

PEARSON NEW INTERNATIONAL EDITION

Fundamentals of
Human Resource Management
Gary Dessler
Third Edition

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Managing Human Resources Today

OVERVIEW:
In this chapter,
we will cover . . .

WHAT IS HUMAN RESOURCE MANAGEMENT?

THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT

WHAT DO THE NEW HUMAN RESOURCE MANAGERS DO?

WHAT COMPETENCIES DO TODAY'S HUMAN RESOURCE MANAGERS NEED?

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KNOWLEDGE BASE LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

1. Answer the question, "What is human resource management?"
2. Explain with at least four examples why knowing HR management concepts and techniques is important to any supervisor or manager.
3. Explain with examples what trends are influencing human resource management.
4. List, with examples, 10 things today's HR managers do to deal with these trends and challenges.
5. Discuss some competencies HR managers need to deal with today's trends and challenges.

INTRODUCTION

After a worker uprising at its Foxconn iPhone assembly plant in China, Apple Inc. asked the Fair Labor Association (FLA) to survey the plant's workers. The FLA found "tons of issues."¹ Hon Hai, the Foxconn plant's owner, soon changed its plant human resource (HR) practices, for instance, raising salaries and cutting mandatory overtime. Apple and Hon Hai both know that the plant's morale and productivity depend on its human resource practices.

From Chapter 1 of *Fundamentals of Human Resource Management*, 3rd edition. Gary Dessler. Copyright © 2014 by Pearson Education, Inc. All rights reserved.

LEARNING OBJECTIVE 1

Answer the question, “What is human resource management?”

organization

A group consisting of people with formally assigned roles who work together to achieve the organization’s goals.

manager

Someone who is responsible for accomplishing the organization’s goals, and who does so by managing the efforts of the organization’s people.

managing

To perform five basic functions: planning, organizing, staffing, leading, and controlling.

management process

The five basic functions of planning, organizing, staffing, leading, and controlling.

human resource management (HRM)

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

WHAT IS HUMAN RESOURCE MANAGEMENT?

Hon Hai’s Foxconn plant is an *organization*. An **organization** consists of people (in this case, people like assembly workers and managers) with formally assigned roles who work together to achieve the organization’s goals. A **manager** is someone who is responsible for accomplishing the organization’s goals, and who does so by managing the efforts of the organization’s people. Most writers agree that **managing** involves performing five basic functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include:

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasts.
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating the work of subordinates.
- **Staffing.** Determining what type of people should be hired; recruiting prospective employees; selecting employees; setting performance standards; compensating employees; evaluating performance; counseling employees; training and developing employees.
- **Leading.** Getting others to get the job done; maintaining morale; motivating subordinates.
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action as needed.

In this text we will focus on one of these functions—the staffing, personnel management, or *human resource management (HRM)* function. **Human resource management** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we’ll discuss should therefore provide you with the concepts and techniques you’ll need to perform the “people” or personnel aspects of management. These include:

- *Conducting job analyses* (determining the nature of each employee’s job).
- *Planning labor needs and recruiting* job candidates.
- *Selecting* job candidates.
- *Orienting and training* new employees.
- *Managing wages and salaries* (compensating employees).
- *Providing incentives and benefits*.
- *Appraising performance*.
- *Communicating* (interviewing, counseling, disciplining).
- *Training employees, and developing managers*.
- *Building employee commitment*.

And what a manager should know about:

- Equal opportunity and affirmative action.
- Employee health and safety.
- Handling grievances and labor relations.

LEARNING OBJECTIVE 2

Explain with at least four examples why knowing HR management concepts and techniques is important to any supervisor or manager.

Why Is Human Resource Management Important to all Managers?

Perhaps it’s easier to answer this by listing some of the personnel mistakes you *don’t* want to make while managing. For example, you don’t want

- To have your employees not doing their best.
- To hire the wrong person for the job.
- To experience high turnover.
- To have your company in court due to your discriminatory actions.
- To have your company cited for unsafe practices.
- To let a lack of training undermine your department’s effectiveness.
- To commit any unfair labor practices.

IMPROVED PERFORMANCE Carefully studying this text can help you avoid mistakes like these. More important, it can help ensure that you get results—through people. Remember that you could do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls—but still fail, for instance, by hiring the wrong people or by not motivating subordinates.

On the other hand, many managers—from generals to presidents to supervisors—have been successful even without adequate plans, organizations, or controls. They were successful because they had the knack for hiring the right people for the right jobs and then motivating, appraising, and developing them. Remember as you read this text that getting results is the bottom line of managing and that, as a manager, you will have to get these results through people. This fact hasn't changed from the dawn of management. As one company president summed it up:

For many years it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the workforce and the company's inability to recruit and maintain a good workforce that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.²

YOU MAY SPEND TIME AS AN HR MANAGER Here is a third reason to study this text: you may well spend time as a human resource manager. For example, about a third of large U.S. businesses surveyed appointed non-HR managers to be their top human resource executives. Thus, Pearson Corporation (which publishes this text) promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. Why? Some think these people may be better equipped to integrate the firm's human resource activities (such as pay policies) with the company's strategic needs (such as by tying executives' incentives to corporate goals).³

However most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR. About 17% had the HR Certification Institute's Senior Professional in Human Resources (SPHR) designation, and 13% were certified Professionals in Human Resources (PHR). The Society for Human Resource Management (SHRM) offers a brochure describing alternative career paths within human resource management.⁴ Find it at www.shrm.org/Communities/StudentPrograms/Documents/07-0971%20Careers%20HR%20Book_final.pdf.

HR FOR ENTREPRENEURS Finally, you might end up as your own human resource manager. More than half the people working in the United States today work for small firms. Small businesses as a group also account for most of the 600,000 or so new businesses created every year.⁵ Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own. Especially if you are managing your own small firm with no human resource manager, you'll probably have to handle HR on your own. If so, you must be able to recruit, select, train, appraise, and reward employees.

Line and Staff Aspects of HRM

All managers are, in a sense, human resource managers, because they all get involved in activities such as recruiting, interviewing, selecting, and training. Yet most firms also have a separate human resource department with its own human resource manager. How do the duties of this departmental HR manager and his or her staff relate to line managers' human resource duties? Let's answer this by starting with short definitions of line versus staff authority.

Line Versus Staff Authority

Authority is the right to make decisions, to direct the work of others, and to give orders. In management, we usually distinguish between line authority and staff authority. Line authority

authority

The right to make decisions, direct others' work, and give orders.

line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

staff manager

A manager who assists and advises line managers.

gives managers the right (or authority) to issue orders to other managers or employees. It creates a superior-subordinate relationship. Staff authority gives a manager the right (authority) to advise other managers or employees. It creates an advisory relationship. **Line managers** have line authority. They are authorized to give orders. **Staff managers** have staff authority. They are authorized to assist and advise line managers. Human resource managers are staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.

LINE-STAFF HR COOPERATION HR and line managers share responsibility for most human resource activities. For example, human resource and line managers in about two-thirds of the firms in one survey shared responsibility for skills training.⁶ (Thus, the supervisor might describe what training she thinks the new employee needs, HR might design the training, and the supervisors might then ensure that the training is having the desired effect.)

Line Managers' Human Resource Management Responsibilities

All supervisors therefore spend much of their time on personnel-type tasks. Indeed, the direct handling of people always has been an integral part of every line manager's responsibility, from president down to the first-line supervisor. For example, one company outlines its line supervisors' responsibilities for effective human resource management under the following general headings:

1. Placing the right person in the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs that are new to them
4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the company's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining departmental morale
10. Protecting employees' health and physical conditions

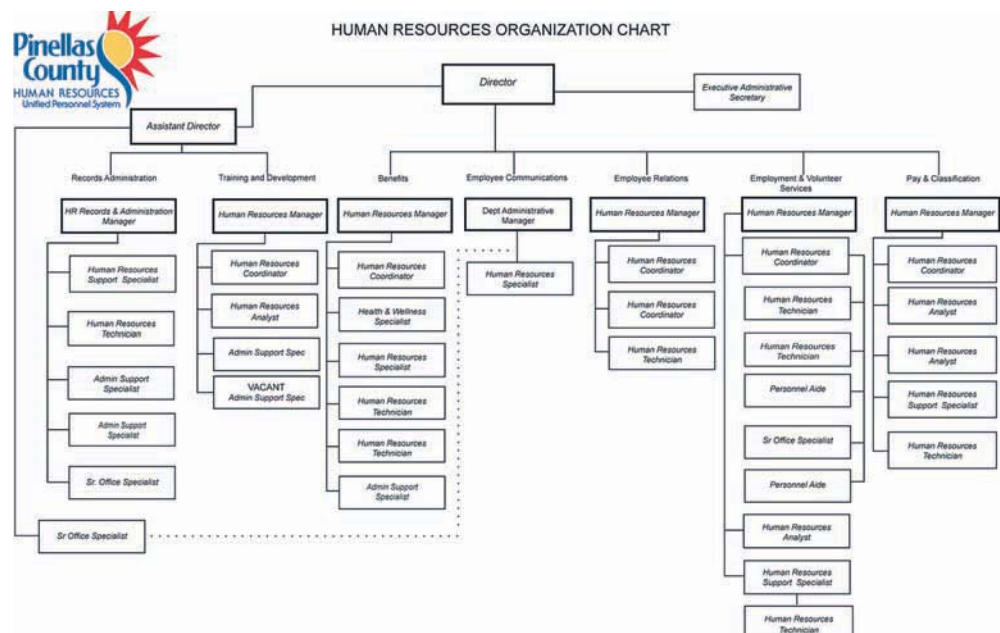
In small organizations, line managers may carry out all these personnel duties unassisted. But as the organization grows, line managers need the assistance, specialized knowledge, and advice of a separate human resource staff.

Organizing the Human Resource Department's Responsibilities

In larger firms, the *human resource department* provides such specialized assistance. Figure 1 shows human resource management jobs in one organization. Typical positions include

FIGURE 1
Human Resource Department Organization Chart Showing Typical HR Job Titles

Source: "Human resource development organization chart showing typical HR job titles," <http://www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf>. Courtesy of Pinellas County Human Resources. Reprinted with permission.



compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. Examples of job duties include:

Recruiters: Maintain contact within the community and perhaps travel extensively to search for qualified job applicants.

Equal employment opportunity (EEO) representatives or affirmative action coordinators: Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.

Job analysts: Collect and examine detailed information about job duties to prepare job descriptions.

Compensation managers: Develop compensation plans and handle the employee benefits program.

Training specialists: Plan, organize, and direct training activities.

Labor relations specialists: Advise management on all aspects of union–management relations.

REORGANIZING THE HUMAN RESOURCE MANAGEMENT FUNCTION Many employers are also taking a new look at how they organize their human resource functions. For example, J. Randall MacDonald, IBM’s senior vice president of human resources, says the traditional human resource organization divides HR activities into separate “silos” such as recruitment, training, and employee relations. This usually means there’s no one dedicated team of human resource specialists focusing on the needs of specific groups of employees, such as engineers.

MacDonald therefore took a different approach. He split IBM’s 330,000 employees into three segments for HR purposes: executive and technical, managers, and rank and file. Now separate human resource management teams (consisting of recruitment, training, and pay specialists, for instance) focus on each employee segment. Each team ensures the employees in each segment get the specialized testing, training, and rewards they require.⁷

You may also find other configurations.⁸ For example, some employers create *transactional HR teams*. These HR teams offer their human resource services through centralized call centers and through outside vendors (such as benefits advisors). They aim to provide employees with specialized support in day-to-day HR activities (such as changing benefits plans). You may also find specialized *corporate HR teams* within a company. These focus on assisting top management in top-level issues such as developing the personnel aspects of the company’s long-term strategic plan. *Embedded HR teams* have HR generalists (also known as “relationship managers” or “HR business partners”) assigned to functional departments like sales and production. They provide the selection and other assistance the departments need. *Centers of expertise* are basically specialized HR consulting firms within the company. For example, one center might provide specialized advice in areas such as organizational change to all the company’s various units.

HR IN SMALL BUSINESSES Employers usually have about one HR professional per 100 employees. Small firms (say, those with less than 100 employees) generally don’t have the critical mass required for a full-time human resource manager. Their human resource management therefore tends to be “ad hoc and informal.” For example, smaller employers tend to use recruiting practices like newspaper ads, walk-ins, and word of mouth, rather than computerized recruitment and selection programs.⁹ However, that needn’t be the case. Gaining a command of the techniques in this text should enable you to manage a small firm’s human resources more effectively.



J. Randall MacDonald and IBM reorganized its human resource management group to focus on the needs of specific groups of IBM employees.

Source: IBM

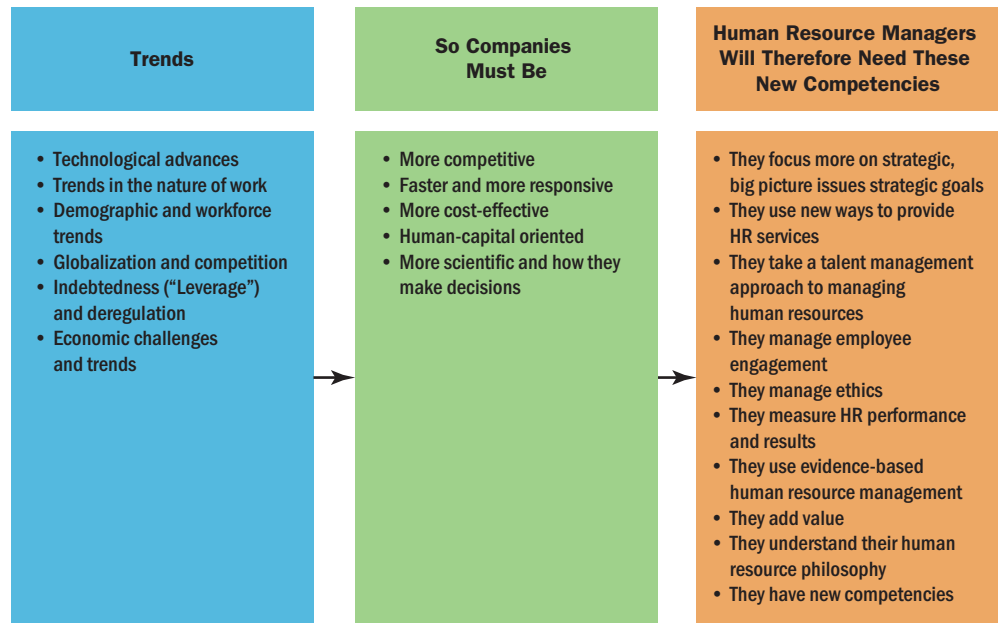
LEARNING OBJECTIVE 3

Explain with examples what trends are influencing human resource management.

THE TRENDS SHAPING HUMAN RESOURCE MANAGEMENT

Working cooperatively with line managers, human resource managers have long helped employers do things like hire and fire employees, administer benefits, and conduct appraisals. However, the human resource manager’s job is changing. Technology is one reason for this change. For

FIGURE 2
Trends Shaping Human Resource Management



instance, instead of having the human resource department help them make changes to their benefits plans, many employees today use their firms’ intranets to change their own benefits plans. Obviously that’s something they couldn’t do in pre-Internet days.¹⁰ Figure 2 sums up six big trends that are changing how employers and their HR managers do things.

Technological Advances

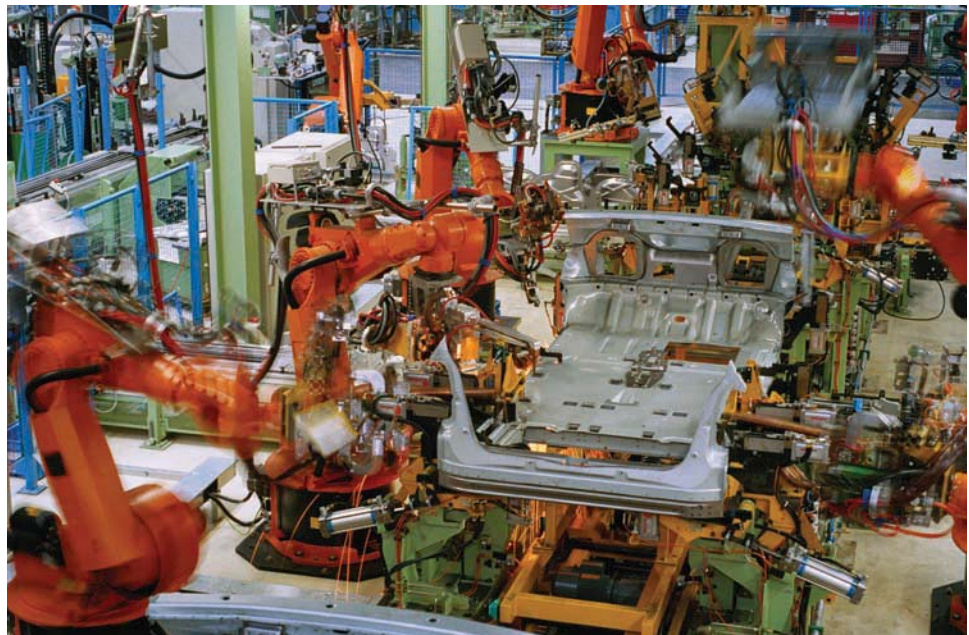
For one thing, technology dramatically changed how human resource managers do their jobs. *Facebookrecruiting* is one small example.¹¹ Employers start the process by installing the “Careers Tab” on their Facebook page. Once installed, “companies have a seamless way to recruit and promote job listings from directly within Facebook.”¹² Then, after creating a job listing, the employer can advertise its job link using Facebook. We’ll see that innovations like these have dramatically changed how human resource managers do things.¹³

Trends in the Nature of Work

Technology also changed the nature of work and therefore the skills that workers must bring to their jobs, For example, new high-tech manufacturing machines (such as three-dimensional

Technology also changed the nature of work and therefore the skills that workers must bring to their jobs. For example high-tech jobs often mean replacing manual labor with highly trained technicians.

Source: Olga Serdyuk/Alamy



printers that “print out” real products) require replacing manual labor with highly trained technicians.¹⁴ After an 18-week training course, one former college student became a team leader in a plant where the machines are automated. He and his team type commands into computerized machines that create precision parts.¹⁵ Technology-based employees like these need new skills and training to do these high-tech jobs.

SERVICE JOBS Technology is not the only trend driving the change from “brawn to brains.” Today over two-thirds of the U.S. workforce is already employed in producing and delivering services, not products. By 2020, service-providing industries are expected to account for 131 million out of 150 million (87%) of wage and salary jobs overall. So in the next few years, almost all the new jobs added in the United States will be in services, not in goods-producing industries.¹⁶

HUMAN CAPITAL For employers, trends like these translate into a growing need for “human capital.” Human capital “refers to the knowledge, skills, and abilities embedded in people.” One study recently concluded, “As the global economy becomes increasingly knowledge-based, the acquisition and development of superior human capital appears essential to firms’ profitability and success.”¹⁷ Employers will need new human resource management practices to select, train, and motivate these employees. The accompanying HR as a Profit Center illustrates how employers capitalize on human capital.

HR AS A PROFIT CENTER

Boosting Customer Service

One bank installed special software that made it easier for its customer service representatives to handle customers’ inquiries. However, the bank did not otherwise change the service reps’ jobs in any way. Here, the new software system did help the service reps handle more calls. But otherwise, this bank saw no big performance gains.¹⁸

A second bank installed the same software. But, seeking to capitalize on how the new software freed up customer reps’ time, this bank also had its human resource team upgrade the customer service representatives’ jobs. This bank taught them how to sell more of the bank’s services, gave them more authority to make decisions, and raised their wages. Here, the new computer system dramatically improved product sales and profitability, thanks to the newly trained and empowered customer service reps. Value-added human resource practices like these improve employee performance and company profitability.¹⁹

Demographic and Workforce Trends

DEMOGRAPHIC TRENDS The U.S. workforce is also becoming older and more multiethnic.²⁰ Table 1 offers a bird’s eye view. Between 1990 and 2020, the percent of the workforce that the U.S. Department of Labor classifies as “white, non-Hispanic” will drop from 77.7% to 62.3%. At the same time, the percent of the workforce that it classifies as Asian will rise from 3.7% to 5.7%, and those of Hispanic origin will rise from 8.5% to 18.6%. The percentages of younger

TABLE 1 Demographic Groups as a Percent of the Workforce, 1990–2020

Age, Race, and Ethnicity	1990	2000	2010	2020
Age: 16–24	17.9%	15.8%	13.6%	11.2%
25–54	70.2	71.1	66.9	63.7
55+	11.9	13.1	19.5	25.2
White, non-Hispanic	77.7	72.0	67.5	62.3
Black	10.9	11.5	11.6	12.0
Asian	3.7	4.4	4.7	5.7
Hispanic origin	8.5	11.7	14.8	18.6

Source: US Bureau of Labor Statistics Economic News Release 2/1/12. <http://www.bls.gov/news.release/ecopro.t01.htm>.

workers will fall, while those over 55 years of age will leap from 11.9% of the workforce in 1990 to 25.2% in 2020.²¹

Demographic trends are making finding and hiring employees more challenging. In the U.S., labor force growth is not expected to keep pace with job growth, with an estimated shortfall of about 14 million college-educated workers by 2020.²² One study of 35 large global companies' senior human resource officers said "talent management"—the acquisition, development and retention of talent to fill the companies' employment needs—ranked as their top concern.²³

"GENERATION Y" Furthermore, many younger workers may have different work values than did their parents.²⁴ These "Generation Y" employees (also called "Millennials,") were born roughly 1977 to 2002. They take the place of the labor force's previous new entrants, Generation X, those born roughly 1965 to 1976 (and who themselves were the children of the baby boomers, born roughly 1946 to 1964). Based on one study, older employees are more likely to be work-centric (to focus more on work than on family with respect to career decisions). Gen Y workers tend to be more family-centric or dual-centric (balancing family and work life).²⁵

Fortune magazine says that Millennial/Generation Y employees bring challenges and strengths. They may be "the most high maintenance workforce in the history of the world."²⁶ Employers like Lands' End and Bank of America are therefore teaching their managers to give Millennials quick feedback and recognition.²⁷ But, their ability to use information technology will also make them the most high performing.²⁸

RETIREES Many employers call "the aging workforce" their biggest demographic threat. The problem is that there aren't enough younger workers to replace the projected number of baby boom-era older workers retiring.²⁹ One survey found that 41% of surveyed employers are bringing retirees back into the workforce.³⁰

NONTRADITIONAL WORKERS At the same time, work is shifting to nontraditional workers. Nontraditional workers are those who hold multiple jobs, or who are "temporary" or part-time workers, or those working in alternative arrangements (such as a mother-daughter team sharing one clerical job). Others serve as "independent contractors" for specific projects. Almost 10% of American workers—13 million people—fit this nontraditional workforce category.

Technology facilitates alternative work arrangements. For example, www.linkedin.com enables such professionals to promote their services. Thanks to information technology, about 17 million people now work from remote locations at least once per month. "Co-working sites" are springing up. These offer freelance workers and consultants office space and access to office equipment (and the opportunity to interact with other independents) for several hundred dollars per month.³¹ We'll see that all this changes how employers manage their human resource systems.

WORKERS FROM ABROAD With projected workforce shortfalls, many employers are hiring foreign workers for U.S. jobs. The H-1B visa program lets U.S. employers recruit skilled foreign professionals to work in the United States when they can't find qualified American workers. U.S. employers bring in about 181,000 foreign workers per year under these programs. Particularly with high unemployment, such programs face opposition. One study concluded that many workers brought in under these programs actually filled jobs that didn't require specialized skills.³²

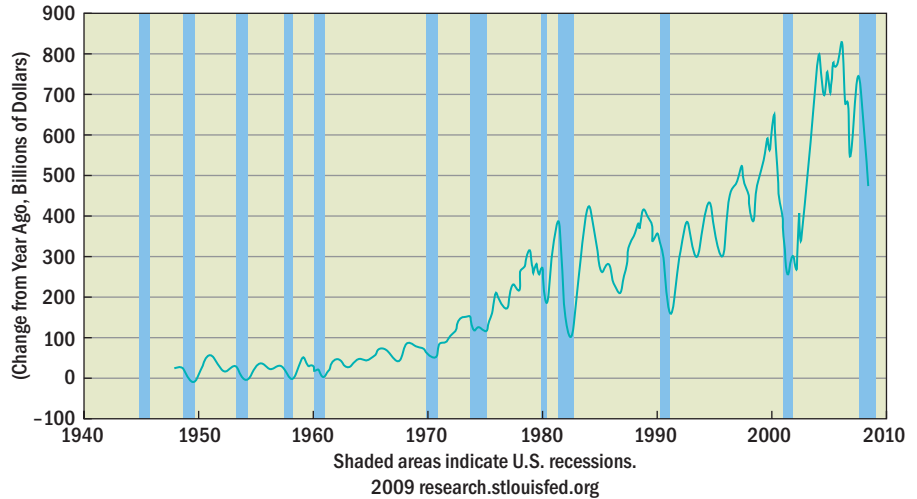
Globalization and Competition

Globalization refers to companies extending their sales, ownership, and/or manufacturing to new markets abroad. For example, Toyota builds Camrys in Kentucky, while Dell assembles PCs in China. Free trade areas—agreements that reduce tariffs and barriers among trading partners—further encourage international trade. NAFTA (the North American Free Trade Agreement) and the EU (European Union) are examples.

Globalization compels employers to be more efficient. More globalization means more competition, and more competition means more pressure to be "world class"—to lower costs, to make employees more productive, and to do things better and less expensively. Thus, when the Japanese retailer Uniglo opened its first store in Manhattan, many local competitors had to institute new testing, training, and pay practices to boost their employees' performance. The search for greater efficiencies prompts many employers to *offshore* (export jobs to lower-cost locations abroad). For example, Dell offshored some call-center jobs to India. Many employers offshore even highly skilled jobs such as sales managers, general managers—and HR managers.³³

FIGURE 3
Gross National Product, 1940–2010

Source: “Gross National Product (GNP)” by FRED Economic Data/St. Louis Fed., from Federal Reserve Bank of St. Louis.



For 50 or so years, globalization boomed. For example, the total sum of U.S. imports and exports rose from \$47 billion in 1960, to \$562 billion in 1980, to about \$4.7 trillion recently.³⁴ Changes in economic and political philosophies drove this boom. Governments dropped cross-border taxes or tariffs, formed economic free trade areas, and took other steps to encourage the free flow of trade among countries. The fundamental economic rationale was that by doing so, all countries would gain. And indeed, economies around the world did grow quickly.

Indebtedness (“Leverage”) and Deregulation

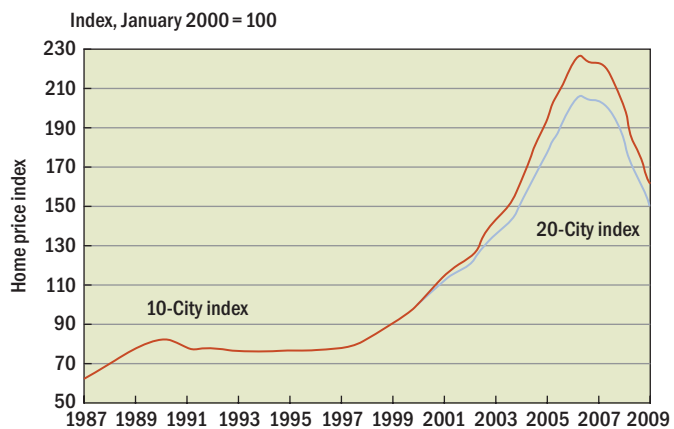
Other trends contributed to this economic boom. Many governments stripped away rules and regulations. For example, in America and Europe, the rules that prevented commercial banks from expanding into new businesses such as investment banking were relaxed. Giant, multinational “financial supermarkets” such as Citibank emerged. With fewer regulations, more businesses and consumers were soon deeply in debt. Homebuyers bought homes with little money down. Banks freely lent money to developers to build more homes. For almost 20 years, U.S. consumers spent more than they earned. The U.S. became a debtor nation. Its balance of payments (exports minus imports) went from a healthy positive \$3.5 billion in 1960, to a not-so-healthy *minus* \$19.4 billion in 1980 (imports exceeded exports), to a huge \$497 billion deficit in 2011.³⁵ The only way the country could keep buying more from abroad than it sold was by borrowing money. So, much of the boom was built on debt.

Economic Challenges and Trends

These trends occurred in a volatile economic environment. As you can see in Figure 3, Gross National Product (GNP)—a measure of the United States of America’s total output—boomed between 2001 and 2007. During this period, home prices (see Figure 4) leaped as much as 20% per year. Unemployment remained docile at about 4.7%.³⁶ Then, around 2007–2008, all these

FIGURE 4
Case-Shiller Home Price Indexes

Source: Case-Shiller Home Price Indexes. Courtesy of the Federal Reserve Bank of Cleveland. Reprinted with permission.



measures fell off a cliff. GNP fell. Home prices dropped by 10% or more (depending on city). Unemployment nationwide soon rose to more than 10%.

Why did all this happen? That is a complicated question, but for one thing, all those years of accumulating debt ran their course. Banks and other financial institutions (such as hedge funds) found themselves owning trillions of dollars of worthless loans. Governments stepped in to try to prevent their collapse. Lending dried up. Many businesses and consumers stopped buying. The economy tanked.

Economic trends will undoubtedly turn positive again, perhaps even as you read this. However, they have certainly grabbed employers' attention. After what the world went through starting in 2007–2008, it's doubtful that the deregulation, leveraging, and globalization that drove economic growth for the previous 50 years will continue unabated. That may mean slower growth for many countries, perhaps for years, and more pressure on employers and their human resource managers.

LEARNING OBJECTIVE 4

List, with examples, 10 things today's HR managers do to deal with these trends and challenges.

WHAT DO THE NEW HUMAN RESOURCE MANAGERS DO?

For much of the twentieth century, “personnel” managers focused mostly on day-to-day activities. In the earliest firms, they took over hiring and firing from supervisors, ran the payroll department, and administered benefits plans. As expertise in testing emerged, the personnel department played a bigger role in employee selection and training.³⁷ New union laws in the 1930s added, “Helping the employer deal with unions” to its list of duties. With new equal employment laws in the 1960s, employers began relying on HR for avoiding discrimination claims.³⁸

Today, employers face new challenges, such as squeezing more profits from operations. They expect their human resource managers to have what it takes to address these new challenges. Let's look at 10 things today's HR managers do to deal with these challenges.

THEY FOCUS MORE ON STRATEGIC, BIG PICTURE ISSUES First, human resource managers are more involved in helping their companies address longer-term, strategic “big picture” issues.

We see that Strategic **human resource management** means *formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims*. The basic idea behind strategic human resource management is this: In formulating human resource management policies and practices, the manager's aim should be to produce the employee skills and behaviors that the company needs to achieve its strategic aims. So, for example, if you want the CEO to focus on boosting profits, tie his or her incentive plan to the company's profitability.

We will use a model to illustrate this idea, but in brief the model follows this three-step sequence: Set the firm's strategic aims → Pinpoint the employee behaviors and skills we need to achieve these strategic aims → Decide what HR policies and practices will enable us to produce these necessary employee behaviors and skills.

THEY USE NEW WAYS TO PROVIDE HR SERVICES To free up time for their new strategic duties, today's human resource managers deliver their traditional day-to-day HR services (such as benefits administration) in new ways. For example, they use technology such as *company portals* so employees can self-administer benefits plans, *Facebook recruiting* to recruit job applicants, *online testing* to prescreen job applicants, and *centralized call centers* to answer supervisors' HR-related inquiries. IBM's employees use its own internal social network site to “create personal profiles similar to those on LinkedIn . . . share files, and gain knowledge from white papers, videos, and podcasts.”³⁹ Table 2 illustrates how employers use technology to support delivering human resource management activities.⁴⁰

THEY TAKE A TALENT MANAGEMENT APPROACH TO MANAGING HUMAN RESOURCES With employers pressing for improved performance, one survey of human resource executives found that “talent management” issues were among the most pressing ones they faced.⁴¹ **Talent management** is the *goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating* employees.⁴² It involves putting in place a coordinated process for identifying, recruiting, hiring, and developing employees. For example, we saw that IBM split its

strategic human resource management

Formulating and executing human resource policies and practices that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

talent management

The end-to-end process of planning, recruiting, developing, managing, and compensating employees throughout the organization.

TABLE 2 Some Technological Applications to Support HR

Technology	How Used by HR
Streaming desktop video	Used to facilitate distance learning and training or to provide corporate information to employees quickly and inexpensively.
Internet- and network-monitoring software	Used to track employees' Internet and e-mail activities or to monitor their performance.
Data warehouses and computerized analytical programs	Help HR managers monitor their HR systems. For example, they make it easier to assess things like cost per hire, and to compare current employees' skills with the firm's projected strategic needs.

employees into three groups, to better coordinate how it serves the employees in each segment.

THEY MANAGE EMPLOYEE ENGAGEMENT Improved performance means you need your employees to be engaged. The Institute for Corporate Productivity defines engaged employees “as those who are mentally and emotionally invested in their work and in contributing to an employer’s success.” Unfortunately, studies suggest that less than one-third of the U.S. workforce is engaged.⁴³ Today’s human resource managers need skills to manage employee engagement.

THEY MANAGE ETHICS Regrettably, news reports today are filled with managers’ ethical misdeeds. For example, prosecutors filed criminal charges against several Iowa meatpacking plant human resource managers who allegedly violated employment law by hiring children younger than 16.⁴⁴ Behaviors like these risk torpedoing even otherwise competent managers and employers. **Ethics** means the standards someone uses to decide what his or her conduct should be. Many serious workplace ethical issues—workplace safety and employee privacy, for instance—are human resource–management related.⁴⁵

THEY MEASURE HR PERFORMANCE AND RESULTS Perhaps most notably, the pressures of global competition forced human resource managers to be more numbers oriented.

Several years ago, IBM’s Randall MacDonald needed \$100 million to reorganize its HR operations. He told top management, “I’m going to deliver talent to you that’s skilled and on time and ready to be deployed. I will be able to measure the skills, tell you what skills we have, what [skills] we don’t have [and] then show you how to fill the gaps or enhance our training.”⁴⁶

Human resource managers use performance measures (or “metrics”) to validate claims like these. For example, median HR expenses as a percentage of companies’ total operating costs average just under 1%. On average, there is about 1 human resource staff person per 100 employees.⁴⁷

To compare their own companies to others, human resource managers obtain customized benchmark comparisons from services such as the Society for Human Resource Management’s Human Capital Benchmarking Service.⁴⁸

THEY USE EVIDENCE-BASED HUMAN RESOURCE MANAGEMENT Basing decisions on such evidence is the heart of *evidence-based human resource management*. This is the use of data, facts, analytics, scientific rigor, critical evaluation, and critically evaluated research/case studies to support human resource management proposals, decisions, practices, and conclusions.⁴⁹ Put simply, evidence-based human resource management means using the best-available evidence in making decisions about the human resource management practices you are focusing on.⁵⁰ The evidence may come from *actual measurements* (such as, how did the trainees like this program?). It may come from *existing data* (such as, what happened to company profits after we installed this training program?). Or, it may come from published *research studies* (such as, what does the research literature conclude about the best way to ensure that trainees remember what they learn?).

THEY ADD VALUE The bottom line is that today’s employers want their HR managers to *add value* by boosting profits and performance. Professors Dave Ulrich and Wayne Brockbank describe this as “The HR Value Proposition.”⁵¹ They say human resource programs (such as screening tests) are just a means to an end. The human resource manager’s ultimate aim must be to add value. “Adding value” means helping the firm and its employees improve in a measurable way as a result of the human resource manager’s actions.

ethics

The principles of conduct governing an individual or a group; specifically, the standards you use to decide what your conduct should be.

We'll see in this text how human resource practices do this.

THEY UNDERSTAND THEIR HUMAN RESOURCE PHILOSOPHY Peoples' actions are always based in part on the basic assumptions they make; this is especially true in regard to human resource management. The basic assumptions you make about people—Can they be trusted? Do they dislike work? Can they be creative? Why do they act as they do? How should they be treated?—together comprise your philosophy of human resource management. And every personnel decision you make—the people you hire, the training you provide, your leadership style, and the like—reflects (for better or worse) this basic philosophy.

How do you go about developing such a philosophy? To some extent, it's preordained. There's no doubt that you will bring to your job an initial philosophy based on your experiences, education, values, assumptions, and background. But your philosophy doesn't have to be set in stone. It should and will continually evolve as you accumulate knowledge and experiences. For example, the personnel philosophy at Hon Hai's Foxconn plant seems to have softened in response to its employees' and Apple's discontent. In any case, no manager should manage others without first understanding the personnel philosophy that is driving his or her actions.

One of the things molding your own philosophy is that of your organization's top management. While it may or may not be stated, it is usually communicated by their actions and permeates every level and department in the organization. For example, here is part of the personnel philosophy of the founder of the Polaroid Corp., stated many years ago:

To give everyone working for the company a personal opportunity within the company for full exercise of his talents—to express his opinions, to share in the progress of the company as far as his capacity permits, and to earn enough money so that the need for earning more will not always be the first thing on his mind. The opportunity, in short, to make his work here a fully rewarding and important part of his or her life.⁵²

Current “best companies to work for” lists include many organizations with similar philosophies. For example, the CEO of software giant SAS has said, “We've worked hard to create a corporate culture that is based on trust between our employees and the company . . . a culture that rewards innovation, encourages employees to try new things and yet doesn't penalize them for taking chances, and a culture that cares about employees' personal and professional growth.”⁵³

Sometimes, companies translate philosophies like these into what management gurus call *high-performance work systems*, “sets of human resource management practices that together produce superior employee performance.”⁵⁴ For example, at GE's assembly plant in Durham,

The SAS Institute, Inc. is built on 200 tree-covered acres in Cary, N.C. SAS is the world's largest software company in private hands. Its 8,000 employees around the globe recently generated about \$1.1 billion in sales. The company is famous for its progressive benefits and employee relations programs.

Source: AP Photo/Karen Tam



North Carolina, highly trained employees work in autonomous self-directed teams to produce high-precision aircraft parts.

THEY HAVE NEW COMPETENCIES⁵⁵ Tasks like formulating strategic plans and making data-based decisions require new human resource manager skills. HR managers can't just be good at traditional personnel tasks like hiring and training. Instead, they must "speak the CFO's language" by defending human resource plans in measurable terms (such as return on investment).⁵⁶ To create strategic plans, the human resource manager must understand strategic planning, marketing, production, and finance.⁵⁷ (Perhaps this is why about one-third of top HR managers in Fortune 100 companies moved there from other functional areas.)⁵⁸ He or she must be able to formulate and implement large-scale organizational changes, design organizational structures and work processes, and understand how to compete in and succeed in the marketplace.⁵⁹

LEARNING OBJECTIVE 5

Discuss some competencies HR managers need to deal with today's trends and challenges.

WHAT COMPETENCIES DO TODAY'S HUMAN RESOURCE MANAGERS NEED?

Figure 5 provides one view of the competencies today's HR managers need. Professor Dave Ulrich and his colleagues say that today's human resource managers need the knowledge, skills, and competencies to be:

Strategic positioners—for instance, by helping to create the firm's strategy.

Credible activists—for instance, by exhibiting the leadership and other competencies that make them "both *credible* (respected, admired, listened to) and *active* (offers a point of view, takes a position, challenges assumptions)."⁶⁰

Capability builders—for instance, by creating a meaningful work environment and aligning strategy, culture, practices, and behavior.

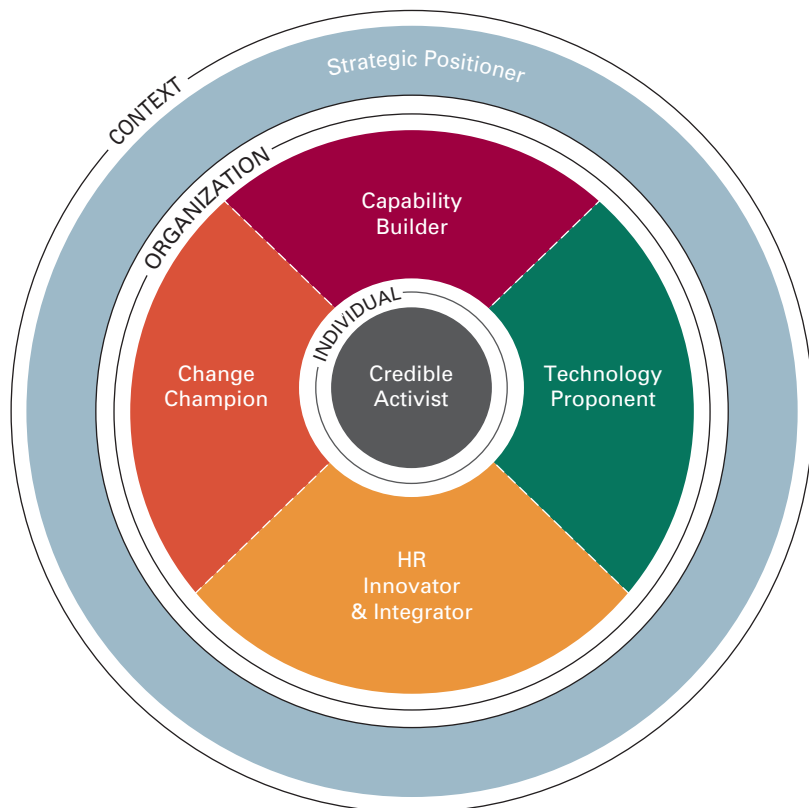
Change champions—for instance, by initiating and sustaining change.

HR innovators and integrators—for instance, by developing talent, and optimizing human capital through workforce planning and analytics.

Technology proponents—for instance, by connecting people through technology.

FIGURE 5
The Human Resource Manager's Competencies

Source: The RBL Group, © 2012.



HRCI Certification

Many HR managers use certification to show their mastery of modern human resource management knowledge. The HR Certification Institute (HRCI) is an independent certifying organization for human resource professionals (see www.hrci.org/). Through testing, HRCI awards several credentials, including Professional in Human Resources (PHR), and Senior Professional in Human Resources (SPHR). The evidence to date, while incomplete, generally suggests a positive relationship between human resource managers' competence, as reflected by PHR or SPHR certification, and the human resource managers' effectiveness, (although researchers also note that it is the person's ability to apply what he or she knows, rather than just the knowledge, that ultimately determines one's success).⁶¹ Managers can take an online HRCI practice quiz at <http://www.hrci.org/Quiz/>.⁶²

The HRCI Knowledge Base

The HRCI body of knowledge devotes roughly these percentages to the following main topic areas (PHR exam %, and SPHR exam %): Strategic Business Management, 12%–29%; Workforce Planning and Employment, 26%–17%; Human Resource Development, 17%–17%; Total Rewards, 16%–12%; Employee and Labor Relations, 22%–18%; Risk Management, 7%–7%, as well as certain Core Knowledge, for example with respect to motivation and job analysis. The space this text devotes to these topics roughly follows these HRCI suggestions.

The Knowledge Base lists about 91 specific “Knowledge of” subject areas within these main topic area groups with which those taking the test should be familiar; we use special **KNOWLEDGE BASE** icons denote coverage of HRCI knowledge topics.

To provide all future managers, not just HR managers, with the practical techniques they need, for instance to interview, train, and appraise employees, and to deal confidently with equal employment and other HR-related laws. And to cover, to the extent possible, the content in HRCI's “A Body of Knowledge” but in a relatively compact and economical 14-chapter soft cover format. **KNOWLEDGE BASE** Workforce planning and techniques

Review

MyManagementLab

Go to mymanagementlab.com to complete the problems marked with this icon .

SUMMARY

1. Staffing, personnel management, or human resource management includes activities such as recruiting, selecting, training, compensating, appraising, and developing.
2. HR management is a part of every line manager's responsibilities. These responsibilities include placing the right person in the right job and then orienting, training, and compensating the person to improve his or her job performance.
3. The HR manager and his or her department provide various staff services to line management, including assisting in the hiring, training, evaluating, rewarding, promoting, disciplining, and safety of employees at all levels.
4. Trends are requiring HR to play a more strategic role in organizations. These trends include workforce diversity, technological change, globalization, economic upheaval,

and changes in the nature of work, such as the growing emphasis on education and human capital.

5. The consequence of such changes is that HR managers' jobs are increasingly strategic in nature. HR managers must also find new ways to deliver transactional

services (such as benefits administration), focus more on providing internal consulting expertise with respect to improving employee morale and performance, build high-performance work organizations, manage talent, and be skilled at acting based on evidence and metrics.

KEY TERMS

organization

manager

managing

management process

human resource management (HRM)

authority

line manager

staff manager

strategic human resource management

talent management

ethics

DISCUSSION QUESTIONS

1. What is human resource management?
2. Explain with at least five examples why “a knowledge and proficiency in HR management concepts and techniques is important to all supervisors or managers.”
3. Explain with examples what we mean by “the changing environment of human resource management.”
4. Give examples of how the HR manager's duties today are different from 30 years ago.
- ★ 5. Discuss, with examples, four important issues influencing HR management today.
6. Explain HR management's role in relation to the firm's line management.
- ★ 7. Compare the authority of line and staff managers. Give examples of each.

INDIVIDUAL AND GROUP ACTIVITIES

1. Working individually or in groups, contact the HR manager of a local bank. Ask the HR manager how he or she is working as a strategic partner to manage human resources, given the bank's strategic goals and objectives. Back in class, discuss the responses of the different HR managers.
2. Working individually or in groups, interview an HR manager. Based on that interview, write a short presentation regarding HR's role today in building competitive organizations.
3. Working individually or in groups, bring several business publications such as *Bloomberg Businessweek* and the *Wall Street Journal* to class. Based on their contents, compile a list entitled “What HR Managers and Departments Do Today.”
4. Based on your personal experiences, list 10 examples showing how you used (or could have used) human resource management techniques at work or school.
5. Laurie Siegel, senior vice president of human resources for Tyco International, took over her job just after numerous charges forced the company's previous board of directors and top executives to leave the firm. Hired by new CEO Edward Breen, Siegel had to tackle numerous difficult problems starting the moment she assumed office. For example, she had to help hire a new management team. She had to do something about what the outside world viewed as a culture of questionable ethics at her company. And she had to do something about the company's top management compensation plan, which many

felt contributed to the allegations by some that former company officers had used the company as a sort of private ATM.

Siegel came to Tyco after a very impressive career. For example, she had been head of executive compensation at AlliedSignal, and was a graduate of the Harvard Business School. But, as strong as her background was, she obviously had her work cut out for her when she took the senior vice president of HR position at Tyco.

Working individually or in groups, conduct an Internet search and library research to answer the following questions: What human resource management–related steps did Siegel take to help get Tyco back on the right track? Do you think she took the appropriate steps? Why or why not? What, if anything, do you suggest she do now?

6. Working individually or in groups, develop a list showing how trends such as workforce diversity, technological trends, globalization, and changes in the nature of work have affected the college or university you are now attending or the organization for which you work.
7. Working individually or in groups, develop several examples showing how the new HR management practices mentioned in this chapter (using technology, for instance) have or have not been implemented to some extent in the college or university you are now attending or in the organization for which you work.

APPLICATION EXERCISES

HR IN ACTION CASE INCIDENT 1

Jack Nelson's Problem

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what her machine did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had been working there for only two months. She did, however, know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the supervisor in charge spoke to Nelson confidentially, telling him that “something was wrong,” but she didn’t know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee been put on the job than another one resigned. With customers to see and loans to be made, she explained, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the worker who had quit.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm was generally regarded as a well-run institution that had grown from 27 to 191 employees during the past eight years. The more he thought about the matter, the more puzzled Nelson became. He couldn’t quite put his finger on the problem, and he didn’t know whether to report his findings to the president.

Questions

1. What do you think is causing some of the problems in the bank’s home office and branches?
2. Do you think setting up an HR unit in the main office would help?
3. What specific functions should an HR unit carry out? What HR functions would then be carried out by the bank’s supervisors and other line managers?

Source: “Jack Nelson’s Problem,” by Claude S. George, from *Supervision In Action: The Art of Managing Others*, 4th ed., 1985. Copyright © 1985 by Pearson Education, Inc. Reprinted with permission.

HR IN ACTION CASE INCIDENT 2

Carter Cleaning Company

Introduction

A main theme of this text is that HR management—activities like recruiting, selecting, training, and rewarding employees—is not just the job of a central HR group but rather a job in which every manager must engage. Perhaps nowhere is this more apparent than in the typical small service business. Here the owner/manager usually has no HR staff on which to rely. However, the success of his or her enterprise (not to mention his or her family’s peace of mind) often depends largely on the effectiveness through which workers are recruited, hired, trained, evaluated, and rewarded. Therefore, to help illustrate and emphasize the front-line manager’s HR role, throughout this text we will use a continuing case based on an actual small business in the southeastern United States. Each chapter’s segment of the case will illustrate how the case’s main player—owner/manager Jennifer Carter—confronts and solves personnel problems each day at work by applying the concepts and techniques of that particular chapter. Here is background information you will need to answer questions that arise. (We also present a second, unrelated case incident in each chapter.)

Carter Cleaning Centers

Jennifer Carter graduated from State University in June 2005, and, after considering several job offers, decided to do what she really always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first laundromat in 1998 and his second in 2001. The main attraction of these coin laundry businesses for him was that they were capital intensive rather than labor intensive. Thus, once the investment in machinery was made, the stores could be run with just one unskilled attendant and have none of the labor problems one normally expects from being in the retail service business.

The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 1999 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of “related diversification” by adding new services that were related to and consistent with his existing coin laundry activities. He added these in part because he wanted to better utilize the unused space in the rather large stores he currently had under lease. But he also did so because he was, as he put it, “tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner 5 miles away, who then took most of what should have been our profits.” To reflect the new, expanded line of services he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next five years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about \$600,000. It was this six-store cleaning centers chain that Jennifer joined upon graduating from State University.

Her understanding with her father was that she would serve as a troubleshooter and consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth.

Questions

1. Make a list of five specific HR problems you think Carter Cleaning will have to grapple with.
2. What would you do first if you were Jennifer?

EXPERIENTIAL EXERCISE

Helping "The Donald"

Purpose: The purpose of this exercise is to provide practice in identifying and applying the basic concepts of human resource management by illustrating how managers use these techniques in their day-to-day jobs.

Required Understanding: Be familiar with the material in this chapter, and with several episodes of shows like *The Apprentice*, with developer Donald Trump.

How to Set Up the Exercise/Instructions:

1. Divide the class into teams of three to four students.
2. Read this: As you know by having watched "The Donald" as he organized his business teams for *The Apprentice*, human resource management plays an important role in what Donald Trump and the participants on his separate teams need to do to be successful. For example, Donald Trump needs to be able to appraise each of the participants. And, for their part, the leaders of each of his teams need to be able to staff his or her teams with the right participants and then provide the sorts of training, incentives, and evaluations that help their companies succeed and that therefore make the

participants themselves (and especially the team leaders) look like "winners" to Mr. Trump.

3. Watch several of these shows (or reruns of the shows), and then meet with your team and answer the following questions:
 - a. What specific HR functions (recruiting, interviewing, and so on) can you identify Donald Trump using on this show? Make sure to give specific examples.
 - b. What specific HR functions (recruiting, selecting, training, and so on) can you identify one or more of the team leaders using to help manage their teams on the show? Again, give specific examples.
 - c. Provide a specific example of how HR functions (such as recruiting, selection, interviewing, compensating, appraising, and so on) contributed to one of the participants coming across as particularly successful to Mr. Trump. Also, provide examples of how one or more of these functions contributed to Mr. Trump telling a participant "You're fired."
 - d. Present your team's conclusions to the class.

MyManagementLab

Go to mymanagementlab.com for Auto-graded writing questions as well as the following Assisted-graded writing questions:

1. How do today's HR managers deal with the trends and challenges shaping contemporary HR management?
2. Discuss some competencies HR managers need to deal with today's trends and challenges.
3. Mymanagementlab Only - comprehensive writing assignment for this chapter.

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Managing Equal Opportunity and Diversity

OVERVIEW:
In this chapter,
we will cover . . .

SELECTED EQUAL EMPLOYMENT OPPORTUNITY LAWS

DEFENSES AGAINST DISCRIMINATION ALLEGATIONS

ILLUSTRATIVE DISCRIMINATORY EMPLOYMENT PRACTICES

THE EEOC ENFORCEMENT PROCESS

DIVERSITY MANAGEMENT AND AFFIRMATIVE ACTION PROGRAMS

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KNOWLEDGE BASE LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

1. Summarize the basic equal employment opportunity laws and how each impacts HR functions such as recruitment and selection.
2. Explain the basic defenses against discrimination allegations.
3. Give examples of what employers can and cannot legally do with respect to recruitment, selection, and promotion and layoff practices.
4. Explain the Equal Employment Opportunity Commission enforcement process.
5. List five strategies for successfully increasing diversity of the workforce.

INTRODUCTION

A former manager at a Panera Bread restaurant recently settled his discrimination suit against the franchise owner.¹ The manager alleged that the owner ordered him to consign minority employees to jobs that kept them out of public view, and then fired him when he refused.

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LEARNING OBJECTIVE 1

Summarize the basic equal employment opportunity laws and how each impacts HR functions such as recruitment and selection.



SELECTED EQUAL EMPLOYMENT OPPORTUNITY LAWS

Hardly a day goes by without equal opportunity lawsuits at work.² One survey of corporate general counsels found that such lawsuits were their biggest litigation fears.³ Performing day-to-day supervisory tasks like hiring employees without understanding these laws is fraught with peril. Furthermore, the HRCI Knowledge Base assumes knowledge of all the “[a]pplicable federal, state and local laws and regulations related to human resources. . .” you’ll find in this chapter, for instance Title VII and the EEOC Uniform Guidelines. Let us start with some background.

Equal employment laws aren’t new. The Fifth Amendment to the U.S. Constitution (ratified in 1791) states that “no person shall . . . be deprived of life, liberty, or property, without due process of the law.”⁴ Other laws as well as various court decisions made discrimination against minorities illegal by the early 1900s, at least in theory.⁵

But as a practical matter, Congress and presidents avoided dramatic action on implementing equal employment until the early 1960s.

Equal Pay Act of 1963

The **Equal Pay Act of 1963** (amended in 1972) was one of the first new laws Congress passed. This made it unlawful to discriminate in pay based on sex when jobs involve equal work—equivalent skills, effort, and responsibility—and are performed under similar working conditions. (Differences in pay do not violate the act if the difference is based on a seniority system, a merit system, a system that measures earnings by quantity or quality of production, or a differential based on any factor other than sex.)

Title VII of the 1964 Civil Rights Act

Title VII of the 1964 Civil Rights Act was another of the new laws. Title VII (amended by the 1972 Equal Employment Opportunity Act) says an employer cannot discriminate based on race, color, religion, sex, or national origin. Specifically, it states that it shall be an unlawful employment practice for an employer:⁶

1. *To fail or refuse to hire or to discharge an individual or otherwise to discriminate against any individual* with respect to his or her compensation, terms, conditions, or privileges of employment, because of such individual’s race, color, religion, sex, or national origin.
2. *To limit, segregate, or classify his or her employees or applicants for employment* in any way that would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his or her status as an employee, because of such individual’s race, color, religion, sex, or national origin.

Title VII established the **Equal Employment Opportunity Commission (EEOC)**. It consists of five members, appointed by the president with the advice and consent of the Senate. Each member serves a term of 5 years. The EEOC has a staff of thousands to assist it in administering the Civil Rights law in employment settings.

Establishing the EEOC greatly enhanced the federal government’s ability to enforce equal employment opportunity laws. The EEOC receives and investigates job discrimination complaints. When it finds reasonable cause, it attempts (through conciliation) to reach an agreement. If this fails, the EEOC has the power to go to court. Under the Equal Employment Opportunity Act of 1972, discrimination charges may be filed by the EEOC on behalf of an aggrieved individual, as well as by the individuals themselves. We explain this procedure later in this chapter.

Executive Orders

Under executive orders that U.S. presidents issued years ago, most employers who do business with the U.S. government have an obligation beyond that imposed by Title VII to refrain from employment discrimination. Executive Orders 11246 and 11375 don’t just ban discrimination; they require that contractors take *affirmative action* to ensure equal employment opportunity

Equal Pay Act of 1963

The act requiring equal pay for equal work, regardless of sex.

Title VII of the 1964 Civil Rights Act

The section of the act that says an employer cannot discriminate on the basis of race, color, religion, sex, or national origin with respect to employment.

Equal Employment Opportunity Commission (EEOC)

The commission, created by Title VII, empowered to investigate job discrimination complaints and sue on behalf of complainants.

Office of Federal Contract Compliance Programs (OFCCP)

The office responsible for implementing the executive orders and ensuring compliance of federal contractors.

Age Discrimination in Employment Act (ADEA) of 1967

The act prohibiting arbitrary age discrimination and specifically protecting individuals over 40 years old.

Vocational Rehabilitation Act of 1973

The act requiring certain federal contractors to take affirmative action for disabled persons.

Pregnancy Discrimination Act (PDA)

An amendment to Title VII of the Civil Rights Act that prohibits sex discrimination based on “pregnancy, childbirth, or related medical conditions.”

Griggs v. Duke Power Company

Supreme Court case in which the plaintiff argued that his employer’s requirement that coal handlers be high school graduates was unfairly discriminatory. In finding for the plaintiff, the Court ruled that discrimination need not be overt to be illegal, that employment practices must be related to job performance, and that the burden of proof is on the employer to show that hiring standards are job related.

protected class

Persons such as minorities and women protected by equal opportunity laws, including Title VII.

(we explain affirmative action later in this chapter). These orders also established the **Office of Federal Contract Compliance Programs (OFCCP)**, which is responsible for ensuring the compliance of federal contracts.⁷

Age Discrimination in Employment Act of 1967

The **Age Discrimination in Employment Act (ADEA) of 1967**, as amended, makes it unlawful to discriminate against employees or applicants for employment who are 40 years of age or older, effectively ending most mandatory retirement.⁸ Lawyers like the ADEA. It allows jury trials and double damages to those proving “willful” discrimination.⁹ In a case called *O’Connor v. Consolidated Coin Caterers Corp.*, the U.S. Supreme Court held that employers can’t circumvent the ADEA by simply replacing employees over 40 years of age with those who are “significantly younger” but also over 40.¹⁰

Vocational Rehabilitation Act of 1973

The **Vocational Rehabilitation Act of 1973** requires employers with federal contracts over \$2,500 to take affirmative action for the employment of disabled persons. The act does not require hiring an unqualified person. It does require that an employer take steps to accommodate a disabled worker unless doing so imposes an undue hardship on the employer.

Pregnancy Discrimination Act of 1978

Congress passed the **Pregnancy Discrimination Act (PDA)** in 1978 as an amendment to Title VII. The act prohibits using pregnancy, childbirth, and related medical conditions for discrimination in hiring, promotion, discharge, or any other term or condition of employment. Basically, the act says that if an employer offers its employees disability coverage, then pregnancy and childbirth must be treated like any other disability and must be included in the plan as a covered condition. Court decisions and more working mothers are prompting more (and more successful) PDA claims.¹¹ For example, an auto dealership fired an employee after she told them she was pregnant. The reason? Allegedly, “in case I ended up throwing up or cramping in one of their vehicles . . .”¹² The bottom line is that managers should base “any [such] decision on whether an employee can do the job on medical documentation, not on a manager’s interpretation.”¹³

Federal Agency Uniform Guidelines on Employee Selection Procedures

The federal agencies charged with ensuring compliance with the aforementioned laws and executive orders—the EEOC, Civil Service Commission, Department of Labor, and Department of Justice—have adopted uniform guidelines for employers.¹⁴ These guidelines explain, for instance, how to validate a selection procedure.¹⁵ The OFCCP has its own guidelines. The American Psychological Association published its own (nonlegally binding) *Standards for Educational and Psychological Testing*.

Selected Court Decisions Regarding Equal Employment Opportunity (EEO)

Several early court decisions helped to form the courts’ interpretive foundation for EEO laws. We summarize some important decisions in this section.

GRIGGS V. DUKE POWER COMPANY *Griggs v. Duke Power Company* (1971) was a landmark case because the Supreme Court used it to define unfair discrimination. In this case, a suit was brought against the Duke Power Company on behalf of Willie Griggs, an applicant for a job as a coal handler. The company required its coal handlers to be high school graduates. Griggs claimed that this requirement was illegally discriminatory because it wasn’t related to success on the job and because it resulted in more blacks than whites being rejected for these jobs.

Griggs won the case. The decision of the Court was unanimous, and in his written opinion, Chief Justice Burger laid out three crucial guidelines affecting equal employment legislation. First, the court ruled that discrimination on the part of the employer need not be overt; in other words, the employer does not have to be shown to have intentionally discriminated against the employee or applicant—it need only be shown that discrimination took place.

Second, the court held that an employment practice (in this case requiring the high school diploma) must be shown to be *job related* if it has an unequal impact on members of a **protected class**.

In the words of Justice Burger:

The act proscribes not only overt discrimination but also practices that are fair in form, but discriminatory in operation. The touchstone is business necessity. If an employment practice which operates to exclude Negroes cannot be shown to be related to job performance the practice is prohibited.¹⁶

Third, Burger’s opinion placed the burden of proof on the employer to show that the hiring practice is job related. Thus, the *employer* must show that the employment practice (in this case, requiring a high school diploma) is needed to perform the job satisfactorily if it has a disparate impact on members of a protected class.

ALBEMARLE PAPER COMPANY v. MOODY In the *Griggs* case, the Supreme Court decided that a screening tool (such as a test) had to be job related or valid—that is, performance on the test must be related to performance on the job. The 1975 *Albemarle* case is important because it helped to clarify what the employer had to do to prove that the test or other screening tools are related to or predict performance on the job. For example, the Court ruled that before using a test to screen job candidates, the performance standards for the job in question should be clear and unambiguous, so the employer can identify which employees were performing better than others (and thus whether the screening tool was effective). In arriving at its decision, the Court also cited the EEOC guidelines concerning acceptable selection procedures and made these guidelines the “law of the land.”¹⁷

The Civil Rights Act of 1991

Subsequent Supreme Court rulings in the 1980s had the effect of limiting the protection of women and minority groups. For example, in *Price Waterhouse v. Hopkins*, the court ruled that an employer’s unlawful actions may not be discriminatory if *lawful* actions (such as not promoting the employee due to inferior performance) would have resulted in the same personnel decision. In response, President George H. W. Bush signed into law the new **Civil Rights Act of 1991 (CRA 1991)**. This act rolled back the clock to where it stood before the 1980s decisions and actually placed more responsibility on employers.

First, CRA 1991 addressed the issue of *burden of proof*. Today, after CRA 1991, the process of filing and responding to a discrimination charge goes something like this. The plaintiff (say, a rejected applicant) demonstrates that an employment practice (such as a test) has a disparate impact on a particular group—for instance, that a *significant disparity* exists between the proportion of (say) women in the available labor pool and the proportion hired. (**Disparate impact** means “an employer engages in an employment practice or policy that has a greater adverse impact [effect] on the members of a protected group under Title VII than on other employees, regardless of intent.”¹⁸) Requiring a college degree for a job would have an adverse impact on some minority groups, for instance.

The plaintiff need not prove discriminatory intent. Instead, he or she must show that an apparently neutral employment practice, such as “be able to lift 100 pounds,” is causing the disparity.¹⁹ Once the plaintiff shows such disparate impact, the *employer* has the *burden of proving* that the challenged practice is job related.²⁰ For example, the employer has to show that lifting 100 pounds is actually required, and that the business could not run efficiently without the requirement—that it is a business necessity.

CRA 1991 also makes it easier to sue for *money damages*. It provides that an employee who is claiming *intentional discrimination* (called **disparate treatment**) can ask for both compensatory damages and punitive damages, if he or she can show the employer engaged in discrimination “with malice or reckless indifference to the federally protected rights of an aggrieved individual.” Finally, CRA 1991 also addresses so-called “mixed motive” cases. Here employers claim that although their actions were discriminatory, other factors, such as perhaps the employee’s poor performance, made the job action (such as dismissal) acceptable. Under CRA 1991, if *there is any such discriminatory motive, the practice may be unlawful.*²¹

The Americans with Disabilities Act

The **Americans with Disabilities Act (ADA)** of 1990 prohibits employers with 15 or more workers from discriminating against qualified individuals with disabilities, with regard to hiring,

Civil Rights Act of 1991 (CRA 1991)

The act that places burden of proof back on employers and permits compensatory and punitive damages.

disparate impact

An unintentional disparity between the proportion of a protected group applying for a position and the proportion getting the job.

disparate treatment

An intentional disparity between the proportion of a protected group and the proportion getting the job.

Americans with Disabilities Act (ADA)

The act requiring employers to make reasonable accommodations for disabled employees; it prohibits discrimination against disabled persons.

discharge, compensation, advancement, training, or other terms, conditions, or privileges of employment.²² And it requires employers to make “reasonable accommodations” unless doing so imposes an “undue hardship” on the business.²³

The ADA does not list specific disabilities. However, EEOC guidelines say someone is disabled when he or she has a physical or mental impairment that “substantially limits” one or more major life activity. Impairments include any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of several body systems, or any mental or psychological disorder.²⁴ The act specifies conditions that it does *not* regard as disabilities, including homosexuality, bisexuality, voyeurism, compulsive gambling, pyromania, and certain disorders resulting from the current illegal use of drugs.²⁵ The EEOC’s position is that the ADA prohibits discriminating against people with HIV/AIDS.

MENTAL IMPAIRMENTS AND THE ADA Mental disabilities account for the greatest number of ADA claims.²⁶ “Mental impairment” includes “any mental or psychological disorder, such as . . . emotional or mental illness.” Examples include major depression, anxiety disorders, and personality disorders. The ADA also protects employees with intellectual disabilities, including those with IQs below 70–75.²⁷ Employers should be alert to the possibility that behaviors normally regarded as undesirable (such as chronic lateness) may reflect mental impairments. Reasonable accommodation might then include providing room dividers, partitions, or other barriers between work spaces.



Technological innovations make it easier today for employers to accommodate disabled employees.

Source: Jim Cummins/Getty Images

QUALIFIED INDIVIDUAL Just being disabled doesn’t qualify someone for a job, of course. It only prohibits discrimination against *qualified individuals*—those who, with (or without) a reasonable accommodation, can carry out the *essential functions* of the job. The individual must have the requisite skills, educational background, and experience. A job function is essential when, for instance, it is the reason the position exists, or it is so highly specialized that the employer hires the person for his or her expertise or ability to perform that particular function. For example, when a worker had a seizure, his driver’s license was suspended and the employer fired him. The court ruled that he had no ADA claim because he couldn’t perform the essential functions of the job (driving).²⁸

REASONABLE ACCOMMODATION If the individual can’t perform the job as currently structured, the employer must make a “reasonable accommodation” unless doing so would present an “undue hardship.” Reasonable accommodation might include redesigning the job, modifying work schedules, or modifying or acquiring equipment or other devices (such as adding curb ramps and widening door openings).²⁹ For example, the National Federation of the Blind estimates that about 70% of working-age blind adults are unemployed or underemployed, although they are educated and excellent employees.³⁰ Existing technologies would enable most of them to work successfully in numerous jobs. For example, a screen-reading program called Jaws converts text from a computer screen into Braille while speaking it.³¹

Attorneys, employers, and the courts continue to work through what “reasonable accommodation” means.³² In one classic case, a Walmart door greeter with a bad back asked if she could sit while on duty. The store said no, and she sued. The federal court agreed with Walmart that door greeters must act in an “aggressively hospitable manner,” which can’t be done if the greeter is sitting on a stool.³³ Standing was an essential job function. As in Figure 1, you can use technology and common sense to make reasonable accommodation.

FIGURE 1
Examples of How to Provide Reasonable Accommodation

- Employees with mobility or vision impairments may benefit from voice recognition software.
- Word prediction software suggests words based on context with just one or two letters typed.
- Real-time translation captioning enables employees to participate in meetings.
- Vibrating text pagers notify employees when messages arrive.
- Arizona created a disability friendly website to help link prospective employees and others to various agencies.