

# Human Resource Management

- The process of planning, organizing, directing (motivating), and controlling the procurement, development, compensation, integration, maintenance, and separation of organizational human resources to the end that organizational, individual, and societal needs are satisfied.

# Human Resource Management

Human Resource Management includes all activities used to attract & retain employees and to ensure they perform at a high level in meeting organizational goals.

These activities are made up of

1. Recruitment & selection.
2. Training and development.
3. Performance appraisal and feedback.
4. Pay and benefits.
5. Labor relations.

# Human Resource Planning

- HR Planning includes all activities managers do to forecast current and future HR needs.
  - Must be done prior to recruitment and selection
  - Demand forecasts made by managers estimate the number & qualifications the firm will need.
  - Supply forecasts estimate the availability and qualifications of current workers and those in the labor market.

# HRM Components

- Component should be consistent with the others, organization structure, and strategy.
  - **Recruitment:** develop a pool of qualified applicants.
    - Selection: determine relative qualifications & potential for a job.
  - **Training & Development:** ongoing process to develop worker's abilities and skills.
  - **Performance appraisal & feedback:** provides information about how to train, motivate, and reward workers.
    - Managers can evaluate and then give feedback to enhance worker performance.

# HRM Components

- ◆ ***Pay and Benefits:*** high performing employees should be rewarded with raises, bonuses.
  - Increased pay provides additional incentive.
  - Benefits, such as health insurance, reward membership in firm.
- ◆ ***Labor relations:*** managers need an effective relationship with labor unions that represent workers.
  - Unions help establish pay, and working conditions.

If management moves to a decentralized structure, HRM should be adjusted as well.

# Recruitment

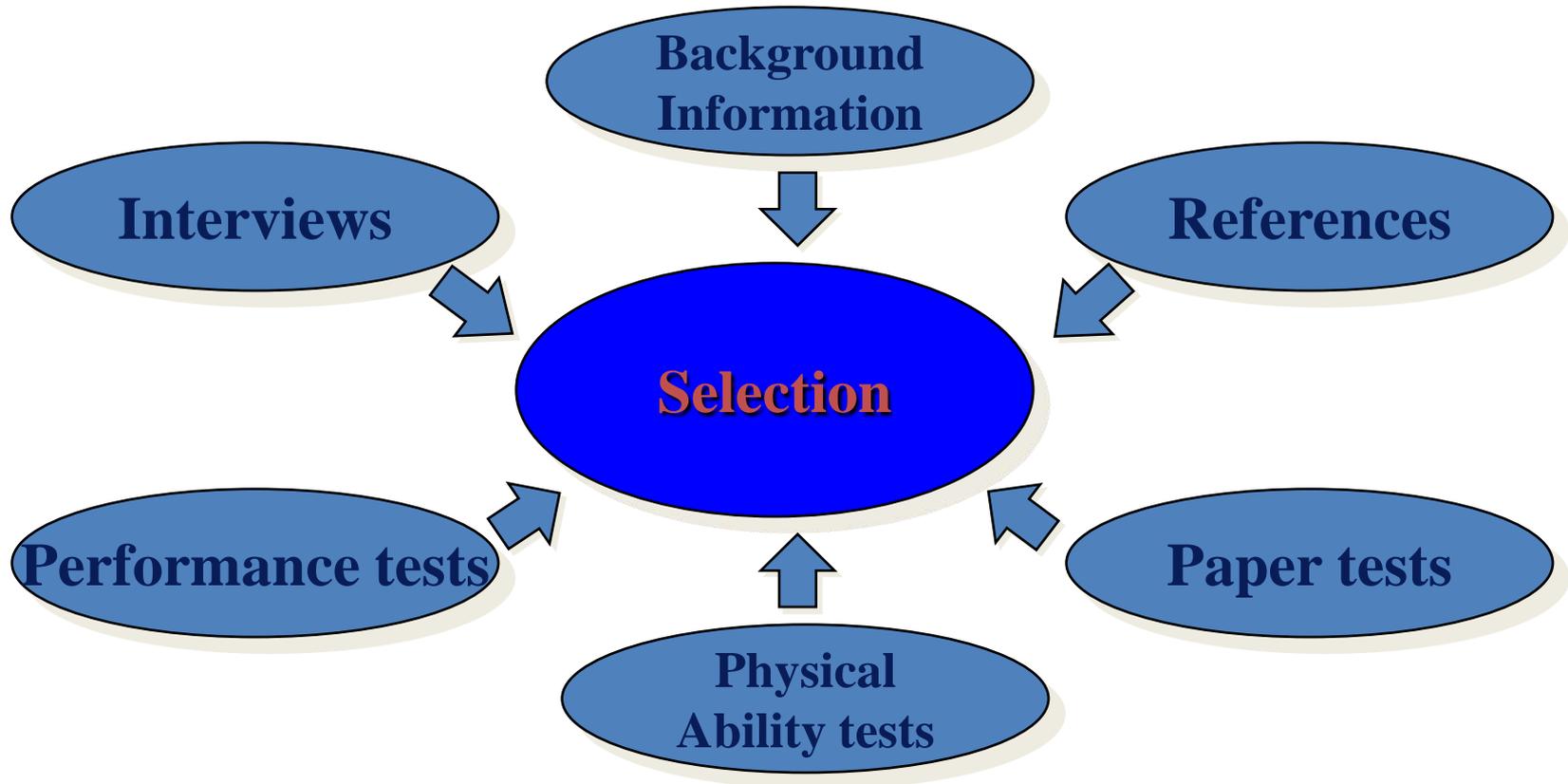
- ***External recruiting:*** managers look outside the firm for people who have not worked at the firm before.
  - Managers advertise in newspapers, hold open houses, recruit at universities, and on the Internet.
    - External recruitment is difficult since many new jobs have specific skill needs.
    - A multi-prong approach to external recruiting works best.
- ***Internal Recruiting:*** positions filled within the firm.
  - Internal recruiting has several benefits:
    - Workers know the firm's culture, may not have new ideas.
    - Managers likely already know the candidates.
    - Internal advancement can motivate employees.

# HRM Planning: Outsourcing

- ***Outsourcing***: managers can decide to contract with outside workers rather than hiring them.
  - Outsourcing is more flexible for the firm.
  - Outsourcing often provides human capital at a lower cost.
- ***Outsource problems***: managers lose control over output.
  - Outsource contractors are not committed to the firm.
- Unions typically are against outsourcing that has potential to eliminate member's jobs.

# Selection Tools

Figure 10.3



# Selection Process

After a pool of applicants are identified, qualifications related to the job requirements are determined:

- ***Background Information:*** includes education, prior employment, college major, etc.
- ***Interview:*** almost all firms use one of two types:
  - Structured interview: managers ask each person the same job-related questions.
  - Unstructured interview: held like a normal conversation.
  - Usually structured interviews preferred; bias is possible.
- ***Physical Ability Test:*** measure strength & endurance.
  - Good for physically demanding jobs.

# Selection Process

- ◆ ***Paper & Pencil Tests:*** Either an ability and personality test.
  - Ability test: assess if applicant has right skills for the job.
  - Personality test: seek traits relevant to job performance.
  - Be sure test is a good predictor of job performance.
- ◆ ***Performance Tests:*** measure job performance.
  - Typing speed test is one example.
  - Assessment Center: candidates assessed on job-related activities over a period of a few days.
- ◆ ***References:*** outside people provide candid information about candidate.
  - Can be hard to get accurate information.

# Reliability & Validity

- Selection tools must be reliable and valid.
  - **Reliability:** the degree to which the tool measures the same thing each time it is used.
    - Scores should be close for the same person taking the same test over time.
  - **Validity:** Does the test measure what it is supposed to measure?
    - Example: does a physical ability test really predict the job performance of a firefighter?
  - Managers have an ethical and legal duty to develop good selection tools.

# Terms

- Labor Union-an organization with legal authority to negotiate with the employer on behalf of employees
- Bonafide Occupational Qualification (BOQ)- individual characteristics necessary for performance of job requirements
- Employees Vs Independent Contractors
- Union Shop - must be in the union

# Training & Development

- **Training:** teach organizational members how to perform current jobs.
    - Help worker's acquire skills to perform effectively.
  - **Development:** build worker's skills to enable them to take on new duties.
- Training used more often at lower levels of firm, development is common with managers.
  - A Needs Assessment should be taken first to determine who needs which program and what topics should be stressed.

# Types of Development

- ***Varied Work Experiences:*** Top managers must build expertise in many areas.
  - Workers identified as possible top managers given many different tasks.
- ***Formal Education:*** tuition reimbursement is common for managers taking classes for MBA or similar.
  - Long-distance learning can also be used to reduce travel.

Whatever training and development efforts used, results must be transferred to the workplace.

# Terms (cont)

- Right-to-work laws - can't force membership
- Contrast Error-interviewer bases judgement of a candidate upon a comparison with preceding interviewee
- Similarity Error-bias toward a candidate that is similar to the interviewee
- Situational Interviews-give scenarios to candidates and judge their responses

# Job Analysis

- Job Analysis-the act of examining positions within an organization
- Job Description-narrative explaining the scope of a position
- Job Characteristics-tasks involved in a position
- Job Requirements-personal characteristics necessary to fill a position

# Performance Appraisal

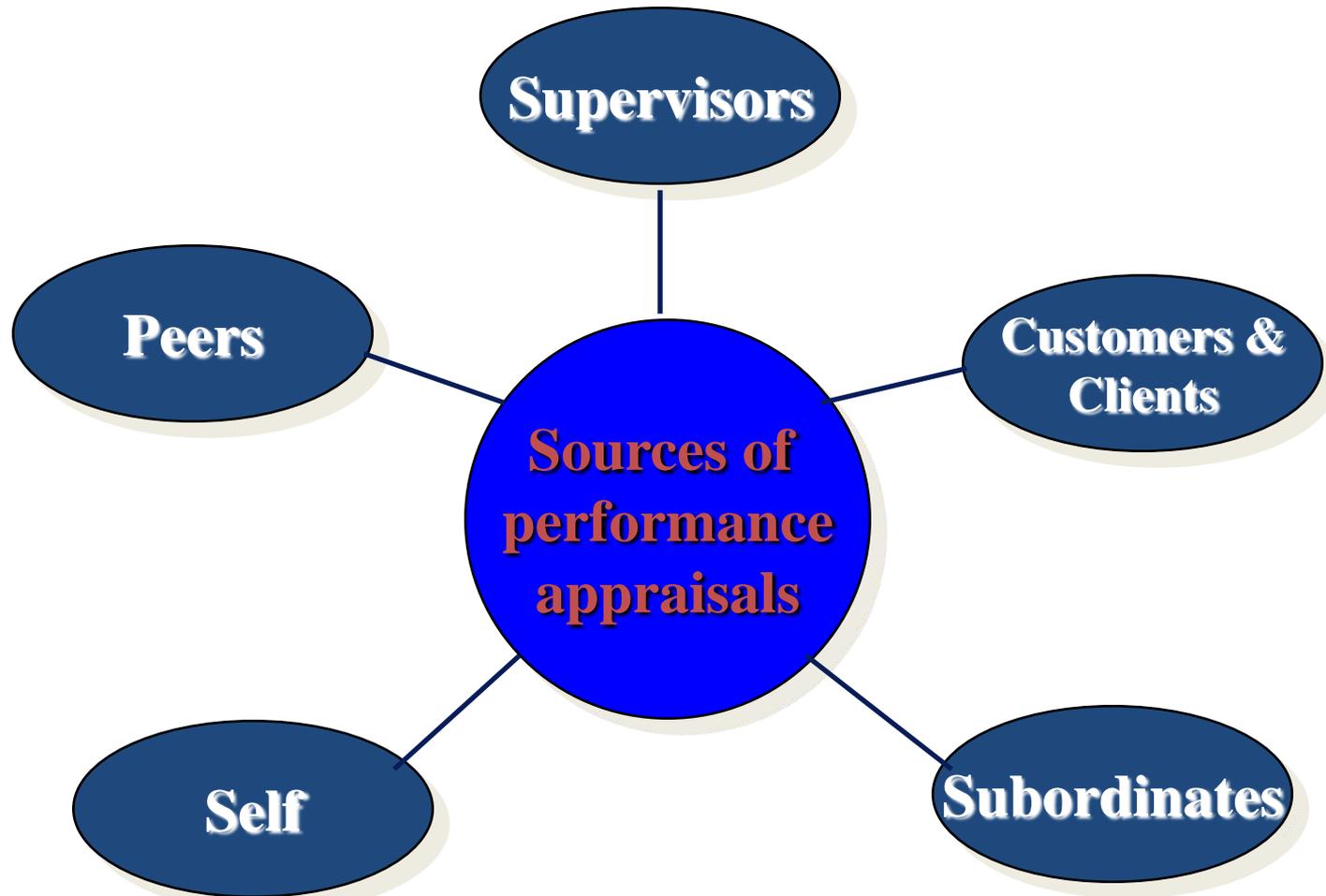
- Process of evaluating employee performance
  - job related strengths
  - development needs
  - progress toward goals
  - determine ways to improve performance
  - Pay an promotion decisions
- More systematic is better, for the most part

# Performance Appraisal (cont)

- Self Appraisal
- Peer Appraisal
- 360 Degree appraisal
- Central Tendency Error-everyone ranked as average
- Leniency-individuals are ranked higher than they deserve

# Who Appraises Performance?

Figure 10.6



# Pay and Benefits

- ***Pay level:*** how the firm's pay incentives compare to other firms in the industry.
  - Managers can decide to offer low or high relative wages.
  - **Pay Structure:** clusters jobs into categories based on importance, skills, and other issues.
- ***Benefits:*** Some are required (social security, workers comp).
  - Others (health insurance, day care, and others) are provided at the employers option.
  - Cafeteria-style plan: employee can choose the best mix of benefits for them. Can be hard to manage.

# Pay

- Base Wage
  - Job Based Pay-paid for the job that is done
  - Competency Based Pay-pay is linked to job-relevant skills, knowledge, and experience
- Incentive Pay-linked to job performance
  - can increase motivation
  - links employees to firm performance
  - works well when employees trust firm

# Individual Incentives

- Piece-Rate - Pay for each unit of output
- Commissions - Pay from percentage of sales or profits
- Bonuses - Lump sum payments
- Merit Pay - Permanent increases in base pay linked to individual's previous performance
- Seniority - Increases over time

# Team or Organizational Incentive

- Gain Sharing - teams of employees share in gains from improvements in productivity or cost saving measures
- Profit Sharing - A percentage of profits earned by a department or company
- Stock Ownership
  - Options
  - Employee Stock Ownership Plans

# Labor Legislation Timeline

- Pro-Union Legislation (1920's and 1930's)
- Union Restriction Legislation (1940's and 1950's)
- Equal Employment Legislation (1960's to present)

# Pro-Union/Labor Legislation

- **Railway Labor Act 1926**
  - The fundamental right of workers to engage in labor organizing activity without fear of employer retaliation and discrimination
    - Avoid service interruptions
    - Eliminate Restrictions on joining unions
    - Prompt settlement of disputes
- **Federal Insurance Contribution Act 1935**
  - social security contribution by employers

# Wagner & National Labor Relations Act 1935

- Restore the equality of bargaining power arising out of employer's general denial of labor of the right to bargain collectively with them---Granted right to Strike
  - Five Unfair Practices Outlawed
    - Interference with organizing
    - Domination
    - Discrimination in hiring
    - Discrimination against those filing charges
    - Refusal to bargain collectively

# Fair Labor Standards Act 1938

- Minimum Wage
- Pay for overtime
- Does not cover commission, salary, or tips

# Union Restriction

- Taft-Hartley Act Labor Management Relations Act 1947
  - Criticized the Wagner Act for its bias towards unions, limited the constitutional right of free speech by employers, did not consider unfair labor practices on the part of unions
    - Employees Allowed to refrain from unions
    - Closed shop was outlawed and a written agreement was required for withdrawal of union dues from paychecks

# Taft-Hartley (cont)

- Recognition of supervisor unions not required
- One certification election per year
- Allowed employee initiated decertification elections

# Landrum-Griffin Act 1959

- Detailed regulation of internal union activity
  - Control of due increases
  - Right to nominate and vote
  - Filing of reports with the Secretary of Labor

# Pro-Individual

- Equal Pay Act 1963
  - Men and women must be paid equally when doing equal work
    - requiring similar skill, effort, responsibility, and conditions
- Equal Pay Vs Comparable Worth

# Title VII of the Civil Rights Act of 1964

- Prohibits discrimination in all phases of employment based on race, color, religion, sex, or national origin.
  - Such information can't be considered in hiring, firing, promotions, training, or granting raises
  - religious discrimination
  - EEOC monitors, justice department enforces

# Individual Rights (cont)

- Age Discrimination Act of 1967
  - Protects those over 40
- Occupational and Safety Health Act 1970
  - Requires employers to provide a safe and healthful workplace with adequate protection against hazards
    - Dangerous Equipment
    - Chemicals
  - Established OSHA

# Individual Rights (cont)

- Equal Employment Opportunity Act 1972
  - EEOC can sue employers in federal court on behalf of aggrieved individual or class of people
- Americans with Disabilities Act 1990
  - Employers with more than 15 employees can not discriminate against disabled employees
- Civil Rights Act 1991
  - Awards aggrieved employees punitive damages