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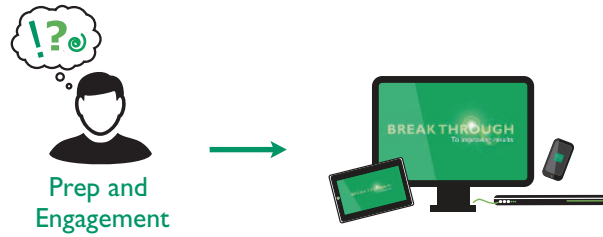
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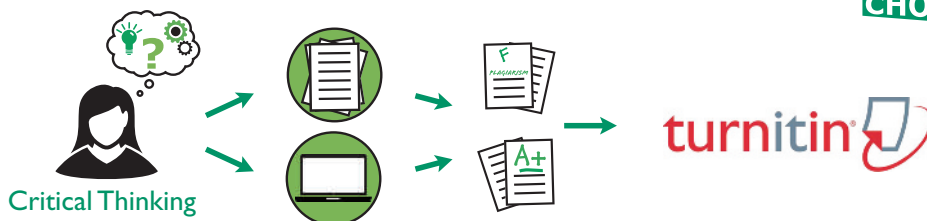
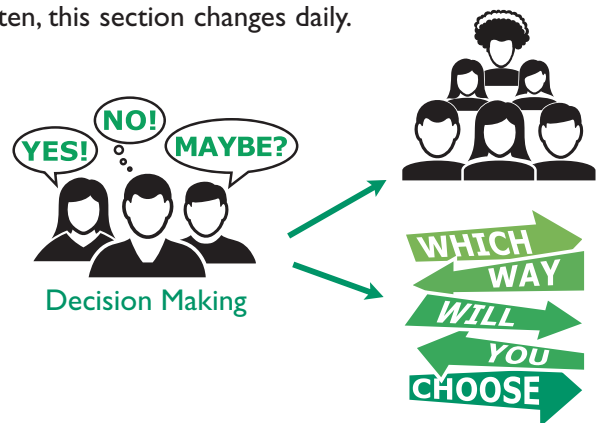
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# Human Resource Management

**R. Wayne Mondy**

**Joseph J. Martocchio**

Fourteenth Edition

Global Edition

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To Judy Bandy Mondy, my love, my inspiration, and my travel partner.

—R. Wayne Mondy

To my parents, for their sacrifices, which have provided me with  
great opportunities.

—Joe Martocchio

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# Preface

## Approach to Writing *Human Resource Management*

We approach the study of human resource management (HRM) in a realistic, practical, interesting, and stimulating manner. We focus on showing how HRM is practiced in the real world. Throughout the book, you will see examples of how organizations practice HRM. In explaining a concept, we often quote human resources (HR) professionals, yet all HR discussion is based on sound theoretical concepts and practice. Throughout this book, the strategic role of HR is apparent in the discussion of each major HRM function. In addition, we show how HR topics are related to other HR topics. For instance, a firm that emphasizes recruiting top-quality candidates but neglects to provide satisfactory compensation is wasting time, effort, and money. A firm's compensation system will be inadequate unless employees are provided a safe and healthy work environment. If a firm's compensation system pays below-market wages, the firm will always be hiring and training new employees only to see the best leave for a competitor's higher wages. This interrelationship will become more obvious as these topics are addressed throughout the book. These interrelationships are also shown to be important as organizations work within the global environment.

## Course Prerequisite

This book is designed primarily for the first undergraduate course in HRM. It is intended primarily for students who are being exposed to HRM for the first time. It is designed to put them in touch with the field through the use of numerous examples and company material and will reinforce the notion that, by definition, all managers are necessarily involved with HR. The book provides helpful insights for those students who aspire to management positions.

## Overview of the 14th Edition of *Human Resource Management*

HRM is arguably the most exciting area in business. Much has changed in the world since the writing of the 13th edition. The continuing uncertainty of the economy affected many aspects of HRM. Debates about whether to raise the minimum wage pay rate rage on at the national and local levels. Provisions of health-care reform have been implemented with many more to come online. Major technological changes appear to be increasing with no end in sight. These changes have dramatically affected how the work of the HR professional is performed such as with mobile recruiting and learning. Social media tools such as wikis, blogs, LinkedIn, Facebook, and Twitter have become an integral part of the world of the HR professional. Each edition seems to provide new examples to be discussed. The need for companies to operate in the global environment continues to expand. The interrelationship of the HRM functions and the increasing use of technology and the importance of global influences is reflected throughout this book.

The 14th edition of *Human Resource Management* reveals HR as strategically important to management in a practical, realistic manner yet maintains a balance of pragmatism and theoretical concepts. As will be noted throughout this edition, much continues to be done regarding who performs the HR tasks. HR outsourcing, HR shared service centers, professional employer organizations, and line managers now assist in the accomplishment of HR activities. As a shift is made in the allocation of those who perform the HR function, many HR departments continue to get smaller. This shift should permit HR to shed its administrative image and focus on mission-oriented activities.

Dr. Joseph J. Martocchio, a professor of HR at the University of Illinois, Urbana–Champaign for 25 years, has joined Dr. R. Wayne Mondy as a co-author. Their efforts have built on the excellence of previous editions of this textbook.

## What's New to This Edition

- A new section on competencies and competency modeling has been added to Chapter 4.
- Selection test reliability has been expanded; drug testing has been added to Chapter 6.

- HR Bloopers, a scenario-based exercise, has been added to every chapter.
- The ordering of Chapters 7 and 8 has been reversed. Chapter 7 addresses performance management and appraisal, whereas Chapter 8 focuses on HR development and training.
- A new section on team training and the types and applications of team training has been added to Chapter 8.
- Chapters 11 through 13 have been reordered to emphasize the role of labor unions.
- A new section on Global HR has been added to Chapter 14.

## Features of the Book

- **HR Bloopers** present scenarios that describe potential mistakes that may occur in HR practice. Questions that follow in **MyManagement Lab**<sup>®</sup> provide students with the opportunity to test their understanding and recall of the chapter material based on the information contained in the scenario.
- **Ethical Dilemma** offers challenging ethical considerations in HR practice when HR professionals must make choices between what is right and wrong as well as appropriate versus inappropriate application of HR practices. Questions that follow provide students with the opportunity to express what they would do and to consider the factors in the ethical dilemma that might influence a person to make an unethical choice.
- **Social media** topics are examined throughout the text. Many HR professionals use social media for recruitment. Employees and HR professionals use social media to share knowledge. Increasingly, HR professionals understand social media as a communication tool that distinguishes between generations in the workplace, which is an element of diversity management. Understanding applications of social media is essential to effective HR activities.
- **End-of-chapter exercises** provide in-depth, thought-provoking questions to the material covered in the text.
- **Dodd–Frank Wall Street Reform and Consumer Protection Act** addresses a variety of executive compensation issues with which HR professionals should be familiar. Executive compensation is determined quite differently than compensation for other employee groups. We highlight these differences in the relevant chapters.
- **Patient Protection and Affordable Care Act** has created requirements that employers provide health insurance to their employees or pay substantial penalties. This law has influenced the minimum benefits that must be included in health insurance. Prior to the passage of this law, health insurance was offered as a discretionary benefit.
- **New tables and figures** are included throughout the text to enhance student learning by providing visual examples of HR practices or analytical tools (for example, the series of “what-if” questions that help companies to determine whether individuals are contingent workers or full-fledged employees).
- **Small business and HR** provides students with an appreciation of how HR practices in small businesses are often different than in larger companies because not all students will choose to work for large corporations. Topics relevant to small businesses are brought up throughout the text where relevant differences are evident. For example, some employment laws do not apply to small businesses.

## MyManagementLab Suggested Activities

For the 14th edition we the authors are excited that Pearson’s My Management Lab has been integrated fully into the text. These new features are outlined below. Making assessment activities available online for students to complete before coming to class will allow you the professor more discussion time during the class to review areas that students are having difficulty in comprehending.

### Learn it

Students can be assigned the Chapter Warm-Up before coming to class. Assigning these questions ahead of time will ensure that students are coming to class prepared.

### Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or that can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that re-enforce student’s comprehension of the chapter content.

**Try It**

Recommends a mini simulation that can be assigned to students as an outside classroom activity or it can be done in the classroom.. As the students watch the simulation they will be asked to make choices based on the scenario presented in the simulation. At the end of the simulation the student will receive immediate feedback based on the answers they gave. These simulations re-enforces the concepts of the chapter and the students comprehension of those concepts.

**Talk About It**

These are discussion type questions which can be assigned as an activity within the classroom.

**Assisted Graded Writing Questions**

These are short essay questions which the students can complete as an assignment and submit to you the professor for grading.

**New or Substantially Updated Topics by Chapter**

We especially appreciate the efforts of the professionals who reviewed and provided valuable suggestions for this edition. Many of the changes listed are based on their suggestions.

**Chapter 1**

Expanded discussions of the HR profession and HR as a strategic business partner are included. A competency model for the work HR professionals perform has been added as well as a brief introduction to the idea that employees are assets (human capital) and necessary to business success like other forms of business capital such as manufacturing equipment and monetary resources. HR Bloopers: Staffing Stone Consulting.

**Chapter 2**

Several new examples are added throughout the chapter to put corporate social responsibility and corporate sustainability practices in context. HR Bloopers: Sales Incentives at Pincer Pharmaceutical.

**Chapter 3**

The introduction compares and contrasts equal employment opportunity (EEO) and workforce diversity. The order of presentation of the two main topics has been changed. EEO precedes diversity management to better correspond with the unfolding of societal changes. A discussion of the Genetic Information Nondiscrimination Act (GINA) of 2008 has been added. The discussion of the role of the Office of Federal Contract Compliance Programs (OFCCP) has been expanded. HR Bloopers: Affirmative Action and Workforce Diversity.

**Chapter 4**

The discussion of strategic planning takes place at the beginning of the chapter and the logic for how HR planning and job analysis are informed by the strategic planning process is presented. The material on strategic planning has been enhanced with additional concepts (for example, different types of strategies) and business examples. A new section on competencies and competency modeling has been added given the increased use along with or instead of traditional job analysis. HR Bloopers: Workforce Planning at Master Cleaner.

**Chapter 5**

The discussion of contingent workers has been expanded. Explicit criteria for distinguishing between contingent workers and employees are now included. HR Bloopers: Recruiting Skilled Machinists.

**Chapter 6**

The discussions of selection norms and selection test reliability have been expanded. Drug testing has been added as a possible component of the selection process. The discussion of legal considerations has been expanded and points to specific legal concerns and particular selection tests. HR Bloopers: The First Interview.

## Chapter 7

The ordering of Chapters 7 and 8 in the 13th edition have been reversed in the 14th edition. Chapter 7 addresses performance management and appraisal, whereas Chapter 8 focuses on HR development and training. This change was made because performance management and appraisal often inform the need for training. The discussion of performance appraisal methods has been expanded greatly and organized into four categories: trait, comparison systems, behavioral systems, and results-based systems. In addition, samples of many of the methods have been added to this chapter. HR Bloopers: Appraising Performance at Global Insurance.

## Chapter 8

The presentation of training needs assessment was expanded. A brief discussion of massive open online courses has been added to the e-learning section. A new section on team training and the types and applications of team training has been included. HR Bloopers: Management Development at Trends Apparel.

## Chapter 9

The focus on components of compensation system design has been enhanced. The discussions on seniority pay, merit pay, incentive pay, and person-focused pay (skill-based and competency-based) have been expanded. The discussion of pay policy incorporates the role of pay mix as an important element. Interindustry wage differentials are introduced as an explanation to further help understand why pay differs from company to company. HR Bloopers: Motivating Software Development Teams.

## Chapter 10

A brief historical explanation has been added to help students understand the existence of some employee benefit offerings as well as why some are required by law and others are not. The discussion of health-care plans has been expanded to include fee-for-service plans. Additional information has been added to the section on consumer-driven health care. The life insurance section has been expanded by including specific kinds of life insurance options. HR Bloopers: The Job-Sharing Problem at SunTrust Bank.

## Chapter 11

Chapters 11 through 13 have been reordered to emphasize the role of labor unions (Chapter 11), internal employee relations (Chapter 12), and employee safety, health, and wellness (Chapter 13). A brief historical perspective on the economy and nature of the workplace is presented to help set the context for unionization. An expanded discussion to help explain the rise of unionization is included. An expanded discussion of the challenges to the status of unions today is added. Additional reasons for union decertification are discussed. HR Bloopers: Stopping Unionization at Packer Industries.

## Chapter 12

The discussion of employment at will has been expanded to more fully explain the three exceptions. The just cause standard for terminations is introduced. Along with this discussion, the seven tests to determine whether a planned termination decision meets the just cause standard are included. HR Bloopers: Effective Discipline at Berries Groceries.

## Chapter 13

Several new examples are added throughout the chapter to enhance the context of safety, health, and wellness in companies. HR Bloopers: Health and Safety Problems at XIF Chemicals.

## Chapter 14

A new section that more effectively sets the context for global HR has been added. It is organized into four areas—country politics and economic structure, national cultural norms, legal system, and labor force characteristics and dynamics. HR Bloopers: United Architect's Expatriate Problems

## Instructor Resources

At the Instructor Resource Center, [www.pearsonglobaleditions.com/Mondy](http://www.pearsonglobaleditions.com/Mondy), instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Instructor’s Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

### CourseSmart\*

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### 2015 Qualitative BusinessVideo Library

Additional videos illustrating the most important subject topics are available in MyManagementLab, under Instructor Resources: Business Today.

## Acknowledgments

As with the previous editions, the support and encouragement of many practicing HRM professionals and faculty members has helped to make this book possible. The reviewers for this edition were especially valuable. These individuals are:

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## About R. Wayne Mondy

I have always had a strong interest in business practices as evidenced by my many years of academic and professional experience. I believe that managing people is the crucial side of business because a firm’s human resources are the foundation on which everything is accomplished. Prior to entering academics, I had business experience with such companies as Peat, Marwick, Mitchell, and Co. (now KPMG), General Electric Corporation, Gulf South Research Institute, and Houston Data Center. In addition, I served in the U.S. Air Force as a management analysis officer. Several examples in your text relate to my business experience.

I received my DBA from Louisiana Tech University and have enjoyed many years of teaching and administration, having served as professor, department head of the Department of Management & Marketing, and Dean of the College of Business. I have authored or co-authored seven college textbooks in a total of thirty-one editions, fifty-four articles, and twenty papers. The textbooks are *Management: Concepts, Practices, and Skills* (8th edition); *Human Resource Management* (14th edition); *Personal Selling: Function, Theory and Practice*

\* This product may not be available in all markets. For more details, please visit [www.coursesmart.co.uk](http://www.coursesmart.co.uk) or contact your local representative.

(4th edition); *Supervision* (3rd edition); *Management Concepts and Canadian Practices* (2nd edition); *Staffing the Contemporary Organization*; and *Management and Organizational Behavior*. In addition to the 14th edition of *Human Resource Management*, the book has been translated into Spanish (*Administración de Recursos Humanos*, Prentice Hall, 1997, 2001, and 2005), and Chinese (Prentice Hall, 1998, 2002, 2005, and 2011). A special 2008 two-part international edition of the 10th edition was prepared for India, Bangladesh, Bhutan, Pakistan, Nepal, Sri Lanka, and the Maldives. In addition, a Pearson International Edition was prepared for the 10th edition. A 2010 international edition was prepared for the 11th edition. Articles have been published in such journals as *Business Journal*, *Journal of Education for Business*, *HR Magazine*, and *The Journal of Business Ethics*.

I am also Life Certified as a Senior Professional in Human Resources (SPHR) by the Human Resource Certification Institute. During my career at various universities, I have had the opportunity to charter three student chapters of the Society for Human Resource Management. In one instance, about 20 students wanted to take the certification examination. I was excited about their enthusiasm until they informed me, “Dr. Mondy, you have to take it, too.” I have never studied so hard but we all were successful in achieving our objectives. That is how I received my SPHR designation—I earned it.

R. Wayne Mondy, SPHR

## About Joseph J. Martocchio

My interest in the human resource management field began while I was a junior at Babson College. I found myself wanting to practice in the field as well as to become a university professor and researcher. I pursued both professional desires by working at Cameron and Colby (a reinsurance company) in Boston and for General Electric’s Aerospace business group in Valley Forge, Pennsylvania.

I advanced my education in the HR field by earning a master’s degree and Ph.D. degree at Michigan State University. My master’s degree enabled me to build an even stronger foundation in practice and my doctoral degree provided me with the skills to conduct scholarly research and teach college-level courses. Since earning my graduate degrees, I have been a professor in the School of Labor and Employment Relations at the University of Illinois, Urbana–Champaign and assumed administrative roles as a Provost Fellow, Associate Dean for Academic Affairs, and Interim Dean. All the while, I have taught a variety of courses in the HR field. These include compensation systems, employee benefits, employment systems (HR and labor relations), HR planning and staffing, and statistics. For many years, I served as the faculty advisor to the student chapter of the Society for Human Resource Management at the University of Illinois during which time students earned Merit Awards and Superior Merit awards on multiple occasions.

As a researcher, I have studied a variety of topics that include employee absenteeism, employee training and development, compensation systems, employee benefits, and generational diversity. My work appears in leading scholarly journals such as *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Journal of Management*, and *Personnel Psychology*. I received the Ernest J. McCormick Award for Distinguished Early Career Contributions from the Society for Industrial and Organizational Psychology (SIOP), and I was subsequently elected as a Fellow in both the American Psychological Association and SIOP. Following the attainment of this recognition, I served as the Chair of the HR Division of the Academy of Management as well as in various other leadership roles within that organization.

Besides writing scholarly articles, I have two sole-authored textbooks: *Strategic Compensation: A Human Resource Management Approach* (Pearson Higher Education), which is in its 8th edition, and *Employee Benefits: A Primer for Human Resource Professionals* (McGraw-Hill), which is in its 5th edition. The compensation textbook was translated for use in China and India. Joining as a co-author on the 14th edition of *Human Resource Management* has been an exciting opportunity.

Joe Martocchio

Pearson gratefully acknowledges and thanks the following people for their work on the Global Edition:

### Contributors:

Hussein Nabil Ismail, School of Business, *Lebanese American University (LAU), Lebanon*  
Anita Peša, Department of Economics, *University of Zadar, Croatia*

### Reviewers:

Roshidi Hassan, Department of Management, *Universiti Teknologi Mara*  
Anna Tsui, Department of Management, *The Chinese University of Hong Kong*  
Sun Li Yun, School of Business, *Macau University of Science and Technology*

# Part One

# Setting the Stage

## **Chapter 1**

Human Resource Management: An Overview

## **Chapter 2**

Business Ethics and Corporate Social  
Responsibility

## **Chapter 3**

Equal Employment Opportunity, Affirmative  
Action, and Workforce Diversity





# 1

## Human Resource Management: An Overview

**CHAPTER OBJECTIVES** After completing this chapter, students should be able to:

- 1 Define human resource management.
- 2 Identify the human resource management functions.
- 3 Describe who performs human resource management activities.
- 4 Explain how HR serves as a strategic business partner.
- 5 Identify the elements of the dynamic HRM environment.
- 6 Explain the importance of corporate culture and human resource management.
- 7 Describe the importance of employer branding.
- 8 Discuss human resource management issues for small businesses.
- 9 Identify ways that country culture influences global business.
- 10 Describe the human resource management profession.

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★ **Learn It**

If your professor has chosen to assign this, go to [mymanagementlab.com](http://mymanagementlab.com) to see what you should particularly focus on and to take the Chapter 1 Warm-Up.



### OBJECTIVE 1.1

Define *human resource management*.

#### human resource management (HRM)

Utilization of individuals to achieve organizational objectives.

### OBJECTIVE 1.2

Identify the human resource management functions.

#### staffing

Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.

## Defining Human Resource Management

**Human resource management (HRM)** is the use of individuals to achieve organizational objectives. Basically, all managers get things done through the efforts of others. Consequently, managers at every level must concern themselves with HRM. Individuals dealing with human resource matters face a multitude of challenges, ranging from a constantly changing workforce to ever-present government regulations, a technological revolution, and the economy of the United States and the world. Furthermore, global competition has forced both large and small organizations to be more conscious of costs and productivity. Because of the critical nature of human resource issues, these matters must receive major attention from upper management.

The remainder of this chapter will enable you to gain an appreciation of HRM as a critical business function. In the next sections, we will introduce you to the functions that make up HRM and identify who is responsible for managing human resources (HR). Then, we will discuss HR as a strategic business partner and the dynamic role of the environment that influences HRM practice. Finally, we turn our attention to the importance of corporate and national culture and discuss the HRM profession.

## Human Resource Management Functions

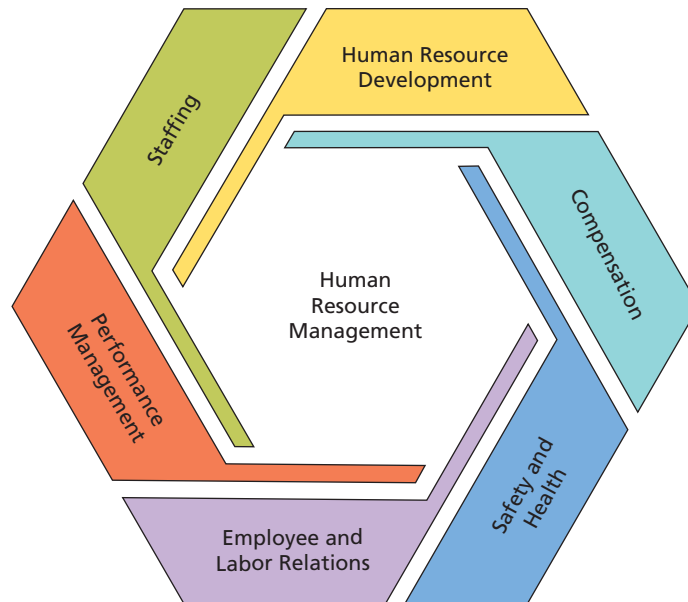
People who are engaged in managing HR develop and work through an integrated HRM system. As Figure 1-1 shows, six functional areas are associated with effective HRM: staffing, human resource development, performance management, compensation, safety and health, and employee and labor relations. These functions are discussed next.

### Staffing

**Staffing** is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives. Staffing involves job analysis, human resource planning, recruitment, and selection, all of which are discussed in this text.<sup>1</sup>



**FIGURE 1-1**  
**Human Resource Management Functions**



#### HR Web Wisdom

Pearson Web site for 14th Edition of *Human Resource Management*

[www.pearsonhighered.com/mondy](http://www.pearsonhighered.com/mondy)

Students can visit this Web site to get additional HR Web Wisdoms, in-the-news articles, cases, and chapter quizzes.

#### performance management (PM)

Goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization.

#### human resource development (HRD)

Major HRM functions consisting not only of training and development but also of individual career planning and development activities, organization development, and performance management and appraisal.

*Job analysis* is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It impacts virtually every aspect of HRM, including planning, recruitment, and selection. *Human resource planning* is the systematic process of matching the internal and external supply of people with job openings anticipated in the organization over a specified period. The data provided set the stage for recruitment or other HR actions. *Recruitment* is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization. *Selection* is the process of choosing the individual best suited for a particular position and the organization from a group of applicants. Successful accomplishment of the staffing function is vital if the organization is to effectively accomplish its mission. These topics are collectively often referred to as staffing.

### Performance Management

**Performance management** is a goal-oriented process that is directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. *Performance appraisal* is a formal system of review and evaluation of individual or team task performance. It affords employees the opportunity to capitalize on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

### Human Resource Development

**Human resource development** is a major HRM function consisting not only of training and development but also of career planning and development activities, organization development, and performance management and appraisal. *Training* is designed to provide learners with the knowledge and skills needed for their present jobs. *Development* involves learning that goes beyond today's job and has a more long-term focus.

*Organization development* (OD) is planned and systematic attempts to change the organization (corporate culture), typically to a more behavioral environment. OD applies to an entire system, such as a company or a plant. A number of OD methods are discussed that serve to improve a firm's performance.

*Career planning* is an ongoing process whereby an individual sets career goals and identifies the means to achieve them. According to the U.S. Bureau of Labor Statistics, today's employees will work for approximately 9 to 11 companies during their careers based on the assumption that

most people will work 30 to 40 years.<sup>2</sup> A survey conducted by NYU's School of Continuing and Professional Studies showed that on average, individuals will change careers (not merely "jobs") three times in their life.<sup>3</sup> Employee loyalty loses its meaning in this environment.

*Career development* is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Individual careers and organizational needs are not separate and distinct. Organizations should assist employees in career planning so the needs of both can be satisfied.

## Compensation

The question of what constitutes a fair day's pay has plagued management, unions, and workers for a long time. A well-thought-out compensation system provides employees with adequate and equitable rewards for their contributions to meeting organizational goals. As used in this book, the term *compensation* includes the total of all rewards provided to employees in return for their services. The rewards may be one or a combination of the following:

- **Direct Financial Compensation (Core Compensation):** Pay that a person receives in the form of wages, salaries, commissions, and bonuses.
- **Indirect Financial Compensation (Employee Benefits):** All financial rewards that are not included in direct compensation, such as paid vacations, sick leave, holidays, and medical insurance.
- **Nonfinancial Compensation:** Satisfaction that a person receives from the job itself or from the psychological or physical environment in which the person works.

### direct financial compensation (core compensation)

Pay that a person receives in the form of wages, salary, commissions, and bonuses.

### indirect financial compensation (employee benefits)

All financial rewards that are not included in direct financial compensation.

### nonfinancial compensation

Satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.

### safety

Protection of employees from injuries caused by work-related accidents.

### health

Employees' freedom from physical or emotional illness.

## Employee and Labor Relations

Businesses are required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. In the past, this relationship was an accepted way of life for many employers, but most firms today would rather have a union-free environment. When a labor union represents a firm's employees, the human resource activity is often referred to as labor relations, which handles the job of collective bargaining. Internal employee relations comprise the HRM activities associated with the movement of employees within the organization such as promotions, demotion, termination, and resignation.

## Safety and Health

**Safety** involves protecting employees from injuries caused by work-related accidents. **Health** refers to the employees' freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. Today, because of federal and state legislation that reflect societal concerns, most organizations have become attentive to their employees' safety and health needs.

## Human Resource Research

Although human resource research is not a distinct HRM function, it pervades all functional areas, and the researcher's laboratory is the entire work environment. For instance, a study related to recruitment may suggest the type of worker most likely to succeed in the culture of a particular firm. Research on job safety may identify the causes of certain work-related accidents. The reasons for problems such as excessive absenteeism or excessive grievances may not be readily apparent. However, when such problems occur, human resource research can often find the causes and offer possible solutions. Human resource research is clearly an important key to developing the most productive and satisfied workforce possible.

## Interrelationships of Human Resource Management Functions

All HRM functional areas are highly interrelated. Management must recognize that decisions in one area will affect other areas. For instance, a firm that emphasizes recruiting top-quality candidates but neglects to provide satisfactory compensation is wasting time, effort, and money.

In addition, a firm's compensation system will be inadequate unless employees are provided a safe and healthy work environment. If a firm's compensation system pays below-market wages, the firm will always be hiring and training new employees only to see the best leave for a competitor's higher wages. The interrelationships among the HRM functional areas will become more obvious as these topics are addressed throughout the book.

### OBJECTIVE 1.3

Describe who performs human resource management activities.

## Who Performs Human Resource Management Activities?

The person or units who perform the HRM tasks have changed dramatically in recent years, and today there is no typical HR department. Many of these changes are being made so that HR professionals can accomplish a more strategic role. Also, the recent recession forced some HR departments to accomplish more with less, and some companies have downsized the HR department to keep production-oriented people. This restructuring often resulted in a shift in who carries out each function, not the elimination of the previously identified HR functions. Some organizations continue to perform the majority of HR functions within the firm. However, as internal operations are reexamined, questions are raised, such as: Can some HR tasks be performed more efficiently by line managers or outside vendors? Can some HR tasks be centralized or eliminated altogether? Can technology improve the productivity of HR professionals? One apparent fact is that all functions within today's organizations are being scrutinized for cost cutting, including HR. All units must operate under a lean budget in this competitive global environment, and HR is no exception.

Evidence provided by The Hackett Group shows that the HR functions have been impacted more than other support functions with regard to reductions in staff and operating budgets.<sup>4</sup> In fact, the most efficient companies typically spend nearly 30 percent less per employee on HR and operate with 25 percent fewer HR employees.<sup>5</sup> Mobile HR has been a major factor in this trend as we discuss later in the chapter. Many HR departments continue to get smaller because others outside the HR department now perform certain functions. HR outsourcing, shared service centers, professional employer organizations, and line managers now assist in the accomplishment of many traditional HR activities. Let us first look at the role of the traditional HR professional.

### Human Resource Management Professional

Historically, the HR manager was responsible for each of the six HR functions. A **human resource management professional** is an individual who normally acts in an advisory or staff capacity, working with other managers to help them address human resource matters. Often, HR departments are created, with the central figure being the HR manager or executive. The HRM professional is primarily responsible for coordinating the management of HR to help the organization achieve its goals. Figure 1-2 displays a summary of a typical human resource professional's job along with the typical tasks performed by these professionals.

### Line Managers

All managers get things done through the efforts of others. Consequently, managers at every level naturally concern themselves with HRM, for example, making decisions about which job candidates are likely to meet the needs of company, conducting employee performance evaluations, and determining pay raise amounts. Individuals directly involved in accomplishing the primary purpose of the organization are **line managers**. As the traditional work of HR managers evolves, line managers have assumed some tasks typically done by HR professionals.<sup>6</sup> Automation has assisted greatly in this process. Managers are being assisted by manager self-service, the use of software, and the corporate network to automate paper-based human resource processes that require a manager's approval, recordkeeping or input, and processes that support the manager's job. Everything from recruitment, selection, and performance appraisal to employee development has been automated to assist line managers in performing traditional HR tasks.

There is a shared responsibility between line managers and HR professionals. Frequently, the line manager looks to HR for guidance in topics such as selection, training, promotion, and

#### human resource professional

Individual who normally acts in an advisory or staff capacity, working with other professionals to help them deal with human resource matters.

#### line managers

Individuals directly involved in accomplishing the primary purpose of the organization.

**FIGURE 1-2****Human Resource Professional Job Description**

Source: National Center for O\*NET Development. 11-3121.00. *O\*NET OnLine*. Retrieved January 14, 2014, from <http://www.onetonline.org/link/summary/11-3121.00>

Plan, direct, or coordinate HR activities and staff of an organization.

**Sample of reported job titles:** Human Resources Manager (HR Manager), Director of Human Resources, Human Resources Director (HR Director), Employee Benefits Manager, Human Resources Vice President, Employee Relations Manager

**Tasks**

- Serve as a link between management and employees by handling questions, interpreting and administering contracts and helping resolve work-related problems.
- Analyze and modify compensation and benefits policies to establish competitive programs and ensure compliance with legal requirements.
- Advise managers on organizational policy matters such as equal employment opportunity and sexual harassment, and recommend needed changes.
- Perform difficult staffing duties, including dealing with understaffing, refereeing disputes, firing employees, and administering disciplinary procedures.
- Plan and conduct new employee orientation to foster positive attitude toward organizational objectives.
- Identify staff vacancies and recruit, interview, and select applicants.
- Plan, direct, supervise, and coordinate work activities of subordinates and staff relating to employment, compensation, labor relations, and employee relations.
- Plan, organize, direct, control, or coordinate the personnel, training, or labor relations activities of an organization.
- Represent organization at personnel-related hearings and investigations.
- Administer compensation, benefits and performance management systems, and safety and recreation programs.

taking disciplinary action. The relationship between HR professionals and line managers is illustrated by the following account:

*Bill Brown, the production supervisor for Ajax Manufacturing, has just learned that one of his machine operators has resigned. He immediately calls Sandra Williams, the HR manager, and says, “Sandra, I just had a Class A machine operator quit down here. Can you find some qualified people for me to interview?” “Sure Bill,” Sandra replies. “I’ll send two or three down to you within the week, and you can select the one that best fits your needs.”*

In this instance, both Bill and Sandra are concerned with accomplishing organizational goals, but from different perspectives. As an HR manager, Sandra identifies applicants who meet the criteria specified by Bill. Yet, Bill will make the final decision about hiring because he is responsible for the machine operators’ performance. His primary responsibility is production; hers is human resources. As an HR manager, Sandra must constantly deal with the many problems related to HR that Bill and the other managers face. Her job is to help them meet the human HR needs of the entire organization.

**Human Resources Outsourcing****HR outsourcing (HRO)**

Process of hiring external HR professionals to do the HR work that was previously done internally.

**HR outsourcing (HRO)** is the process of hiring external HR professionals to do the HR work that was previously done internally. It is estimated that HRO is a \$42 billion industry with expected future annual growth to be approximately 5 percent.<sup>7</sup> In the early days of HRO, cost savings was the primary driver in determining which activities to outsource. Today, outsourcing agreements are focusing more on quality of service and saving time, which is often more important than saving money.<sup>8</sup> Ron Gier, vice president of human capital planning and employee relations for Sprint, said, “Outsourcing is about concentrating where you are going to put your energy, where you are going to build competency as a company and where you can use a partner to perform activities that are not core to your business.”<sup>9</sup> This permits HR to focus on strategic organizational issues.<sup>10</sup> As will be stressed throughout the text, strategic HR has become a major driver for HR professionals.<sup>11</sup>

*Discrete services outsourcing* involves one element of a business process or a single set of high-volume repetitive functions to be outsourced.<sup>12</sup> Benefits have often been the HR task