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MANAGING HUMAN RESOURCES



9E

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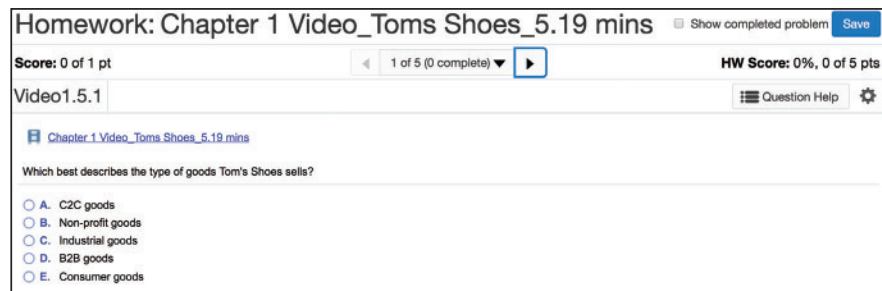
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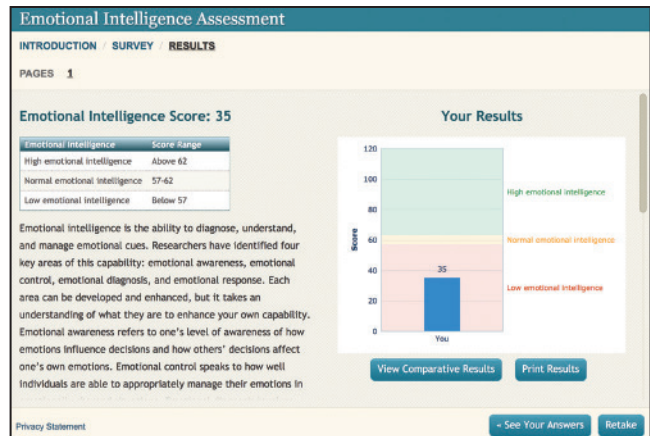
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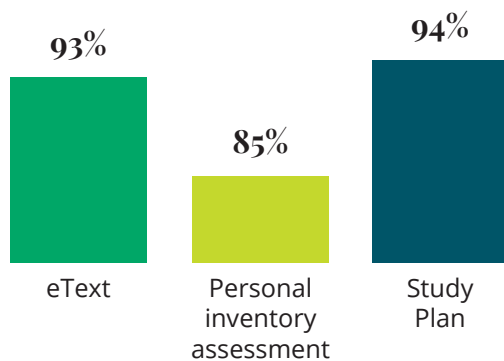
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Library of Congress Cataloging-in-Publication Data

Names: Gómez-Mejía, Luis R., author. | Balkin, David B., author. | Cardy, Robert L., author.

Title: Managing human resources / Luis R. Gómez-Mejía, Arizona State University, David B. Balkin, University of Colorado, Boulder, Robert L. Cardy, University of Texas at San Antonio.

Description: Ninth edition. | Boston : Pearson Education, [2020]

Identifiers: LCCN 2018056117 | ISBN 9780134900001

Subjects: LCSH: Personnel management.

Classification: LCC HF5549 .G64 2020 | DDC 658.3--dc23

LC record available at <https://lccn.loc.gov/2018056117>

To my wife Ana, my three sons Luis Jr., Vince and Alex
and my daughter Dulce

—L.R.G.M.

To my parents, Daniel and Jeanne

—D.B.B.

To my family for their endless support and to Todd Snider
for the endless inspiration

—R.L.C.

To my wife Jean, to my children and their spouses, and to Kit
and Atticus with love and gratitude.

— K.P.C.

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New to This Edition

Highlights of the changes to the ninth edition include the following:

- Most of the **‘Manager’s Notebook’** have been updated and new ones have been added.
- Most **introductory vignettes** are either new, substantially revised, or updated.
- New content on **sexual harassment** has been added in Chapters 3, 4, 6, and 16. The sexual harassment and misconduct policies sections has also been updated.
- More than 75 percent of the **boxed features** within the text have been replaced with new ones or have been substantially revised and updated.
- New **You Manage It!** cases at the end-of-chapter have been added to cover employability.
- **New and updated content** on important topics like Human Resource Information System (HRIS), use of social media, distinction between training and career development, mentoring employs, ethics, health and retirement benefits, technological changes affecting HR, protection of personal information, and the impact on HR of changes in trading policies and rising use of tariffs.

Detailed Chapter-by-Chapter Changes

Chapter 1, “Meeting Present and Emerging Strategic Human Resource Challenges,” has been updated to cover changes in the environment affecting HR practice (for instance, the “#MeToo movement”), technological changes affecting HR (for instance, how big data analytics is being used for making HR decisions), the protection of personal information (such as the recent case of Facebook), the increasing shift of HR responsibilities to line managers, the response to natural disasters from a HR perspective, and how organizations are grappling with filling critical jobs in a tight labor market. The chapter now includes new notebooks and cases dealing with these issues, and all prior notebooks and cases have been updated as needed.

Chapter 2, “Managing Work Flows and Conducting Job Analysis,” has new content that explains the advantages of college internships for students that can enhance their opportunities for employability after graduation. A new topic on HR Analytics describes how this emerging field within HR applies computer software with algorithms to automate processes for greater efficiency to recruiting, staffing, performance evaluation, career and succession planning. A new end-of-chapter case asks students to reflect on jobs that are likely to be vulnerable to automation and artificial intelligence (AI) in the future and think about what can be done to avoid being replaced by automation.

Chapter 3, “Understanding Equal Opportunity and the Legal Environment,” has been updated to add new content on recent sexual harassment cases and allegations that occurred in the entertainment industry between top executives and female employees and the repercussions from these events. New content has been added on the topic of age discrimination that now can be determined by the disparate impact criterion according to a recent Supreme Court case. A new end-of-chapter case questions whether the HR manager who learns about the sexual harassment can be even handed in providing a balanced perspective when a woman alleges she has been sexually harassed by a powerful company executive where a conflict of interest may cloud the judgment of the HR manager.

Chapter 4, “Managing Diversity,” has been updated to include new data on demographic profiles and trends, expanded coverage of work-related challenges facing various demographic groups, changes in federal immigration policies, employability of the 65 and older workforce which represents the fastest growing segment of the population, the “#MeToo movement” and a rising wave of sexual harassment allegations, the perils of office romance, and the rise of religious intolerance. New cases and notebooks have been added that deal with contemporary diversity issues.

Chapter 5, “Recruiting and Selecting Employees,” has been updated to reflect the current state of the job market in the United States, particularly the low unemployment rates. Some outdated content related to forecasting labor rates has been removed in light of the sophisticated tools that are now available to organizations, and a new section on Human Resource Information Systems (HRIS) has been added. The discussion of reliability and validity has been freshened to make it more accessible to students. A new Manager’s Notebook has been added focusing on the importance of building a reputation even as a student for future employability. New content has been added addressing the issues surrounding the use of social media in applicant screening. A new end-of-chapter case on Returnships asks students to consider the issues related to working with older employees who are returning to the workforce after extended absences for family or other reasons.

Chapter 6, “Managing Employee Separations, Downsizing, and Outplacement,” has been freshened to reflect the low unemployment rates which currently characterize the economy. Discussion has been added about the rise of contingent employment perhaps best exemplified by Uber. Finally, a new section on separation agreements exposes students to this phenomenon which is seemingly more prevalent, particularly in the context of sexual harassment cases.

Chapter 7, “Appraising and Managing Performance,” has a new introductory section which places discussion of the fundamental question quality management question about whether the person or the system is worth the most managerial attention. In addition, a new Manager’s Notebook feature asks students to consider the particularly difficult issue of managing difficult employees and provides advice about the same.

Chapter 8, “Training the Workforce,” includes a new Manager’s Notebook case on the implicit bias training undertaken by Starbuck’s in the aftermath of a racial incident between white employees and African-American customers which illustrates the importance of training efforts to organizational effectiveness. Chapter content has been re-organized for increased clarity. Also, a new Manager’s Notebook underscores the importance and use of internships in training.

Chapter 9, “Developing Careers,” has new content to further clarify the distinction between training and career development. A new Manager’s Notebook on Employability encourages students to use the services of their campus career services office and discusses some of the barriers to this goal. Content has been added on mentoring and the importance of employee’s taking the primary responsibility for managing their own careers. Finally, students are encouraged to use LinkedIn to establish a professional social media presence.

Chapter 10, “Managing Compensation,” has been thoroughly revised to update data on pay scales, provide expanded treatment of monetary and non-monetary rewards, offer new material on how companies respond to the demands of millennials, discuss recent changes in the application of job evaluation plans, explain how firms are trying to develop non-management career tracks, and discuss recent evidence on pay discrimination for women. New notebooks and cases have been added that deal with several of these issues.

Chapter 11, “Rewarding Performance,” offers expanded treatment of pay for performance plans, use of a combination of monetary and non-monetary rewards, discusses dangers in the use of incentives as potential promoters of unethical behaviors, how organizations try to fit rewards to an employee’s career cycle, and the importance of providing continuous feedback to enhance performance. New notebooks and cases have been added that deal with several of these issues.

Chapter 12, “Designing and Administering Benefits,” has been thoroughly revised to include the latest information covering health and retirement benefits including new information on the Patient and Affordable Care Act (PACA). New content is available on the point of service (POS) health plan that shares some features of the health maintenance organization (HMO) and the preferred provider organization (PPO). New content is provided on a cutting edge benefit that should be of great interest for students and consists of financial assistance for employees to pay off their student loans provided by funds from employers to help employees get out of student loan debt. A new end-of-chapter case explains the features of Walmart’s newly implemented paid parental leave policy that illustrates how some companies are starting to offer paid parental leave to employees with the newborn infants despite the fact that no federal law offers this benefit in the U.S.

Chapter 13, “Developing Employee Relations,” offers new content on employment practices that encourage having fun in the workplace which facilitates employees to experience higher

levels of creativity and engagement. A new end-of-chapter case describes employee relations at Costco, a large retail company, which has implemented a successful and profitable business model that puts a higher priority on treating employees well over financial goals.

Chapter 14, “Respecting Employee Rights and Managing Discipline,” provides expanded content on company drug testing practices in light of the fact that many states have recently enacted laws that allow for the use of medical marijuana and several states also permit its use for recreational purposes. New content explains the use of a performance improvement plan (PIP) which gives a low performing employee, prior to discharge, an opportunity to improve performance and be retained by meeting formally documented performance goals. A new end-of-chapter case discusses ways that legacy drug testing policies in companies can be revised to accommodate an employee who has a legitimate reason to use medical marijuana.

Chapter 15, “Working with Organized Labor,” contains updated information on the percentage of the workforce that is unionized in the United States and other countries. New content is provided in the opening vignette that explains the reasons for a recent outbreak of strikes of public school teachers in five states during 2018. A recent Supreme Court ruling is discussed that allows public employees to avoid paying fees to the union and the impact of this ruling on union bargaining power. A new end-of-chapter case discusses the public school teacher strikes in five states in 2018 and the reason why the teachers were successful in attaining their objectives.

Chapter 16, “Managing Workplace Safety and Health,” includes updated content on safety regulations and examples of corporate safety violations. Discussion about the trends in data from the Bureau of Labor Statistics has been altered to account for newly available information. Most importantly, an entire new section on managerial responsibilities in relation to sexual harassment has been added. This material discusses responsibilities related to prevention, as well as the duties connected to responding to charges of sexual harassment in the workplace. This material connects students to the “#MeToo” movement which has gathered so much deserving attention.

Chapter 17, “International HRM Challenges,” has been updated by discussing the impact on HR of changes in trading policies and rising use of tariffs, offering an expanded treatment of outsourcing, discussing the role of ever improving web based translators on HR practices, providing an expanded treatment of advantages and disadvantages of hiring expatriates, discussing the challenges that women face as expatriates, and analyzing how changes in federal regulations affect the recruitment and treatment of “guest workers.” New notebooks and end-of-chapter cases dealing with global HR issues have been added to this new edition.

Solving Teaching and Learning Challenges

Human resource management services and decisions in recent years have been increasingly repurposed away from functional Human Resource Management specialists located in corporate functional silos. Instead human resource management practices are more likely to be developed and decisions to be made closer to where the actual work is taking place in order to be delivered to where it is needed with high agility and effectiveness. The students studying this course want to understand these roles and ways in which they can deliver actual services to the employees in the workplace. This approach strengthens HR's alignment with the goals and strategies of the business and depends on having actors who are more engaged in delivering HR services: line managers, supervisors, team leaders, and self-managed teams. While studying this course a student faces challenges like understanding the variety of issues that a manager confronts daily. This makes it imperative for the student to find ways in which he/she is able to effectively implant the conceptual material to such situations.

Managing Human Resources, 9th edition focuses on the delivery of HR services to actual employees in the workplace with the intent of making faster and higher quality HR decisions aligned with business goals. Our approach used in this text includes the end-of-chapter cases, extended examples found in boxed content, and discussion questions that gives the students a realistic view of HR as it is actually practiced in business organizations and should prepare them to be more employable managers, supervisors, and team leaders with valuable HR knowledge. ‘The Manger’s Notebook’ and ‘You Manage It!’ cases are specifically designed to help the students understand the different situations a HR manager is in when taking important decisions by providing examples to students that help them apply their conceptual knowledge to such situations.



MANAGER'S NOTEBOOK

Global Labor Supply: Surpluses or Shortages? Depends on How You Look at It

Is the supply of labor sufficient? The unemployment rate rises and falls as economic conditions change. During the height of the Great Recession in 2007, the U.S. unemployment rate rose to 10 percent. At this writing, the unemployment rate is 4.1 percent. But does viewing labor as simply the number of potential workers adequately depict the status of the supply of labor? The picture is more complex when the supply of labor is looked at more closely.

MANAGER'S NOTEBOOK

Big Data Analytics and the Use of Artificial Intelligence on the Rise for HR



An increasing number of companies are using data analytics to study the social dynamics of employees based on a variety of sources such as e-mail exchanges, common projects, online interactions, and access to Internet sources. The objective is to use this data to improve the utilization of human resources. For instance, General Electric (GE) developed an app to integrate 22,000 employees of a newly acquired company with those employees already working for GE. This enabled employees with similar skills, education, and background to come



MANAGER'S NOTEBOOK

Using Incentives to Motivate Employees and Customers

Companies spend approximately \$50 billion a year on incentives, and some experts say they should retain that focus regardless of general economic conditions. "In good times or bad, organizations are well served by creating a culture of recognition for their employees as well as their customers," says the executive director of the Incentive Marketing Association (IMA). "Incentive programs allow a company to focus people's activities and tasks on what produces financial outcomes," agrees IMA's president. "They align what the individual does to what the company would like them to do, and they allow companies to keep the investment they place in people and the intellectual property they develop in those employees."

You Manage It! Cases

These chapter end cases help the student to make the conceptual metrical discussion come to life. For each case there are critical thinking questions, team exercises, and experiential exercises for the students to apply the concepts they have learnt.

This feature also includes topics like Employability, Customer-Driven HR, Ethics/Social Responsibility, Global, and Emerging Trends.

Manager's Notebook

The Manager's Notebooks provide exposure to the students to a variety of issues that managers confront daily, from providing feedback during an appraisal session to managing difficult employees.

Important themes like Employability, Customer-Driven HR, Ethics/Social Responsibility, Global, and Emerging Trends are covered to help students to understand the real-world situations.



You Manage It! 1 > Customer-Driven HR

Costs and Benefits: Assessing the Business Case for Training

No matter what your business, to stay in business you have to attract and retain customers. How do you do that? One way is to deliver a quality product or service in a high-quality manner. In other words, it is a combination of what is offered and how it is offered that determines whether a buyer will become a loyal customer. Train-

savings generated by training. Extrapolate this number over a one- or two-year time period.
8-14. As you have read, training can increase revenue. The revenue could come from increased quality of the customer experience due to the impact of training. Consider, as an example, the following table of customer survey responses before and after training.



You Manage It! 2 > Ethics/Social Responsibility

The Ethics Challenge

Training to help workers confront unethical behavior was discussed in the Manager's Notebook "That's Not Right: Training to Help Workers Confront Unethical Actions." Offering this training to workers assumes that they may run into unethical behaviors and need the skills to deal with these situations.

Critical Thinking Questions

8-20. If you have a clear code of ethics, do you think training to challenge unethical behavior would still be needed? Why or why not?

8-21. Might challenging someone who is engaging in unethical behavior have some risk? How can this risk be minimized?
8-22. Using the evaluation framework presented in Figure 8.5, which level would the ethics training attempt to improve?

Team Exercise

8-23. Join your teammates and consider the training to help employees challenge unethical behavior.
a. How can the effectiveness of this training be maximized?
b. Do your team members agree that this ethics training is a good idea? Why or why not?
c. Share your assessments with the rest of the class.



You Manage It! 3 > Global

Mentoring as Global Development

Organizations face enormous challenges in bringing people together and having them understand and trust the organization and its systems. Some groups of people may have experienced discrimination and/or disrespect, or come from a cultural background that is not the norm in the organization. It may be difficult for these workers to trust and embrace an organization's system. As employees, these workers may need support and opportunities if they are to get ahead.

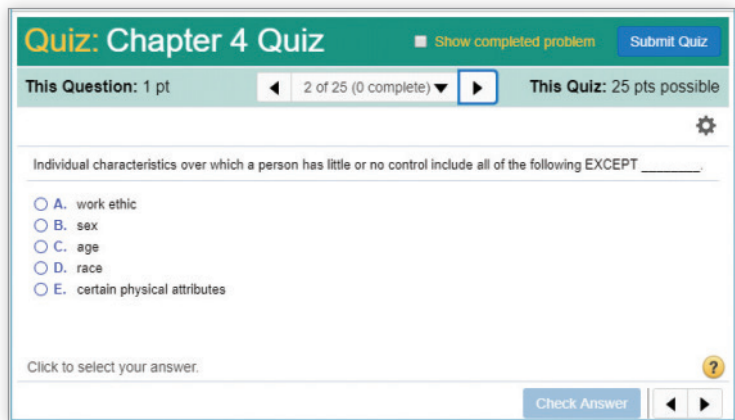
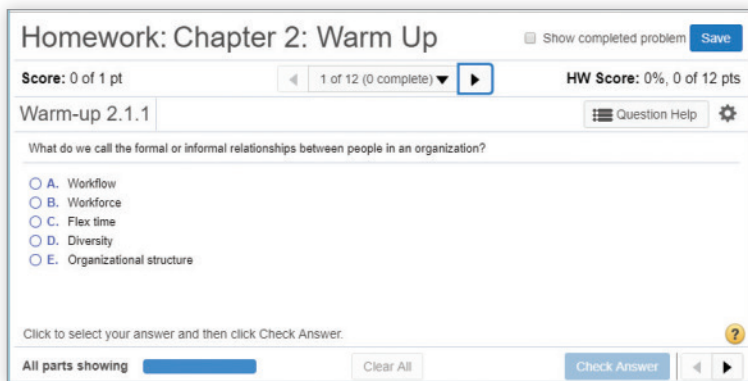
understanding of the organization. What would you be looking for from this person's mentor? Are there potential difficulties that the mentor should be aware of? How should mentors be identified and assigned (from your mentee position)? Share your team's judgments with the rest of the class.

Experiential Exercise: Team

To improve student results, we recommend pairing the text content with **MyLab Management**, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. From **Videos Exercises** to **Personal Inventory Assessments**, MyLab Management helps you teach your course, your way. Learn more at www.pearson.com/mylab/management.

Chapter Warm Ups

The Chapter Warm Up assessment helps you hold students accountable for learning key concepts in each chapter before coming to class. 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.



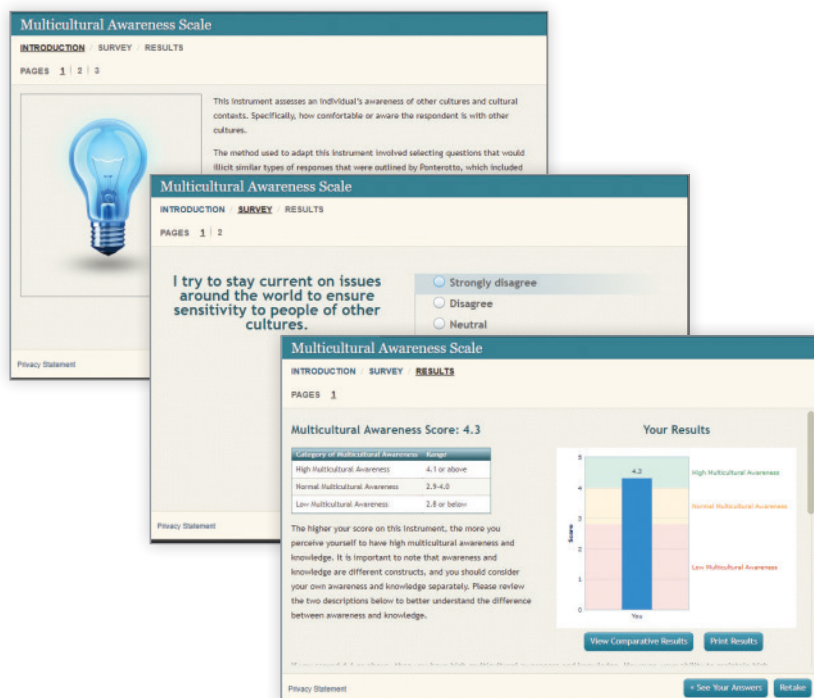
Chapter Quizzes

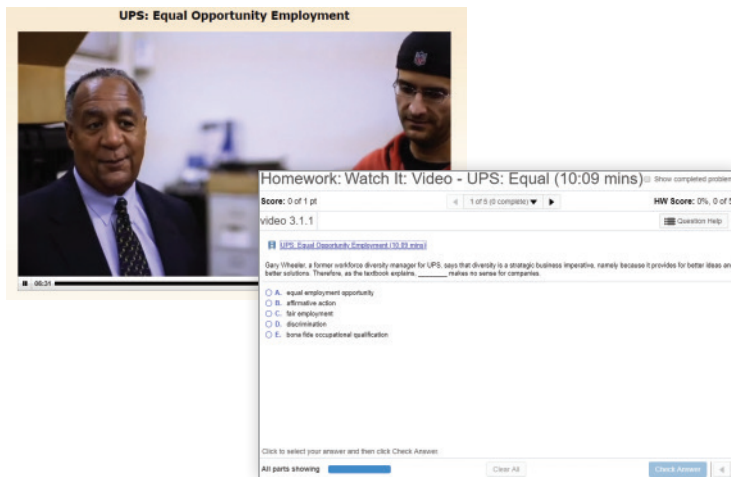
A powerful tool used to assess your students understanding of the chapter learning objective after studying the chapter. Students can be assigned these quizzes to test the knowledge they gained for the respective topic.

Personal Inventory Assessments

Personal Inventory Assessments is a collection of online exercises designed to promote self-reflection and engagement in students. It enhances their ability to connect with concepts taught in principles of management, organizational behavior, and human resource management classes.

This exercise help students develop professionalism and awareness of themselves and others, so they can learn the necessary skills for your future career.





Video Exercises

Video Exercises are available for select chapter topics to help engage students and hold them accountable for their learning. A video clip can be assigned to students for outside classroom viewing or it can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that reinforce student's comprehension of the chapter content.

Developing Employability Skills

This text prepares all future managers with a business understanding of the need for human resource management skills. Since the first edition of *Managing Human Resources* was published, the general management perspective has become much more prevalent among practicing managers. Recent environmental and organizational forces have contributed greatly to this trend. Organizations are becoming flatter. Globalized operations have become the norm for most organizations once they reach a certain size, and now one often finds that even firms with fewer than 50 employees may be engaged in cross-border activities. Organizations face great pressure to demonstrate social responsibility and to engage in sustainable practices. In addition to greater diversity at home, this trend requires that managers be prepared to work effectively with people with backgrounds very different from their own. Technology such as the Internet fosters communication among all levels of personnel, and managers are expected to be generalists, with a broad set of skills, including human resource management (HRM) skills.

The below employability skills table provides students with a guide to features that support the development of skills employers are looking for in today's business graduates, helping students to see from the start of class the relevance of the course to their career goals. This table identifies which features and end-of-chapter materials will help students to develop these skills.

Employability Skills Table

Skills	Sections in the text and MyLab covering these skills			
Written and oral communication	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases	Chapter End Discussion Questions	End-of-chapter Writing Assignment—MyLab
Critical thinking and problem solving	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases	Chapter End Discussion Questions	Quiz—MyLab
Teamwork and collaboration	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases	Chapter End Discussion Questions	
Leadership	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases		
Ethics	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases	A Question of Ethics—Marginalia box feature	
Information technology skills	Manager's Notebook boxes in each chapter	You Manage It—End-of-chapter cases		

Instructor Teaching Resources

This program comes with the following teaching resources:

Supplements available to instructors at www.pearsonhighered.com/irc	Features of the Supplement
Instructor's Resource Manual	<ul style="list-style-type: none"> • Teaching Notes • Teaching Outline • Solutions to all questions and problems in the book
Test Bank	<p>2,000 multiple-choice, true/false, and short-answer questions with these annotations:</p> <ul style="list-style-type: none"> • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Applicable Skill • AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge) • Learning Objective
Computerized TestGen[®]	<p>TestGen allows instructors to:</p> <ul style="list-style-type: none"> • Customize, save, and generate classroom tests • Edit, add, or delete questions from the Test Item Files • Analyze test results • Organize a database of tests and student results.
PowerPoints	<p>PowerPoints meet accessibility standards for students with disabilities. Features include, but not limited to:</p> <ul style="list-style-type: none"> • Keyboard and Screen Reader access • Alternative text for images • High color contrast between background and foreground colors

Acknowledgments

We would also like to thank the many colleagues who have reviewed both the past editions as well as the current edition and have offered valuable feedback.

Uzo Anakwe, Pace University
Kamala Arogyaswamy, University of South Dakota
Kristin Backhaus, SUNY New Paltz
Trevor Bain, University of Alabama
Murray Barrick, University of Iowa
Richard Bartlett, Muskingum Tech College
Kevin Bergin, Dutchess Community College
Deborah Bishop, Saginaw Valley State University
Jim Brakefield, Western Illinois University
Larry Brandt, Nova Southeastern University
Diane Bridge, American University
Mark Butler, San Diego State University
Felipe Chia, Harrisburg Area Community College
Steve Childers, East Carolina University
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Cathy DuBois, Kent State University
Rebecca Ellis, California Polytechnic State University
Matt Farron, Schenectady County Community College
Anne Fiedler, Barry University
Hugh Findley, Troy State University
David Foote, Middle Tennessee State University
Debbie Goodwin, Lewis-Clark State College
David A. Hofmann, Michigan State University
Harry Hollis, Belmont University
Deb Humphreys, California Polytechnic State University
Feruzan Irani, Georgia Southern University
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 Janice Smith, North Carolina A&T
 Howard Stager, Buffalo State College
 Lisa T. Stickney, University of Baltimore
 Gary Stroud, Franklin University
 Cynthia Sutton, Indiana University
 Thomas Tang, Middle Tennessee State University
 Tom Taveggia, University of Arizona
 David Wade, Northern Illinois University
 Edward Ward, St. Cloud State
 Sandy Wayne, University of Illinois at Chicago
 Les Wiletzky, Hawaii Pacific University
 Carol Young, Wittenberg University

Finally, this book would not have been possible without the indulgence of family and friends. We sincerely appreciate the patience and tolerance that were extended to us as we wrote the ninth edition.

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David B. Balkin is Professor of Management at the Leeds School of Business at the University of Colorado at Boulder. He received his PhD in human resource management and industrial relations from the University of Minnesota. Prior to joining the University of Colorado, he served on the faculties of Louisiana State University and Northeastern University. He has published over 70 articles appearing in journals such as the *Academy of Management Journal*, *Strategic Management Journal*, *Personnel Psychology*, *Journal of Organizational Behavior*, *Journal of Business Venturing*, and *Journal of Management Studies*. One of his publications (coauthored with Luis R. Gómez-Mejía) was selected as the best article published in 1992 in the *Academy of Management Journal*. Professor Balkin has written or edited several books on human resources, the management of innovation, compensation, and other topics. He has served as Chair of the Management Department at the University of Colorado and also served on advisory boards of nonprofit organizations. Professor Balkin serves as the associate editor for *Human Resource Management Review* and has previously served on the editorial boards of the *Academy of Management Journal* and the *Journal of Management*. He has served as an expert witness on cases dealing with employment and pay discrimination. Professor Balkin has extensive international experience as a scholar and teacher and was a visiting professor at the University of Toulouse (France), Copenhagen Business School (Denmark), Helsinki University of Technology (Finland), University of Regensburg (Germany), ESADE Business School (Spain), National University of Singapore, Hong Kong University of Science and Technology, HEC Montreal (Canada), and Indian School of Business (India).

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seven years at UTSA. He authored a regular column on current issues in HRM for over ten years and received an Academy of Management certificate for outstanding service as a columnist for the HR division newsletter. Professor Cardy was a 1992 recipient of a certificate for significant contributions to the quality of life for students at ASU. His research focuses on performance appraisal and effective HRM practices.

Kenneth P. Carson is Professor of Business and Chair of the Department of Management and Marketing at Grove City College. He received the Ph.D. in industrial/organizational psychology from the University of Akron in 1985. Prior to joining Grove City College, he served on the faculties of California State University, Pomona, Arizona State University, the University of Tennessee at Chattanooga, and Geneva College. He has served as the director of a master's program in industrial/organizational psychology and as chief academic officer at Geneva College for ten years. Professor Carson has published refereed journal articles in journals such as the *Journal of Applied Psychology*, *Academy of Management Journal*, *Journal of Quality Management*, *Human Resource Management Review*, *Personnel Psychology*, *Educational and Psychological Measurement*, *Journal of Business and Psychology*, and *HR Magazine*. One of his co-authored publications is among the top 2% of articles cited in industrial and organizational psychology textbooks. He has over 35 presentations at national or international conferences, and has served on numerous professional committees. Professor Carson has served as a human resource consultant for organizations such as McKee Baking, the National Federation of Independent Business, the City of Chattanooga, TRW, and Tucson Electric Power. He has served as expert witness or consultant for several employment law cases. In addition, he regularly presents at national academic leadership conferences, and has served on numerous academic accreditation teams.

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1


Meeting Present and Emerging Strategic Human Resource Challenges

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- 1.1 Describe** the major challenges affecting HR.
- 1.2 Outline** key steps in planning and implementing strategic HR policies.
- 1.3 Understand** the various HR strategies that companies use to increase firm performance.
- 1.4 Outline** HR best practices.
- 1.5 Explain** how to establish a close partnership between the HR department and managers.

MyLab Management

When you see this icon , visit www.pearson.com/mylab/management for activities that are applied, personalized, and offer immediate feedback.

Whether in a recession or during boom times, companies compete for talent. Those that are capable of attracting, retaining, and motivating good employees are more likely to achieve and sustain a competitive advantage. Let's take four examples:

- Giant Alcatel-Lucent employs about 72,000 employees worldwide, and it plans to cut approximately 10,000 jobs during 2014 through 2016 to stem years of losses. While this move might be beneficial for the bottom line in the short term, many of its employees (even those who might not get the ax) are being syphoned away by competitors such as Ericsson, Huawei, and Nokia. This loss of talent accelerated Alcatel-Lucent's decline after 2016, leading to its eventual acquisition by Nokia.
- Not long ago, Google Inc. was considered the ideal place to work, and it was repeatedly chosen by *Fortune* in its annual pick of the best companies to work for. Google used to receive more than 1,000 applicants for every five jobs available, and very few employees left the company once they were hired. Yet the situation seems to be changing, making it much tougher for Google to attract and retain top talent despite the company's name recognition and prestige. Google Inc. is now fighting off many growing Internet firms that are poaching its staff. Facebook, Zynga, and Twitter have increased their staffing by approximately 90 percent, and many of those employees are migrating from Google. To help attract new recruits and preempt defections, all of Google's employees (about 25,000) were given a 10 percent raise, at an estimated cost of \$400 million.
- In recent years, Motorola has lost thousands of engineers, researchers, and designers to competitors such as Apple; Samsung; Research in Motion (RIM, the maker of the Blackberry); Nokia; Dell; and Sony Erickson. A group of software experts laid off by Motorola marketed themselves to Yahoo as a team, and all were quickly hired.



Source: Lisa Werner/Alamy Stock Photo.

- In 2018 Facebook faced a public relations disaster after it was revealed that close to 90 million subscribers had their data used without their permission. Many Facebook employees left the company following the scandal, and the company stock price plummeted.

human resources (HR)

People who work in an organization. Also called *personnel*.

human resource strategy

A firm's deliberate use of human resources to help it gain or maintain an edge against its competitors in the marketplace. The grand plan or general approach an organization adopts to ensure that it effectively uses its people to accomplish its mission.

human resource tactic

A particular HR policy or program that helps to advance a firm's strategic goal.

The Managerial Perspective

This book is about the people who work in an organization and their relationship with that organization. Different terms are used to describe these people: *employees*, *associates* (at Walmart, for instance), *personnel*, and *human resources*. None of these terms is better than the others, and they often are used interchangeably. The term we have chosen for the title of this text, and which we will use throughout, is **human resources (HR)**. This term has gained widespread acceptance in recent years because it expresses the belief that workers are a valuable—and sometimes irreplaceable—resource. Effective human resource management (HRM) is a major component of any manager's job.

A **human resource strategy** refers to a firm's deliberate use of human resources to help it gain or maintain an edge against its competitors in the marketplace. It is the grand plan or general approach that an organization adopts to ensure that it effectively uses its people to accomplish its mission. A **human resource tactic** is a particular policy or program that helps to advance a firm's strategic goal. Strategy precedes and is more important than tactics.

In this chapter, we focus on the general framework within which specific HR activities and programs fit. With the help of the company's human resources department, managers implement the chosen HR strategies. In subsequent chapters, we move from the general to the specific and examine in detail the spectrum of HR strategies (for example, those regarding work design, staffing, performance appraisal, career planning, and compensation).

★ Learn It!

If your professor has chosen to assign this, go to www.pearson.com/mylab/management to see what you should particularly focus on and take the Chapter 1 warmup.

> **1.1 Describe** the major challenges affecting HR.

manager

A person who is in charge of others and is responsible for the timely and correct execution of actions that promote his or her unit's success.

line employee

An employee involved directly in producing the company's good(s) or delivering the service(s).

staff employee

An employee who supports line employees.

Human Resource Management: The Challenges

Managers are people who are in charge of others and who are responsible for the timely and correct execution of actions that promote their units' successful performance. In this book, we use the term *unit* broadly; it may refer to a work team, department, business unit, division, or corporation.

All employees (including managers) can be differentiated as line or staff. **Line employees** are directly involved in producing the company's good(s) or delivering the service(s). A *line manager* manages line employees. **Staff employees** are those who support the line function. For example, people who work in the HR department are considered staff employees because their job is to provide supporting services for line employees. Employees may also be differentiated according to how much responsibility they have. *Senior employees* are those who have been with the company longer and have more responsibility than *junior employees*. *Exempt employees* (sometimes called *salaried employees*) are those who do not receive extra pay for overtime work (beyond 40 hours per week). *Nonexempt employees* do receive overtime compensation. This text is written primarily to help students who intend to be managers deal effectively with the challenges of managing people.

Figure 1.1 summarizes the major HR challenges facing today's managers. Firms that deal with these challenges effectively are likely to outperform those that do not. These challenges may be categorized according to their primary focus: the environment, the organization, or the individual.

environmental challenges

Forces external to a firm that affect the firm's performance but are beyond the control of management.

Environmental Challenges

Environmental challenges are the forces external to the firm. They influence organizational performance but are largely beyond management's control. Managers, therefore, need to monitor

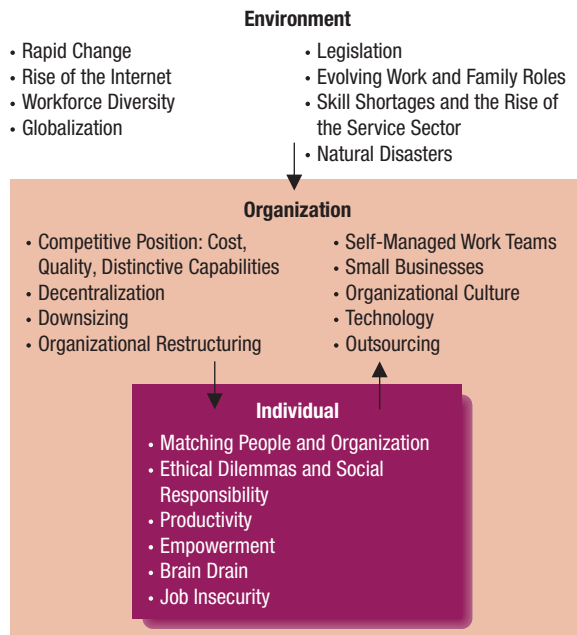


FIGURE 1.1
Key HR Challenges
for Today's Managers

the external environment constantly for opportunities and threats. They must also maintain the flexibility to react quickly to challenges. One common and effective method for monitoring the environment is to read the business press, including *BusinessWeek*, *Fortune*, and the *Wall Street Journal*. (The Appendix at the end of this book provides an annotated listing of both general business publications and more specialized publications on HR management and related topics.)

Eight important environmental challenges today are rapid change, the rise of the Internet, workforce diversity, globalization, legislation, evolving work and family roles, skill shortages and the rise of the service sector, and catastrophic events as a result of natural disasters and terrorism.

RAPID CHANGE Many organizations face a volatile environment in which change is nearly constant. For this reason IBM's ex-CEO, Sam Palmisano, tells his managers that he doesn't believe in forecasts longer than one week. If they are to survive and prosper, firms need to adapt to change quickly and effectively. Human resources are almost always at the heart of an effective response system. Here are a few examples of how HR policies can help or hinder a firm grappling with external change:

- **New company town** As firms experience high pressure to become more productive and deal with very short product life cycles (often measured in months), Americans are working longer, harder, and faster. As a result, the line between home and work is blurred for many employees. To deal with this phenomenon, sociologist Helen Mederer of the University of Rhode Island notes that "companies are taking the best aspects of home and incorporating them into work."¹

An increasing number of companies are providing "home at work" benefits. These include dry cleaner/laundry service, company store, take-home meals, concierge service, oil changes/autocare, hair salon, and pet care.

According to a report in the *New York Times*:²

. . . things like nap rooms and massage recliners may sound out of place to some in a working environment. But such perks can boost productivity when there are older workers with sore backs, or young parents with sometimes sleepless nights. Musical performance, too, may seem at first like an unnecessary distraction. But companies trying them say that they can be done simply and inexpensively, and that they produce better morale, increased motivation and less stress.

- **Dealing with stress** Rapid change and work overload can put employees under a great deal of stress. The Bureau of Labor Statistics reported that 50 percent of the 19.8 million Americans who say they work at home at least once a week aren't compensated for it. In other words, millions of employees must work at home just in order to catch up.



A QUESTION OF ETHICS

How much responsibility does an organization have to shield its employees from the effects of rapid change in the environment? What risks does this type of "shock absorber" approach to management entail?

Unless the organization develops support mechanisms to keep stress manageable, both the firm and employees may pay a heavy price. In some extreme cases, workplace violence may result. The Centers for Disease Control and Prevention call workplace violence a “national epidemic”; the most recent figures indicate that U.S. employees at work were the victims of 18,104 injuries from assault and 609 homicides. Since the last edition of this book multiple mass shootings have been reported at schools all over the country, at public events (such as music festivals in Orlando and Las Vegas), and in organizations such as YouTube and the U.S. Post Office. Typically, however, the observed results of poorly handled stress are more subtle yet still highly destructive, costing the company substantial money. According to some estimates, stress-related ailments cost companies about \$200 billion a year in increased absenteeism, tardiness, and the loss of talented workers. One survey reports that 67 percent of employees categorize their work-related stress as high.³ The National Institute of Mental Health estimates that approximately 222.7 million days of work are lost annually due to absence and impairments related to depression alone, costing employers (the majority of which are small firms) \$51.5 billion a year. For Americans in prime working age (20 to 55 years old) the risk of probability of death has risen by more than 10 percent since 2008, with mental and substance-use disorders as the main cause. Many firms, including Microsoft, Sysco Food Services, Apple, IBM, General Motors, Google, Chrysler, Johnson & Johnson, Coors Brewing Company, Citigroup Inc., Texas Instruments, and Hughes Aircraft (now merged into Raytheon), among others, have introduced stress-control programs in recent years.

Throughout this book we emphasize how HR practices can enable a firm to respond quickly and effectively to external changes. Two chapters (Chapter 13 on employee relations and Chapter 16 on managing workplace safety and health) specifically deal with issues related to employee stress.

THE WEB ECONOMY The intrusiveness of the Internet in our everyday lives probably represents the single most important environmental factor affecting organizations and their human resource practices. In the mid-1990s, the term *Web economy* had not yet been coined. Now, almost all firms use the Internet as part of their normal business practices. The Internet is having a pervasive impact on how organizations manage their human resources, as the following examples show:

- ***Necessitating greater written communication skills*** Companies have discovered that Internet technology creates a high demand for workers who can deal effectively with e-mail messages. This skill is key if companies want to keep fickle Internet customers loyal, making them less likely to go to a competitor by simply tapping a few keystrokes. E-mail writing may also involve legal issues. For instance, an employee’s e-mail response to a customer complaint may be legally binding on the firm, and there is the “written” record to prove it. Some jokes among employees may be used as evidence of sexual harassment. Unlike regular mail, electronic communication is not considered private, and thus the company and employees may be open to scrutiny by government agencies as well anyone with the basic skills required to access the system. Although English is the main language of the Internet, almost half of Internet communication takes place in foreign languages, and only 7 percent of users on a global basis are native English speakers. Major multimillion-dollar blunders due to language problems have already been documented, such as the case of Juan Pablo Davila, a commodities trader in Chile. He typed the word *buy* on the computer by mistake instead of *sell*. To rectify his mistake, he started a frenzy of buying and selling, losing 0.5 percent of his country’s GNP. His name has become an Internet-related verb—*davilar*—meaning “to screw up royally.”⁴
- ***Dealing with information overflow*** Although executives spend an average of four hours a day receiving, checking, preparing, and sending e-mails, they are still spending 130 minutes a day in formal and informal face-to-face meetings. According to Neil Flett, CEO of a large communication consulting firm, “Because e-mail consumes so much time it may just be that it just adds to communication time rather than reducing it.”⁵ According to some estimates, almost one-third of e-mails received by employees are not directly relevant to their jobs; considering that employees are now receiving an average of 30 e-mails each day, this may translate into as much as one hour a day of lost productivity.
- ***Breaking down labor market barriers*** More than ever before, the Internet is creating an open labor market where information about prospective employees and firms is available on a global basis and may be obtained quickly and inexpensively. Thousands of specialized search engines (such as *Indeed.com*, *Simplyhired.com*, *Workzoo.com*, and *Jobsearch.org*) now scan

both well-known and obscure employment boards on the job seeker's behalf. While more and more organizations are relying on Web applications to recruit and screen employees, it is unclear to what extent these highly efficient yet "cold" impersonal approaches to staffing allows organizations to learn about candidates' intangible qualities such as leadership skills, work ethic, business acumen, and flexibility. Applicants often complain that sophisticated computer programs tend to have a narrow focus, relying on numerical and/or concrete criteria that may not truly capture what the person could contribute if given an opportunity.

- **Data analytics** This term has now become a "buzz word" in HR circles referring to the utilization of data from multiple sources (such as social media, e-mail exchanges, online attitude surveys and personnel files) to diagnose HR problems and make HR decisions. (See the Manager's Notebook "Big Data Analytics and the Use of Artificial Intelligence on the Rise for HR.") The *Wall Street Journal* defines it as "people analytics—using data science to make sense of your workforce the same way you would make sense of your product, you users. Let's use data science to understand what's happening across our organization . . ."6

MANAGER'S NOTEBOOK

Big Data Analytics and the Use of Artificial Intelligence on the Rise for HR



Employability

An increasing number of companies are using data analytics to study the social dynamics of employees based on a variety of sources such as e-mail exchanges, common projects, online interactions, and access to Internet sources. The objective is to use this data to improve the utilization of human resources. For instance, General Electric (GE) developed an app to integrate 22,000 employees of a newly acquired company with those employees already working for GE. This enabled employees with similar skills, education, and background to come together on a virtual space. Other companies such as SAP (with approximately 90,000 employees) use a similar system to identify potential HR problems and take immediate action. For instance, SAP discovered that when one employee leaves a unit, other employees tend to follow suit. Early intervention may prevent a turnover chain reaction, which may be costly in terms of losing key talent, recruitment, and training. According to Jenny Dearborn, chief learning officer and senior VP of SAP, "an algorithm help us predict which candidates are likely to be the most effective workers. We are letting new employees know during 'onboarding' why top performers do well and what it would take to work at that level. Predictive analytics reveal which employees are at most risk of leaving so we can find ways of retaining them."

A related practice is the use of artificial intelligence. Artificial intelligence, for instance, is being used to develop smart software capable of replacing lawyers by writing specialized contracts for such needs as wills, real estate contracts, and divorce proceedings. It is also being used in the medical field to read detailed images from radiology scans more accurately and reliably than trained radiologists, and much of this work can be done from remote locations. In some HR departments, artificial intelligence is being used to screen large batches of résumés and applications much more quickly and efficiently than humans could.

Sources: Wall Street Journal (2018, March 14). The key to workplace diversity: Much of it begins with data analytics, R2; Winne, S., Baesens, B., and Seb, L. (2017, Winter). Is your company ready for HR analytics? *MIT Sloan Management Review*, 20–24; Ward, D. (2017, November) Data driven HR. *HR Magazine*, 14–16; Prokesh, S. (2017, September–October). Reinventing talent management: How GE uses data analytics to guide a more digital, far-flung workforce. *Harvard Business Review*, 54–63; David Ward, "Big Data Helps Workers Thrive: A Q&A with Jenny Dearborn," Society For Human Resource Management, October 26, 2017. <https://www.shrm.org/hr-today/news/hr-magazine/1117/pages/big-data-helps-workers-thrive-jenny-dearborn.aspx>

- **Using online learning** Corporate training has always been dominated by traditional in-house "paper-and-pencil" training programs. Over the past few years, however, there has been a tremendous migration from classroom learning to online learning. For example, 99 percent of employees at the Mayo Clinic opted for online training to learn about new rules on health care privacy (even though the clinic gave them the option to attend a traditional classroom seminar on company time covering the same material).

WORKFORCE DIVERSITY Managers across the United States are confronted daily with the increasing diversity of the workforce. In 2019, approximately 36 percent of the U.S. workforce was from a minority group, including African Americans (12 percent), Asian Americans (4.7 percent), Latinos (17 percent), and other minorities (2 percent). In many large urban centers, such as Miami, Los Angeles, and New York, minorities comprise at least half of the area’s workforce. The influx of women workers is another major change in the composition of the U.S. workforce. Women with children under age 6 are now the fastest-growing segment of the workforce. Currently, close to 80 percent of employed men have employed wives versus 54 percent in 1980.

These trends are likely to accelerate in the future. By 2050, the U.S. population is expected to increase by 50 percent, with minority groups comprising nearly half of the population. While net migration has dropped since the last edition of this book, perhaps in response to a negative political climate toward immigration, Hispanics will account for at least half of this population growth. Despite fears that immigrants are not assimilating, children of immigrants actually do better economically than children of natives in the same socioeconomic class. The rigid racial categories of the past are also eroding quickly as close to 40 percent of first-generation immigrants marry outside their ethnic group.

All these trends present both a significant challenge and a real opportunity for managers. Firms that formulate and implement HR strategies that capitalize on employee diversity are more likely to survive and prosper (see the Manager’s Notebook “How Harley-Davidson Is Taking Advantage of a Diverse Customer Base”). Chapter 4 is devoted exclusively to the topic of managing employee diversity. This issue is also discussed in several other chapters throughout this book.



MANAGER’S NOTEBOOK

How Harley-Davidson Is Taking Advantage of a Diverse Customer Base

Harley-Davidson had been a highly successful American company by marketing its motorcycles to a particular segment of the market, namely middle-age white males. In the last few years, the company has come to the realization that—to be competitive in the long run—it has to expand its demographic customer base and has to use a more diverse workforce in its dealerships to appeal to potential “non-traditional” buyers. Current sales are down by a third from years past, and better diversity management may be a way to reverse this trend. Keith Wadell, Harley-Davidson’s chief executive, recently declared that a major priority for the company’s strategic plan in the near future is to target young adults, women, African Americans, and Hispanics. He noted that these diversity efforts are already paying off with domestic sales among these “non-core customers” growing at nearly twice the rate as sales to traditional buyers. These domestic diversity efforts are also helping the company to expand sales outside of North America, with sales in the recent past growing by 25.6 percent in Asia and by 39 percent in Latin America.

Sources: Based on www.harley-davidson.com. (2019). Workforce and dealer diversity at Harley-Davidson; Diversity Inc. (2014). Do white males really need diversity outreach? bestpractices.diversityinc.com; Irwin, N. (2013). How Harley-Davidson explains the U.S. economy. www.washingtonpost.com.



GLOBALIZATION One of the most dramatic challenges facing U.S. firms as we conclude the second decade of the twenty-first century is how to compete against foreign firms, both domestically and abroad. The Internet is an enabler of globalization, and most large firms are actively involved in manufacturing overseas, international joint ventures, or collaboration with foreign firms on specific projects. Currently the companies that make up the S&P 500 generate 48 percent of their profits outside the United States, and for many of the biggest U.S. companies, the proportion is much higher. Since the last edition of this book the United States and several European countries

(most notably the United Kingdom, Hungary, and Poland) have taken a decidedly more nationalistic and protectionist stance, yet the supply chain is now so intertwined across national boundaries that globalization is likely to continue growing unabatedly.

The implications of a global economy for human resource management are many. Here are a few examples:

- **Worldwide company culture** Some firms try to develop a global company identity to smooth over cultural differences between domestic employees and those in international operations. Minimizing these differences increases cooperation and can have a strong impact on the bottom line. For instance, the head of human resources at the European division of Colgate Palmolive notes that the goal of the company is to “make all employees Colgaters.”⁷
- **Worldwide recruiting** Some firms recruit workers globally, particularly in the high-technology area, where specialized knowledge and expertise are not limited by national boundaries. For instance, Unisys (an e-business solutions company whose 37,000 employees help customers in 100 countries apply information technology) recruits between 5,000 and 7,000 people a year, 50 percent of whom are information technology (IT) professionals. Unisys is always looking across borders to try to find the best persons.

Global recruitment, however, is no panacea because good employees everywhere are in high demand, and there may not be as much applicant information available to make the appropriate selection decision. Kevin Barnes, technical director for Store Perform, with facilities in Bangalore, India, notes that “top Indian engineers are world-class, but most are taken. Anyone in India who can spell *Java* already has a job.” And the labor market attracts legions of unqualified candidates, Barnes says, making it harder to distinguish the good from mediocre performers.⁸

- **Industrial metamorphosis** The proportion of the American labor force in the manufacturing sector has dropped to less than 10 percent, down from 25 percent about 30 years ago. Similar drops have been experienced in several European countries, including England, Germany, and France. According to the *Economist*, “It has happened because rich-world companies have replaced workers with new technology to boost productivity and shifted production from labor-intensive products such as textiles to higher-tech, higher value-added, sectors such as pharmaceuticals. Within firms, low-skilled jobs have moved offshore.”⁹ Labor unions have lost much of their influence. For instance, in the 1950s almost 40 percent of the U.S. workforce was unionized; by the time President Ronald Reagan took office in the early 1980s this percentage had dropped by almost half (22 percent); by the time President Barrack Obama took office less than 20 years later (2009), this proportion had dropped by more than two-thirds (to approximately 7 percent of the private-sector workforce), and in 2019 it is estimated at less than 6 percent.
- **Global alliances** International alliances with foreign firms require a highly trained and devoted staff. For instance, Philips (a Dutch lighting and electronics firm) became the largest lighting manufacturer in the world by establishing a joint venture with AT&T and making several key acquisitions, including Magnavox, parts of GE Sylvania, and the largest lighting company in France.
- **A virtual workforce** Because of restrictive U.S. immigration quotas, U.S. firms are tapping skilled foreign labor but not moving those workers to the United States. The Internet is making this possible with little additional expense. For example, Microsoft Corp. and RealNetworks Inc. use Aditi Corp., a Bangalore, India, company, to handle customer e-mails. In addition, many “virtual” expatriates work abroad but live at home. In the medical field a growing trend is to diagnose diseases virtually by “reading” CT scan images and X-rays from locations overseas.
- **The global enterprise** Internationalization is growing at warp speed, creating a powerful new reality. For instance, most people think of Coca-Cola as emblematic of the United States. Yet its prior CEO, Muhtar Kent, describes Coca Cola in the following terms: “We are a global company that happens to be headquartered in Atlanta. We have a factory in Ramallah that employs 2,000 people. We have a factory in Afghanistan. We have factories everywhere.” Nearly 80 percent of Coca-Cola’s revenue comes from 206 countries outside the United States.

- **Wage competition** Not too long ago, many U.S. blue-collar workers could maintain a solid middle-class standard of living that was the envy of the rest of the world. This was sustained, in part, by higher productivity and superior technological innovation in the United States and because American manufacturers enjoyed a high market share with little foreign competition. Unfortunately, this is no longer the case in many sectors. This has led to much frustration in the so-called “rust belt” (old industrial towns), leading many of its inhabitants to vote for politicians espousing protectionist policies. As noted in a recent report, “While businesses have a way to navigate this new world of technological change and globalization, the ordinary American worker does not. Capital and technology are mobile; labor isn’t. American workers are located in America.”¹⁰

An entire chapter of this book (Chapter 17) is devoted to the HR issues firms face as they expand overseas. We also include international examples throughout the book to illustrate how firms in other countries manage their human resources.

LEGISLATION Much of the growth in the HR function over the past four decades may be attributed to its crucial role in keeping the company out of trouble with the law. Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the U.S. Congress, state legislatures, or local governments. Discrimination charges filed by older employees, minorities, and the disabled, for instance, have been on the rise for years. In some cases, such as charges of sexual harassment, the increase has exceeded 75 percent since the last edition of this book.



One legal area growing in importance is alleged misuse of “proprietary company information” by ex-employees. Pitney Bowes, the world’s largest maker of postage meters and other mailing equipment, recently sued eight ex-employees who opened a small competing firm called Nexxpost. According to a Pitney Bowes spokesperson:

The company invests a great deal of time and money in areas of developing our intellectual property, in marketing and training our sales force. We must protect our investment, which also includes our customer lists, information about consumer preferences, as well as pricing. All that has a significant competitive value. When a former employee wants to challenge us, we take that breach very seriously and do what we need to do to protect it.¹¹

Operating within the legal framework requires keeping track of the external legal environment and developing internal systems (for example, supervisory training and grievance procedures) to ensure compliance and minimize complaints. In particular, given the many high profile cases of sexual harassment in recent years, these efforts may well be worth the time and money.

Legislation may differentiate between public- and private-sector organizations. (*Public sector* is another term for governmental agencies; *private sector* refers to all other types of organizations.) For instance, affirmative action requirements (see Chapter 3) are typically limited to public organizations and to organizations that do contract work for them. However, much legislation applies to both public- and private-sector organizations. In fact, it is difficult to think of any HR practices that are *not* influenced by government regulations. For this reason, each chapter of this book addresses pertinent legal issues, and an entire chapter (Chapter 3) provides an overall framework that consolidates the main legal issues and concerns facing employers today.

EVOLVING WORK AND FAMILY ROLES The proportion of *dual-career* families, in which both wife and husband (or both members of a couple) work, is increasing every year.

More companies are introducing “family-friendly” programs that give them a competitive advantage in the labor market. Companies use these HR tactics to hire and retain the best-qualified employees, male or female. Through the Office of Personnel Management, the federal government provides technical assistance to organizations that wish to implement family-friendly policies. On its 2019 Web page (opm.gov), for instance, the office makes available numerous publications on issues such as adoption benefits, child care, elder-care resources, parenting support, and telework.

Family-friendly policies are discussed in detail in Chapter 12 under the heading “Employee Services.” Special issues that women confront in the workplace are discussed in Chapter 4.

SKILL SHORTAGES AND THE RISE OF THE SERVICE SECTOR As noted earlier, U.S. manufacturing has dropped dramatically in terms of the percentage of employees who work in that sector. Most employment growth has taken place in the service industry. The categories with the fastest growth

are expected to be professional specialties (27 percent) and technical occupations (22 percent). The fastest-growing occupations demand at least two years of college training. Expansion of service-sector employment is linked to a number of factors, including changes in consumer tastes and preferences, legal and regulatory changes, advances in science and technology that have eliminated many manufacturing jobs, changes in the way businesses are organized and managed, and the subcontracting of many blue-collar jobs overseas.

Unfortunately, many available workers will be too unskilled to fill those jobs. Even now, many companies complain that the supply of skilled labor is dwindling and that they must provide their employees with basic training to make up for the shortcomings of the public education system. For example, 84 percent of the 23,000 people applying for entry-level jobs at Bell Atlantic Telephone (formerly NYNEX) failed the qualifying test. Chemical Bank (now merged with Chase) reported that it had to interview 40 applicants to find one proficient teller.¹² David Hearn, former chairman and CEO of Xerox, laments that “the American workforce is running out of qualified people.”¹³ This has become a more serious problem since the last edition of this book as the economy essentially reached full employment.

To rectify these shortcomings, companies spend at least \$60 billion a year on a wide variety of training programs. This is in addition to the \$24 billion spent on training programs by the federal government each year. On the employee-selection side, an increasing number of organizations are relying on job simulations to test for the “soft skills” needed to succeed in a service environment, such as sound judgment in ambiguous situations, the ability to relate to diverse groups of people, and effective handling of angry or dissatisfied customers.

Chapter 8 focuses directly on training; Chapter 5 (staffing), Chapter 7 (appraising employee performance), and Chapter 9 (career development) all discuss issues related to the skills and knowledge required to succeed on the job.

NATURAL DISASTERS AND TERRORISM A stream of recent disasters, including the 2011 Japanese earthquake; the early 2005 tsunami that killed more than 250,000 people in Asia; the 2010 Haitian earthquake and subsequent cholera epidemics during 2010–2012, which killed more than 200,000 people; the 2010 oil spill environmental disaster of British Petroleum in the Gulf of Mexico; and a string of devastating hurricanes—most notably in New Orleans, Houston, Tampa, and the island of Puerto Rico—have increased awareness among HR professionals of the importance of having plans to deal with such catastrophes. Violent attacks in schools, plazas, company premises, and churches have left some communities devastated, affecting not only individuals involved but also their extended families. Employers had to suddenly deal with HR issues to which they previously had given little thought. These included: deciding whether to keep paying employees who were unreachable and unable to report to work, paying for a variety of living expenses for displaced staffers in temporary living quarters, providing telecommuting equipment for employees working from hotels, awarding hazardous duty pay, hiring temporary employees (many of whom were undocumented workers) to fill the labor void, and preventing the loss of key talent to competitors outside the disaster area. Time Warner Inc. waived medical deductibles and supported out-of-network medical coverage for affected Katrina families. Walmart, with more than 34,000 employees displaced by Katrina, guaranteed them work in any other U.S. Walmart store and created an “Associate Disaster Relief Fund” for employees whose homes were flooded or destroyed. Surprisingly, even after Katrina, almost half of firms don’t have HR policies to deal with major disasters. But this is likely to change as new potential threats (such as avian flu, major earthquakes, chemical contamination, and more hurricanes) loom on the horizon. Another issue of concern to many firms, particularly multinationals, is terrorism, which we discuss later. Recent well-publicized terrorist incidents such as the 2013 Boston Marathon bombings, numerous mass shootings on American soil in the past five years, the 2013 attack on a major Nairobi (Kenya) shopping mall, and continued pirating of ships along the Somali coast are continuous reminders that organizations need to be prepared to respond to potential terrorist threats.

Organizational Challenges

Organizational challenges are concerns or problems internal to a firm. Effective managers spot organizational issues and deal with them before they become major problems. One of the themes of this text is *proactivity*: the need for firms to take action before problems get out of hand. This can be done only by managers who are well informed about important HR issues and organizational challenges.



A QUESTION OF ETHICS

What is the ethical responsibility of an employer to employees who lack basic literacy and numeracy skills? Should companies be required by law to provide training opportunities for such employees, as some have proposed?

organizational challenges

Concerns or problems internal to a firm; often a by-product of environmental forces.