannot provide employment security, so they want *employability*. This means they want their company to provide training and job experiences to help ensure that they can find other employment opportunities.

In the federal government's most recent survey of employee tenure, workers age 25 and older report they had been working with their present employer for a median of just 4.6 years. Workers 55 and older tend to have a much longer tenure, and so do workers in government jobs. Still, if four and a half years with a company is typical, this amounts to many employers in the course of one's career. In fact,

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### Check Your Progress

When an organization decides to operate facilities in other countries, how can HRM practices support this change?

some employees engage in *job hopping*, the intentional practice of changing jobs frequently—say, every year or two (see the “Did You Know?” box). Job hopping can be appealing to an employee as a way to stave off boredom and win some rapid increases in pay and responsibility. Some employees even are able to pick short-term jobs that give them valuable, carefully targeted experiences. However, there are some significant disadvantages. Every time the employee starts with a new employer, the employee needs to learn a new network of contacts and a new set of policies and procedures. This can slow down the employee’s ability to learn a career in depth and reduce the employee’s value to each employer. Therefore, employers tend to be wary of a job candidate who seems to have a history of job hopping. They may interpret job hopping as evidence of a character flaw such as inability to make a commitment or lack of conscientiousness. Often, employees can enjoy variety, develop skills, and build an interesting career without job hopping by asking for challenging assignments and cultivating a network of professional contacts within their present company.

## Declining Union Membership

Another trend affecting the employment relationship has been ongoing for several decades. The percentage of employees who belong to unions has been declining since the 1980s. Outside of government agencies, fewer U.S. workers today are union members. This trend is consistent with the idea of individual workers taking responsibility for their own careers. Whereas once many workers saw strength in numbers from joining a union, perhaps workers of the Internet era will prefer using numbers a different way: finding salary data and employer reviews online to negotiate their own career paths.

### LEARNING OUTCOME 7.6

## Flexibility

The psychological contract largely results from the HRM challenge of building a committed, productive workforce in turbulent economic conditions—conditions that offer opportunity for financial success but can also quickly turn sour, making every employee expendable. From the organization’s perspective, the key to survival in a fast-changing environment is flexibility. Organizations want to be able to change as fast as customer needs and economic conditions change. Flexibility in human resource management includes flexible staffing levels and flexible work schedules.

### Flexible Staffing Levels

A flexible workforce is one the organization can quickly reshape and resize to meet its changing needs. To be able to do this without massive hiring and firing campaigns, organizations are using more alternative work arrangements. Alternative work arrangements are methods of staffing other than the traditional hiring of full-time employees. There are a variety of methods, with the following being most common:

- *Independent contractors* are self-employed individuals with multiple clients.
- *On-call workers* are persons who work for an organization only when they are needed.
- *Temporary workers* are employed by a temporary agency; client organizations pay the agency for the services of these workers.
- *Contract company workers* are employed directly by a company for a specific time specified in a written contract.

However, employers need to use these options with care. In general, if employers direct workers in the details of how and when they do their jobs, these workers are legally defined as employees, not contractors. In that case, employers must meet the legal requirements for paying the employer’s share of Social Security, Medicare, and unemployment insurance.

Recent research suggests that the use of contingent workers has been growing and has surpassed 2 million workers in the United States and one-fourth of total work hours. Employers once mainly relied on contingent workers to fill administrative jobs, but now turn to contingent work arrangements for production workers, technical support, and even some professional tasks, such as graphic design, engineering, and finance. A major reason for the popularity of contingent work arrangements is that paying contractors enables an organization to pay only for completion of specific tasks and therefore to control costs.

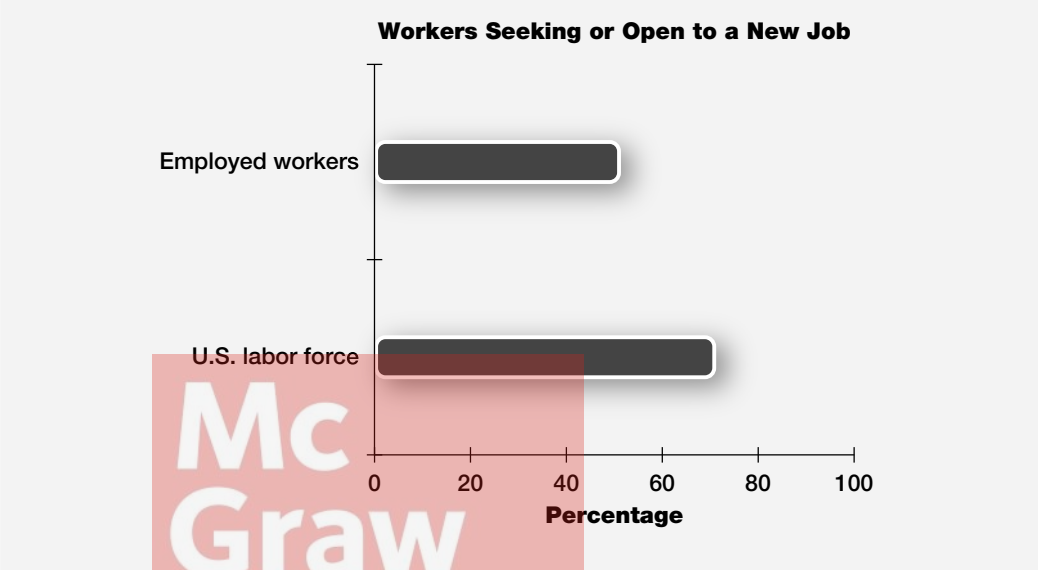
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## Did You Know?

### Half of U.S. Employees Interested in Changing Jobs

Half of employed workers are looking for a new job or would welcome an offer, according to a U.S. survey by the Jobvite software company. Looking at both employed and unemployed workers, Jobvite found that 71% are actively seeking or open to a new job. Jobvite's CEO notes that workers with mobile devices are looking for jobs "all the time."



**Question**

What challenges and opportunities do employers face in a climate where half of an organization's employees feel ready to leave?

Sources: Bureau of National Affairs, "Half of Workers Open to or Actively Seeking New Job, Jobvite Survey Finds," *HR Focus*, March 2014, p. 16; Dinah Wisenberg Brin, "Study: Most U.S. Workers Willing to Quit," *Society for Human Resource Management*, February 25, 2014, <http://www.shrm.org>; company website, "Jobvite Seeker Nation Study," 2014, <http://recruiting.jobvite.com>.

More workers in alternative employment relationships are choosing these arrangements, but preferences vary. Most independent contractors and contract workers have this type of arrangement by choice. In contrast, temporary agency workers and on-call workers are likely to prefer traditional full-time employment. There is some debate about whether nontraditional employment relationships are good or bad. Some labor analysts argue that alternative work arrangements are substandard jobs featuring low pay, fear of unemployment, poor health insurance and retirement benefits, and dissatisfying work. Sometimes it is difficult or impossible for organizations to know whether these contract workers, located anywhere in the world, have safe working conditions and are not children. Others claim that these jobs provide flexibility for companies and employees alike. With alternative work arrangements, organizations can more easily modify the number of their employees. Continually adjusting staffing levels is especially cost effective for an organization that has fluctuating demand for its products and services. And when an organization downsizes by laying off temporary and part-time employees, the damage to morale among permanent full-time workers is likely to be less severe.

**Flexible Work Schedules**

The globalization of the world economy and the development of e-commerce have made the notion of a 40-hour workweek obsolete. As a result, companies need to be staffed 24 hours a day, seven days a week. Employees in manufacturing environments and service call centers are being asked to work 12-hour days or to work afternoon or midnight shifts. Similarly, professional employees

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face long hours and work demands that spill over into their personal lives. E-mail, texts, and tweets bombard employees with information and work demands. In the car, on vacation, on planes, and even in the bathroom, employees can be interrupted by work demands. More demanding work results in greater employee stress, less satisfied employees, loss of productivity, and higher turnover—all of which are costly for companies.

Many organizations are taking steps to provide more flexible work schedules, to protect employees' free time, and to more productively use employees' work time. Workers consider flexible schedules a valuable way to ease the pressures and conflicts of trying to balance work and nonwork activities. Employers are using flexible schedules to recruit and retain employees and to increase satisfaction and productivity. For Weatherby Healthcare, this kind of flexibility is a good fit with its corporate strategy of providing superior service by "putting people first." Weatherby, a physician staffing company, helps hospitals and other health care institutions find qualified physicians. Weatherby's employees must be skilled at uncovering its clients' culture, needs, and preferences and also be able to identify thousands of top-quality candidates every year, verify their credentials, and discern which clients would be a match for those candidates. To find and keep employees with the necessary level of people skills, Weatherby hires primarily for personal qualities, provides coaching, and works hard to create a positive atmosphere at work. Then they are allowed freedom to get their work done. Eddie Rodriguez, senior marketing coordinator, says, "No one's chained to their desk here." If workers need a break, they are free to go play table tennis or watch the news in the employee lounge. And if they meet their weekly goals by three o'clock on Friday, they are welcome to get an early start on the weekend.

## Key Terms

**Internal labor force** It consists of the organization's workers—its employees and the people who have contracts to work at the organization.

**External labor market** It consists of individuals who are actively seeking employment.

**Knowledge workers** They are employees whose main contribution to the organization is specialized knowledge, such as knowledge of customers, a process, or a profession.

**Employee empowerment** It means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service.

**Teamwork** It is the assignment of work to groups of employees with various skills who interact to assemble a product or provide a service.

**Total quality management** It is a companywide effort to continually improve the ways people, machines, and systems accomplish work.

**Reengineering** It is a complete review of the organization's critical work processes to make them more efficient and able to deliver higher quality.

**Outsourcing** It refers to the practice of having another company (a vendor, third-party provider, or consultant) provide services.

**Expatriates** Employees who take assignments in other countries.

**Electronic human resource management** Processing and transmission of digitized HR information.

## In Review

- An organisation's internal labor force comes from its external labor market—individuals actively seeking employment. In the United States, the labour market is aging and becoming racially and ethnically diverse, with women representing roughly half of the total. Organisations need employees with skills, which may be hard to find. To meet these challenges, organisations may hire employees who lack certain skills, then train them for their jobs.

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- To find and keep the best possible fit between their social system and technical system, HRM recruits and selects employees with broad skills and strong motivation, especially in organisations that rely on knowledge workers. Job design and appropriate systems for assessment and rewards have a central role in supporting employee empowerment and teamwork.
- Employee empowerment means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service. The organisation holds employees accountable for products and services, and in exchange, the employees share in the rewards (or losses) that result. Selection, job design, training, employee feedback, and availing the right information to employees are key issues in employee empowerment.
- HR professionals can support organisational strategies for growth, quality, and efficiency. To do this, they should be familiar with the organisation's strategy and may even play a role in developing the strategy.
- Cost control may focus on a specific issue, such as managing health benefits, or on support for a strategic move such as downsizing, reengineering, or outsourcing. To support cost control through downsizing, employee relations and reengineering are some of the key issues to be addressed.
- HR managers/professionals can support organisations in many ways expanding internationally. HR experts can help organisations determine whether workers in offshore locations can provide the same or better skills, how offshoring will affect motivation and recruitment of employees needed in the United States, and whether managers are prepared to manage offshore employees.
- Technological developments carry a heavy influence on human resource management practices. Information systems for HRM are widely used and often are provided through the Internet. Internet applications include searching for talent globally, using online job postings, screening candidates online, providing career-related information on the organisation's website, and delivering training online. Online information sharing enables employee self-service for many HR needs.
- In today's HRM, employment relations are changing. The employment relationship takes the form of a "psychological contract" that describes what employees and employers expect from the employment relationship, including unspoken expectations that are widely held. Organisations require top performance and longer work hours but cannot provide job security. On the other end, the employees seek flexible work schedules, comfortable working conditions, and greater autonomy, opportunities for training and development, and performance-related financial incentives. This trend differs significantly from traditional version of HRM.

## Multiple-Choice Questions

1. The term \_\_\_\_\_ is a general way to refer to all the people willing and able to work.
 

(a) 'labour force'	(b) 'trade union'
(c) 'external labour market'	(d) 'HR professional'
2. Who are required to be aware of trends in the composition of the external labor market because these trends affect the organisation's options for creating a well-skilled, motivated internal labour force?
 

(a) Board of directors	(b) Human resource professionals
(c) Departmental heads	(d) Trade union members and union leaders
3. As more and more of the workforce reaches retirement age, some companies have set up \_\_\_\_\_ between older and younger workers so that knowledge is not lost but passed on.
 

(a) retirement schemes
(b) mentoring programs
(c) training programs improve technological skills
(d) employee benefit schemes

4. Which one statement is inconsistent with forecasts made by the Bureau of Labor Statistics (BLS), the United States?
  - (a) The BLS has projected that from 2012 to 2022, the total US civilian labour force will grow from 155 million to 163 million workers.
  - (b) This 5.5% increase in civilian labour force is noticeably lower than the more than 13% increase experienced during the 1990s.
  - (c) The 25- to 44-year-old group will increase its numbers only slightly, so its share of the total workforce will fall.
  - (d) None of the above
5. Pick the incorrect statement.
  - (a) Today's older generation includes many people who are in no hurry to retire.
  - (b) People of the old generation may enjoy making a contribution at work, and have ambitious plans for which they want to earn money.
  - (c) Many of these give older employees a chance to act as assistants to their younger colleagues.
  - (d) Older workers often want to be allowed to gradually move toward retirement by working part-time or taking temporary assignments.
6. As per Age Distribution of US Labour Force, 2012 and 2022 ), in the year for 2022 \_\_\_\_\_ % people of the US labour force will be 25 to 54 years old.
  - (a) 63
  - (b) 36
  - (c) 65
  - (d) 56
7. In relation to change affecting the US labour force in 2022, the workforce is expected to be....white African-American, and \_\_\_\_\_ Asian and other minorities.
  - (a) 80%, 10%, 10%
  - (b) 60%, 20%, 20%
  - (c) 75%, 20%, 5%
  - (d) 78%, 12%, 10%
8. The employers of \_\_\_\_\_ are pressing for immigration laws to allow a greater supply of foreign-born workers.
  - (a) computer software development
  - (b) construction and farming
  - (c) services
  - (d) all types of industries
9. \_\_\_\_\_ of the US labour force challenges employers to create HRM practices that ensure they fully utilise the talents, skills, and values of all employees.
  - (a) The greater availability
  - (b) The greater diversity
  - (c) The greater scarcity
  - (d) The greater uniformity
10. On the basis of contents in the chapter, which one is not the benefit of greater workforce diversity?
  - (a) Use workforce diversity to gain a competitive advantage.
  - (b) Diversity is important for encouraging innovation.
  - (c) Diverse workforce ensures that employees are representative of that community.
  - (d) Workforce diversity always works against satisfactory performance, and hence organisations should restrict workforce diversity.

## NOTES

**Key to MCQs**

1. (a) 2. (b) 3. (b) 4. (d) 5. (c) 6. (a) 7. (d) 8. (a) 9. (b) 10. (d)

## Concept Questions

1. How does each of the following labor force trends affect HRM?
  - (a) Aging of the labor force.
  - (b) Diversity of the labor force.
  - (c) Skill deficiencies of the labor force.
2. At many organizations, goals include improving people's performance by relying on knowledge workers, empowering employees, and assigning work to teams. How can HRM support these efforts?



**NOTES**

3. How do HRM practices such as performance management and work design encourage employee empowerment?
4. Merging, downsizing, and reengineering all can radically change the structure of an organization. Choose one of these changes, and describe HRM's role in making the change succeed. If possible, apply your discussion to an actual merger, downsizing, or reengineering effort that has recently occurred.

