

TWELFTH EDITION

Fundamentals of

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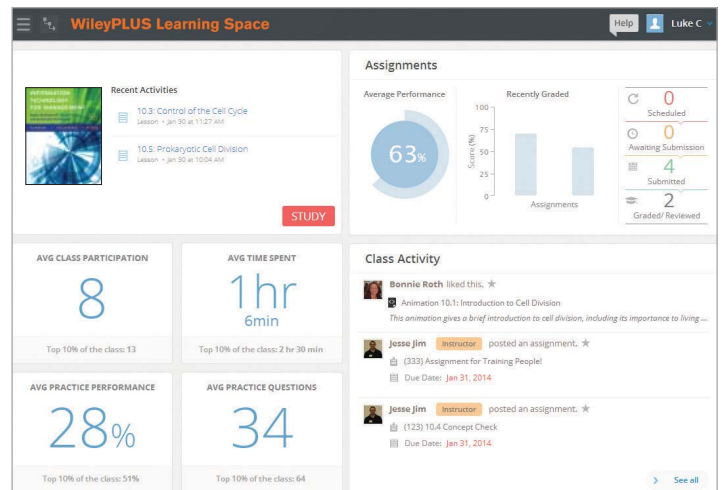
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# Fundamentals of Human Resource Management

Twelfth  
Edition

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# Preface

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

When organizations face challenges, they depend on thoroughly trained professionals who react quickly to the changes in the environment and create strategies for success. Human Resource Management (HRM) is responsible for carefully selecting and training people with the necessary skills to pursue the strategy effectively. Some external factors can be predicted with a degree of certainty. Others such as the collapse of large banks and insurance companies, can seemingly come out of nowhere. Business challenges arrive with little warning and organizations struggle to adjust strategy in the face of an increasingly global business environment, rapidly changing technology, shortages of skilled labor, legal and political changes, changes in the sociocultural environment—just to name a few!

Welcome to the 12th edition of *Fundamentals of Human Resource Management*. It is truly an exciting time to be studying Human Resource Management. We appreciate that you are taking time to read this preface to get a better understanding of the text and the resources for learning it includes.

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

## About the Book

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

- Employee and labor relations
- Employment law
- Ethics
- HR's role in organizations
- Managing a diverse workforce
- Outcomes: metrics and measurement of HR



- Performance management
- Staffing: recruitment and selection
- Strategic HR
- Total rewards (compensation and benefits)
- Training and development
- Workforce planning and talent management

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

## New to This Edition

- Revised learning objectives that are clearly aligned to course content.
- HRM Workshop at the end of each chapter has been extensively revised to include thought-provoking activities with links to learning objectives that encourage students to apply concepts, use critical thinking skills, and research HR best practices.
- Two case application activities for each chapter that require realistic application of HR concepts.
- Thorough update of all content including the following:

**New to Chapter 1:** Expanded coverage of technology and HR and introduction to legal issues. Updated coverage of diversity and inclusion. Introduction to sustainability and HR. New case that highlights ethics, technology, diversity, and work-life balance.

**New to Chapter 2:** New chapter opener that introduces strategy and metrics with an application to baseball. Expanded coverage of the evolution of management and management functions. All new comprehensive coverage of the relationship of HR and strategic management plus how HRIS helps track progress toward strategic goals. New section introducing Talent Management. New case that requires students to evaluate strategy and implement Talent Management at a growing super-market chain.

**New to Chapter 3:** New chapter opener with interactive quiz on sexual harassment. Expanded coverage of how HR can help prevent sexual harassment. New case exploring handling of harassment and retaliation.

**New to Chapter 4:** New chapter opener on employees that made really poor decisions with communication technology. Updated and expanded coverage of social media and preventing problems that may arise. Expanded coverage of discipline policies and procedures. New case that deals with the controversial issue of guns in the workplace, laws, and policies.

**New to Chapter 5:** New chapter opener introducing HR planning at Samsung. Expanded coverage of the importance of strategy in HR planning and how HRIS can be a valuable asset. Discussion of companies abandoning telecommuting as a strategic decision. New case that requires students to apply concepts of talent management to a company in transition.

**New to Chapter 6:** Extended coverage of employment branding and writing effective job postings. New features on what it takes to be an effective recruiter and how to get a first job in human resources. New case requiring students to assist an organization with recruiting problems.

**New to Chapter 7:** New chapter opener introducing an award program for employers hiring applicants with significant barriers. Expanded coverage of interview methods including advice from experienced interviewers. Updated information on reference

checking with more practical advice from an experienced manager. New case requiring students to find and correct a flawed interview process. New case requiring application of testing validity, impression management, and interviewer bias.

**New to Chapter 8:** Extensively revised and updated coverage of onboarding and socialization. Significant revision of employment training applying the Analyze, Design, Develop, Implement, and Evaluate (ADDIE) model. New case application requiring students to redesign onboarding, training, and development for a hospice. New case application highlighting innovative training and development at Whirlpool.

**New to Chapter 9:** New feature of the best practices in career development at Baxter. Expanded coverage of the role of managers in assisting with employee career development and ways employees can take responsibility for their own career development: updated career statistics, resources, and advice. New case application focusing on diagnosing employee unhappiness with career development programs. New case on Walmart's Leadership Academy.

**New to Chapter 10:** New chapter opener examining the value of performance appraisals and controversial suggestions to abolish the practice. Reorganized, updated, and expanded coverage of the purpose and process of performance management. New case application illustrating the use of technology in revising the appraisal process at Jelly Belly.

**New to Chapter 11:** Increased application of the Total Rewards approach to compensation and benefits. Updated examples and coverage of pay secrecy. Significantly expanded coverage of the influence and applications of the Fair Labor Standards Act. Revised and updated coverage of compensation. New case involving FLSA violations in the hospitality industry.

**New to Chapter 12:** New chapter opener on the benefits of allowing employees to bring dogs in the workplace. New coverage of benefits planning. Updated and revised coverage of health insurance and other voluntary benefits. New case allowing students to evaluate the benefits offerings and options for an employee dealing with life changes.

**New to Chapter 13:** Expanded coverage of OSHA inspection procedures and employer obligations. New coverage of bullying in the workplace. Updated explanation and terminology for musculoskeletal disorders in the workplace. New case requiring students to evaluate a situation for discipline, safety, bullying, or workplace violence. New case requiring students to evaluate OSHA actions.

**New to Chapter 14:** New chapter opener on politics and support for unions. Expanded coverage of the union-organizing process, collective bargaining, and contract administration. New feature on Northwestern University Football efforts to form a union. New feature on the ethics of strikes and lockouts. New case examining the effect of West Coast dockworker labor dispute on employers depending on imports and exports.

## Features to Encourage Learning

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

**Learning Outcomes** Revised and updated to provide goals and guidance.

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

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

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

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

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

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

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

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

## Supplemental Material

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

### Instructor's Resource Guide

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

### PowerPoint

A robust set of PowerPoint slides developed to help enhance your lectures are provided for each chapter. An image bank, containing all of the illustrations from the text, is also provided for inclusion in PowerPoint presentations. The slides have also been provided in handout form on the student companion site.

### Test Bank

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

### Computerized Test Bank

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

### Video Package

This course contains a selection of video clips that relate to various topics throughout the text, available on both the instructor and student companion sites. These can be used to introduce topics, provide group activities during class, or provide background for class discussion. A learning guide for the videos is available on the instructor companion website.

### Student Web Quizzes

Online quizzes, varying in level of difficulty, are designed to help students evaluate their individual chapter progress. Here, students will have the ability to test themselves with 15 questions per chapter.

## WileyPLUS Learning Space

The factors that contribute to success—both in college and in life—aren't comprised of intellectual capabilities alone. In fact, there are other traits, strategies, and even daily habits that contribute to the overall picture of success. Studies show that people who can delay instant gratification, work through tasks even if they are not immediately rewarding, and follow through with a plan have the skills that are not only valuable in the classroom, but also in the workplace and their personal lives.

A place where students can define their strengths and nurture these skills, *WileyPLUS Learning Space* transforms course content into an online learning community. *WileyPLUS Learning Space* invites students to experience learning activities, work through self-assessment, ask questions and share insights. As they interact with the course content, peers and their instructor, *WileyPLUS Learning Space* creates a personalized study guide for each student.

As research shows, when students collaborate with each other, they make deeper connections to the content. When students work together, they also feel part of a community so that they can grow in areas beyond topics in the course. With *WileyPLUS Learning Space*, students are invested in their learning experience and can use their time efficiently as they develop skills like critical thinking and teamwork.

Through a flexible course design, you can quickly organize learning activities, manage student collaboration, and customize your course—having full control over content as well as the amount of interactivity between students.

*WileyPLUS Learning Space* lets you:

- Assign activities and add your own materials
- Guide your students through what's important in the interactive e-textbook by easily assigning specific content
- Set up and monitor group learning
- Assess student engagement
- Gain immediate insights to help inform teaching

Defining a clear path to action, the visual reports in *WileyPLUS Learning Space* help both you and your students gauge problem areas and act on what's most important.

With the visual reports, you can:

- See exactly where your students are struggling for early intervention
- Help students see exactly what they don't know to better prepare for exams
- Give students insight into their strengths and weaknesses so that they can succeed in your course

## Acknowledgments

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

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

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**From Steve:** To Laura for all that she brings to my life.

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

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Courtesy of Coastal Carolina University

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Courtesy of Paul Blaser, Blaser Photography

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Susan and her family enjoy traveling and sailing.



# The Dynamic Environment of HRM

William Perlman/Star Ledger/Corbis



**N**ow and then a disaster strikes a community with a ferocity that is beyond the worst-case scenario. Typhoon Haiyan struck the Philippines killing nearly 6,000; displacing 3.6 million<sup>1</sup>; and nearly wiping out the infrastructure for communications, electricity, and transportation. Hurricane Sandy caused unprecedented damage when it struck the eastern United States, leaving millions without electricity for weeks and in some cases, months. During times like these, many people turn to their employers for help as they try to regain some sense of stability, and Human Resource (HR) professionals are often the key to a successful recovery effort for both businesses and communities as they seek safety, support, and the basics of life.

This scenario has been played out in many communities worldwide during recent disasters, including wildfires, tornadoes, flooding, hurricanes, earthquakes, tsunamis, economic meltdowns, and overthrown governments. These disasters have a ripple effect and are challenging not only for local employers but also for a host of multinational companies that have interests in the country affected. The role of the HR professional can vary widely depending on the magnitude of the disaster and the size of the company. In a large organization, HR may work with the risk management, security, communications, and PR

departments to coordinate a comprehensive response. This may include providing employees with protection, transportation, communication, shelter, food, and possibly even evacuation.

Natural disasters are only part of the complex environment faced by HR professionals operating in a global environment. Political unrest can also put employees in peril. In countries such as Egypt, Libya, Yemen, and Syria, HR professionals have had to track down missing or kidnapped employees or arrange to evacuate employees to safety by ferry or chartered aircraft.<sup>2</sup>

The complicated scenarios involved in managing a worldwide workforce will only multiply as more businesses have global interests and multinational corporations continue to grow. Welcome to the dynamic environment of Human Resource Management (HRM) in our changing world. Fasten your seat belt and grab some fresh batteries. You're in for a wild ride.

## Looking Ahead

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

## LEARNING OUTCOMES

After reading this chapter, you will be able to:

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

## Introduction

Disaster relief probably isn't the first thing you thought you would learn about in an HRM textbook. Fortunately, catastrophic disasters are rare, but almost anything that concerns the well-being of the people in an organization is the concern of HR professionals. When disaster strikes a community, people often turn to their employers for support, stability, and safety. This places enormous pressure on HRM to anticipate and prepare for the unexpected, whether it is a natural disaster, technological change, political, or economic volatility. The majority of environmental changes faced in global business are not of the life-or-death variety, but it's important to recognize forces in our business environment that affect the expectations of employees as well as customers, and that's what we are going to discuss in this chapter.

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

## Globalization

### globalization

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

### multinational corporations (MNCs)

Corporations with significant operations in more than one country.

### transnational corporation

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

The process of making transactions across international borders is called **globalization**. The number of organizations seeking to find a talented workforce, advanced technology, suppliers, trade information, transfer capital, and move products has increased dramatically over the last 20 years due to a variety of factors, including technology and the Internet.<sup>3</sup> As globalization accelerates, national borders reduce in importance to business and global economies become more interdependent.

**Multinational corporations (MNCs)** are typically based in a home country, but have significant operations in many other countries. This allows them to extend their production and distribution on a regional or global basis to take advantage of the resources and markets in other countries. These opportunities for growth have enabled many organizations to develop extensive international operations with subsidiaries in many countries, no longer identifying with a single "home" country, earning the title of **transnational corporation**. General Electric is a good example of one of the largest transnational companies with more than 70 percent of its over \$500 billion in assets held outside the United States and over half of their approximately 300,000 employees based abroad.<sup>4</sup>



Other familiar multinational and transnational companies include Toyota, Nestle, Anheuser-Busch InBev, and Exxon Mobil. These organizations are able to take advantage of the global pool of talent and resources as opportunities arise. This requires HRM professionals to adapt to cultures, legal systems, and business practices in many different countries and ensure that employees with the appropriate mix of knowledge, skills, and cultural adaptability are available and ready to handle global assignments. Throughout this book, we will examine many of the challenges involved in staffing, training, developing, motivating, and maintaining a global workforce. In spite of these challenges, many U.S.-based organizations such as Microsoft, FedEx, and Marriott have been recognized by the Great Place to Work Institute<sup>5</sup> as multinational companies with at least 40 percent of their workforce outside their home country and great working environments in their worldwide operations.

## Understanding Cultural Environments

The rise of multinational and transnational corporations places new requirements on human resource managers to understand global and organizational cultures and to ensure that employees have the appropriate mix of knowledge, skills, and adaptability to operate within those cultures. **Culture** is defined as the patterns or thought and behavior that distinguish one group of people from another.<sup>6</sup> When background, language, custom, or age differences increase, employee conflict is likely to become more of an issue. HRM must make every effort to educate groups on cultural differences and to find ways to build teams and reduce conflict.

The variety of values, ethics, religious practices, customs, economic environments, and political and legal systems in the world puts enormous pressure on HR professionals and managers to understand the circumstances of each country in its own context. The perception of societal issues, such as status, might affect operations in another country. For example, in France, status is often the result of factors important to the organization, such as seniority and education. This emphasis is called *ascribed status*. In the United States, status is more a function of what individuals have personally accomplished, also known as *achieved status*. This may be important when developing job descriptions or determining how to use promotions from within as a motivational tool. Organizations that view the global environment solely from a home country perspective will encounter problems. A more appropriate approach is to recognize the cultural dimensions of a country's environment (see Exhibit 1-1).

Research findings allow us to group countries according to such cultural variables as status differentiation, societal uncertainty, and assertiveness.<sup>7</sup> These variables indicate a country's means of dealing with its people and how the people see themselves. For example, in an *individualistic society* such as the United States, people are primarily concerned with themselves and their own family. In a *collective society* (the opposite of an individualistic one) such as that in Japan, people care for all individuals who are part of their group. A strongly individualistic U.S. employee may not work well if sent to a Pacific Rim country, where collectivism dominates without training in how to adapt to the



Uriel Sinai/Getty Images, Inc.

Many organizations have explored expansion to other countries to find new markets and labor sources. McDonald's started expanding internationally in 1967. They now have over 30,000 restaurants in 118 countries.

### culture

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

#### Countries That Value Individualism, and Acquiring Things

United States  
Great Britain  
Australia  
Canada  
Netherlands  
New Zealand

#### Countries That Value Relationships, and Concern for Others

Japan  
China  
Pakistan  
Singapore  
Venezuela  
Philippines

### Exhibit 1-1

#### Cultural Values

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

culture. For example, managers may need to focus on accomplishments of the team rather than individual when appraising job performance in a society that is highly collectivist.

## Technology

Think about the technology you've used today. Did you use a smart phone to take a picture or send a text? Check a social media site to see what's up with friends or update your own status? Check your e-mail or voicemail? Use Wi-Fi on a laptop or iPad? Maybe you're reading this text as an e-book or taking this class online. It's hard to imagine daily life without these, but they are all on CNN's list of the top 25 innovations of the last 25 years.<sup>8</sup>

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

Friedman points out that these forces can't be turned back and will only grow in their impact. Organizations operating in this global environment recognize that this diverse world includes many different nationalities, languages, and cultures. HR professionals need to be prepared for the challenge in welcoming diversity and adapting training.<sup>9</sup>

## Working with Technology

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

### information technology (IT)

Creating and maintaining the technology infrastructure of an organization.

### knowledge workers

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

### information systems (IS)

Using information technology to improve organizational performance.

Technology has been a good news/bad news proposition for workers. While technology has reduced the demand for manufacturing jobs through automation and increased competition with other countries, it has also generated an increase in the demand for service producing and technology positions. Employment in **information technology (IT)** is expected to be among the fastest growing job sectors through 2022, along with online publishing and wireless telecommunications.<sup>10</sup>

Peter Drucker, the late management scholar and consultant, held that the key to the productivity of **knowledge workers** depends on the ability to use technology to locate and use information for decision making.<sup>11</sup> It's increasingly difficult to find careers that do not use any type of technology, requiring HR professionals to be aware of not only technology necessary for HR but also the technology skills necessary for everyone in the organization, including professionals such as registered nurses, accountants, teachers, lawyers, and engineers.

IT refers to the technological infrastructure of an organization. IT professionals select and install hardware and software that suit the organization's information needs and do any customization that is necessary. **Information systems (IS)** is concerned with the way the organization uses IT. IS professionals help determine how IT can enhance decision making, improve organizational performance, and help create competitive advantage. They look into organizational processes such as distribution or finance and determine ways to use technology to operate more efficiently and respond to external

circumstances quickly and effectively. IS professionals are likely to be trained in a business school rather than a computer science school.<sup>12</sup>

## Technology and HR

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

HRIS systems can be tailored to the needs of any size business but are considered necessary for organizations with over 200 employees and can be delivered in a variety of ways. On-premise systems are HR software and hardware installed at the company's place of business and maintained by the employer's own IT staff. Hosted systems are purchased by the employer, but housed at the vendor's site and maintained by the vendor's IT staff. The employer accesses the HR system remotely. **Software as a service (SaaS)** provides the HR services on a subscription basis and is accessed through a web browser, allowing access anywhere the Internet is available. Software as a service businesses of any size is also called a cloud-based service because it's accessed through the Internet. Companies providing SaaS often provide extensive employee access to self-service of HR information through either computers or mobile apps.<sup>13</sup>

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

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

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

**Ethics and Employee Rights** Knowledge workers are susceptible to distractions that can undermine their work effort and reduce their productivity. Electronic surveillance of employees by employers is an issue that pits an organization's desire for control against an employee's right to privacy. Surveillance software only adds to the ethical dilemma of how far an organization should go in monitoring the behavior of employees (see Ethical Issues in HRM, Invasion of Privacy?). Employers concerned about productivity monitor employee's computer use to prevent employees from checking personal e-mail and social media, surfing the web, checking stocks, placing bets at online

### Human Resource Information Systems (HRIS)

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

### software as a service (SaaS)

Software delivered on the Internet on a subscription basis.



Masterfile

Cloud-based software as a service (SaaS) allows organizations of any size to deliver training and other HR services to employees when and where they need it.

**Compensation** It's becoming more difficult today for organizations to find and retain technical and professional employees. Many companies have implemented an extensive list of attractive incentives and benefits rarely seen by nonmanagerial employees in typical organizations, for instance, signing bonuses, stock options, cars, free health club memberships, full-time on-site concierges, and subsidies for mobile phones. Technology is also making compensation more transparent. Online sources such as Glassdoor are making it easier for applicants to compare salaries at prospective employers and current employees to compare salaries within an organization. Pay plans and employee benefits will be addressed in depth in Chapters 11 and 12.

**Communication** Technology breaks down historical organizational communication pattern flows. It also redefines how meetings, negotiations, supervision, and water cooler talk are conducted. For instance, e-mail, instant messaging, Skype, GoToMeeting, Facebook, LinkedIn, Twitter, and other social media allow employees to keep in close contact regardless of position or location. It's just as simple for employees in Baltimore and Singapore to share company gossip as employees who work two cubicles apart.

**Telecommuters** Much of the challenge regarding decentralized work sites revolves around training managers to establish and ensure appropriate work quality and on-time completion. Decentralized work sites remove traditional "face time," and requiring managers develop new ways to motivate workers they may rarely see. Greater employee involvement allows workers the discretion to make decisions that affect them. For instance, although a due date is established for the work assigned to employees, managers must recognize that offsite employees (or telecommuters) will work at their own pace at irregular intervals. Accountability rests with results, not on the means by which they are accomplished. Working from home may also require HRM to rethink its compensation policy. Will it pay workers by the hour, on a salary basis, or by the job performed?

**Competitiveness** Technology tends to level the competitive playing field.<sup>16</sup> It provides organizations, no matter their size or market power, with the ability to innovate, bring products to market rapidly, and respond to customer requests. Remember that Globalization 3.0 allows individuals to compete worldwide in purchasing or providing services. Many companies have found that services in technology, programming, radiology, and financial analysis can be provided by skilled employees in India as easily as an employee in the United States.

casinos, or shopping for presents for family or friends on Cyber Monday. Fantasy football costs employers \$1.1 billion a week in lost productivity, and employees spend over 8 million hours watching NCAA basketball tournament games according to an industry survey.<sup>14</sup> The American Management Association reports that 66 percent of employers monitor employee's Internet use and 28 percent have fired employees for e-mail misuse.<sup>15</sup>

Every organization needs a clear policy that thoroughly explains what is appropriate and inappropriate use of company Internet, e-mail, and social media. Employees need to understand that there is no privacy when they use e-mail, blogs, and social media, and that personal comments and photos are often grounds for discipline if they can be interpreted as discriminatory, harassing, or defamatory. We will take an extensive look at the privacy rights of employees in Chapter 4, and we will study the ethics of HRM throughout this book.

## ETHICAL ISSUES IN HRM

### Invasion of Privacy?

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

- The Food and Drug Administration (FDA) monitored the personal e-mail of several employees who had expressed concerns about the safety of FDA-approved medical devices for 2 years. The employees claim that monitoring violated their rights and whistle-blower laws. An FDA spokesperson responded that FDA employees are reminded when they log on to a government computer they have “no reasonable expectation of privacy.”<sup>17</sup>
- Harvard University searched the e-mail accounts of 16 faculty deans in an attempt to determine who had leaked details of a cheating scandal to the media. This was in violation of Harvard’s policy that required notification when searching faculty e-mails.<sup>18</sup>
- Des Moines Public Schools fired the superintendent after a search of her e-mail account revealed sexually explicit e-mails sent by the married superintendent to her lover using her school e-mail account, iPad, and laptop. The superintendent claimed that the search violated her right to privacy. The school district claimed that she violated the district’s technology policy. The dispute is working its way through the court system.<sup>19</sup>
- CareerBuilder reports that 39 percent of employers look at applicants’ social media sites and 43 percent have rejected candidates based on content of those sites.<sup>20</sup>
- Employee ID badges with radiofrequency identification (RFID) technology can track employee movements including the timing and location of breaks and even who they encounter and speak with during the day.

#### Ethical questions:

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

## Regulations and Legislation

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

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

#### legal compliance

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

**Exhibit 1-2****Relevant Laws Affecting HRM Practices**

Many laws protect the rights of employees in the workplace. These laws protect employee rights to union representation, fair wages, family medical leave, and freedom from discrimination due to conditions that are not related to job performance.

Year Enacted	Legislation	Focus of Legislation
1935	National Labor Relations Act (Wagner Act)	Prohibited unfair labor practices by management and protects unions
1938	Fair Labor Standards Act	Provides minimum wage and overtime pay. Defines employee status
1947	Taft–Hartley Act	Protects management rights and prohibits unfair labor practices by unions
1959	Landrum–Griffin Act	Requires financial disclosure for unions
1963	Equal Pay Act	Prohibits wage discrimination
1964	Civil Rights Act Title VII	Prohibits discrimination in all employment decisions on basis of race, religion, ethnicity, sex, and national origin
1967	Age Discrimination in Employment Act	Protects employees over 40 from discrimination
1970	Occupational Safety and Health Act	Protects workers from workplace hazards
1970	Fair Credit Reporting Act	Limits use of credit reports in employment decisions
1974	Privacy Act	Permits employees to review personnel files
1974	Employee Retirement Income and Security Act	Protects employee retirement funds
1978	Mandatory Retirement Act	Raises mandatory retirement age from 65 to 70; uncapped in 1986
1978	Pregnancy Discrimination Act	Protects from discrimination due to pregnancy
1978	Uniform Guidelines of Employee Selection Procedures	Prohibits hiring policies that have an adverse impact on a race, sex, or ethnic group
1986	Immigration Reform and Control Act	Requires verification of citizenship or legal status in the United States
1986	Consolidated Omnibus Budget Reconciliation Act	Provides for benefit continuation when laid off
1988	Drug Free Workplace Act	Requires some federal contractors to follow certain requirements to maintain a drug-free workplace
1988	Employment Polygraph Protection Act	Prohibits use of polygraphs in most HRM practices
1989	Worker Adjustment & Retraining Notification Act (WARN)	Requires employers to give advance notice of plant closing or layoffs
1990	Americans with Disabilities Act	Prohibits discrimination against those with disabilities
1991	Civil Rights Act	Overturns several Supreme Court cases concerning discrimination
1993	Family and Medical Leave Act	Permits employees to take unpaid leave for family matters
1994	Uniformed Services Employment and Reemployment Rights Act	Protects the civilian employment of non-full-time military service members in the United States called to active duty
1996	Health Insurance Portability and Accountability Act (HIPAA)	Establishes guidelines for protecting private personal information by employers, insurers, and healthcare providers
2002	Sarbanes–Oxley Act	Establishes requirements for proper financial recordkeeping for public companies as well as penalties for noncompliance
2008	Genetic Information Nondiscrimination Act (GINA)	Prevents discrimination based on genetic information about employees or their families
2009	Lilly Ledbetter Fair Pay Act	Reinterprets timeframes available for employees to claim that they were victims of pay discrimination
2010	Patient Protection and Affordable Care Act	Requires employers with 50 or more employees to offer health insurance to employees or pay a penalty

We'll explore the laws regarding employment discrimination in depth in Chapter 3 and the other major laws influencing compensation, employee rights, and labor unions in relevant chapters.

## Workforce Composition Trends

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

### Not Getting Younger

By 2050, the number of people in the workforce over 65 is expected to increase by 75 percent in developing countries, but the number of workers between the ages of 25 and 54 will only grow 2 percent.<sup>21</sup> There are several reasons that older workers are remaining in the workforce. For a variety of reasons, including a need for greater income to sustain current living standards or a desire to remain active, individuals over the age of 55 are remaining in the workforce, with more than 80 percent of the **Baby Boom generation**, indicating that they expect to work past age 65.<sup>22</sup> In addition, many European countries including the United Kingdom, Italy, and Denmark have raised the age that workers are eligible to receive pensions, prompting most older workers to remain in the workforce. HR professionals may see more intergenerational conflict in the workplace as up to four generations have different needs, work ethics, ambitions, learning styles, and expectations.

**baby boom generation**

Individuals born between 1946 and 1965.

### More Demographic Shifts

Although the increase in the number of women and working mothers entering the workforce in the United States has slowed in recent years, it's growing in other areas. In Latin America, Asia, the Pacific Rim, the Middle East, eastern and central Europe, and Africa, a significant number of women are expected to enter the workforce in the next 10–20 years.<sup>23</sup> They are most likely looking for skilled and professional jobs since the number of women going to some type of postsecondary education is higher than the number of men.

Hispanics and Asians have been the fastest growing ethnic groups in the population and in the workforce over the last three decades, and the U.S. DOL predicts the trend to continue for the next decade.<sup>24</sup> Some estimates predict the trend to continue much longer, estimating that by 2050, the majority of the U.S. workforce will be Hispanic.<sup>25</sup> Of course, the problem of illegal immigration complicates the issue of worker diversity. HR professionals need to be diligent in understanding and enforcing immigration laws and worker documentation. We will discuss this further in Chapter 7.

### Is There a Shortage of Skilled Labor?

If you're less than handy with tools around the house and have tried to find a skilled home-repair person, you may have experienced something that many businesses are also experiencing. Skilled trades are tough positions to fill and the shortage is worldwide. Worldwide job-staffing company Manpower reported that their Talent Shortage Survey found that employers in six of the world's ten largest economies ranked skilled trades as their toughest hiring challenge.<sup>26</sup> This includes electricians, carpenters, cabinetmakers, and welders. Some businesses have been unable to expand because they can't fill openings for skilled trades.

When economists announced in 2014 that employment levels had recovered to pre-recession levels, many long-term unemployed were left wondering why they can't find a