Chapter 1

Part 1 Introduction

The Strategic Role of Human Resource Management
After studying this chapter, you should be able to:

1. Explain what human resource management (HR) is and how it relates to the management process.

2. Give at least eight examples of how managers can use HR concepts and techniques.

3. Illustrate the HR management responsibilities of line and staff (HR) managers.

4. Provide a good example that illustrates HR’s role in formulating and executing company strategy.

5. Write a short essay that addresses the topic: why metrics and measurement are crucial to today’s HR managers.

6. Outline the plan of this book.
The Manager’s Human Resource Management Jobs

➤ *Management process*

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

➤ *Human resource management (HRM)*

– The policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.
Personnel Aspects Of A Manager’s Job

- 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 and developing managers
- Building employee commitment
Personnel Mistakes

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company in court because of discriminatory actions
- Have your company cited by OSHA for unsafe practices
- Have some employees think their salaries are unfair and inequitable relative to others in the organization
- Allow a lack of training to undermine your department’s effectiveness
- Commit any unfair labor practices
Basic HR Concepts

Getting results

- The bottom line of managing

HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve its strategic goals.
Line and Staff Aspects of HRM

- **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.
Line Managers’ HRM Responsibilities

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

- **A line function**
  - The HR manager directs the activities of the people in his or her own department and in related service areas (like the plant cafeteria).

- **A coordinative function**
  - HR managers also coordinate personnel activities, a duty often referred to as *functional control*.

- **Staff (assist and advise) functions**
  - Assisting and advising line managers is the heart of the HR manager’s job.
HR and Authority

- **Authority**
  - The right to make decisions, direct others’ work, and give orders.

- **Implied authority**
  - The authority exerted by an HR manager by virtue of others’ knowledge that he or she has access to top management.

- **Line authority**
  - The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas.
Employee Advocacy

HR must take responsibility for:

- Clearly defining how management should be treating employees.
- Making sure employees have the mechanisms required to contest unfair practices.
- Represent the interests of employees within the framework of its primary obligation to senior management.
Examples of HR Job Duties

- **Recruiters**
  - Search for qualified job applicants.

- **Equal employment opportunity (EEO) coordinators**
  - Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.

- **Job analysts**
  - Collect and examine information about jobs to prepare job descriptions.
Examples of HR Job Duties (cont’d)

- **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.
HR Department Organizational Chart (Large Company)

Source: Adapted from BNA Bulletin to Management, June 29, 2000.
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Cooperative Line and Staff HR Management

1. The line manager’s responsibility is to specify the qualifications employees need to fill specific positions.

2. HR staff then develops sources of qualified applicants and conduct initial screening interviews.

3. HR administers the appropriate tests and refers the best applicants to the supervisor (line manager), who interviews and selects the ones he or she wants.
HR Organizational Chart (Small Company)

Manager, Labor Relations & Human Resources

- Human Resources Administrative Coordinator
  - Senior Human Resources Coordinator
  - Human Resources Coordinator
  - Office Generalist

Figure 1-2
Employment and Recruiting—Who Handles It? (percentage of all employers)

Nota: length of bars represents prevalence of activity among all surveyed employers.

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The Changing Environment Of HR Management

- **HR’s changing role:**
  
  "Personnel departments"

  - Took over hiring and firing from supervisors, payroll, and benefit plans administration.
  
  - In the 1930s added “protecting the firm in its interaction with unions” responsibilities (labor relations).
  
  - Assumed organizational responsibilities for equal employment and affirmative action.
A Changing HR Environment

- Globalization
- Technological Advances
- Exporting Jobs
- The Nature of Work
- Workforce Demographics
Employment Exodus: Projected Loss of Jobs and Wages


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Measuring HR’s Contribution

➤ Strategy

– The company’s long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.

  • HR managers today are more involved in partnering with their top managers in both designing and implementing their companies’ strategies.

– Top management wants to see, precisely, how the HR manager’s plans will make the company more valuable.
HR Metrics

➢ **Absence Rate**

\[
\text{Absence Rate} = \left( \frac{\text{Number of days absent in month}}{\text{Average number of employees during mo.}} \right) \times \left( \frac{\text{number of workdays}}{} \right) \times 100
\]

➢ **Cost per Hire**

\[
\text{Cost per Hire} = \frac{(\text{Advertising} + \text{Agency Fees} + \text{Employee Referrals} + \text{Travel cost of applicants and staff} + \text{Relocation costs} + \text{Recruiter pay and benefits})}{\text{Number of Hires}}
\]

➢ **Health Care Costs per Employee**

\[
\text{Health Care Costs per Employee} = \frac{\text{Total cost of health care}}{\text{Total Employees}}
\]

➢ **HR Expense Factor**

\[
\text{HR Expense Factor} = \frac{\text{HR expense}}{\text{Total operating expense}}
\]

HR Metrics (cont’d)

- **Human Capital ROI**
  
  \[
  \text{Revenue} - \left( \text{Operating Expense} - \left( \text{Compensation cost} + \text{Benefit cost} \right) \right) \div \left( \text{Compensation cost} + \text{Benefit cost} \right)
  \]

- **Human Capital Value Added**
  
  \[
  \text{Revenue} - \left( \text{Operating Expense} - \left( \text{Compensation cost} + \text{Benefit Cost} \right) \right) \div \text{Total Number of FTE}
  \]

- **Revenue Factor**
  
  \[
  \text{Revenue} \div \text{Total Number of FTE}
  \]

- **Time to fill**
  
  Total days elapsed to fill requisitions \(\div\) Number hired

**Sources:**
HR Metrics (cont’d)

- **Training Investment Factor**
  
  Total training cost ÷ Headcount

- **Turnover Costs**
  
  Cost to terminate + Cost per hire + Vacancy Cost + Learning curve loss

- **Turnover Rate**
  
  \[
  \text{Turnover Rate} = \frac{\text{Number of separations during month}}{\text{Average number of employees during month}} \times 100
  \]

- **Workers’ Compensation Cost per Employee**
  
  Total WC cost for Year ÷ Average number of employees

Measuring HR’s Contribution

The HR Scorecard

- Shows the quantitative standards, or “metrics” the firm uses to measure HR activities.
- Measures the employee behaviors resulting from these activities.
- Measures the strategically relevant organizational outcomes of those employee behaviors.
Benefits of a High Performance Work System (HPWS)

- Generate more job applicants
- Screen candidates more effectively
- Provide more and better training
- Link pay more explicitly to performance
- Provide a safer work environment
- Produce more qualified applicants per position
- More employees are hired based on validated selection tests
- Provide more hours of training for new employees
- Higher percentages of employees receiving regular performance appraisals.
The New HR Manager

New Proficiencies

- HR proficiencies
- Business proficiencies
- Leadership proficiencies
- Learning proficiencies
The New HR Manager (cont’d)

The Need to “Know Your Employment Law”

- Equal employment laws
- Occupational safety and health laws
- Labor laws
Effects CFOs Believe Human Capital Has on Business Outcomes


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The New HR Manager

- Ethics and HR
  - Ethical lapses (e.g., Enron, Martha Stewart)

- Sarbanes-Oxley Act in 2003
  - Intended to curb erroneous corporate financial reporting:
    - Requires CEOs and CFOs to certify their companies’ periodic financial reports.
    - Prohibits personal loans to executive officers and directors.
    - Requires CEOs and CFOs to reimburse their firms for bonuses and stock option profits if corporate financial statements subsequently require restating.
HR Professional Certification

- *HR is becoming more professionalized.*

- *Society for Human Resource Management (SHRM)*
  
  - SHRM’s Human Resource Certification Institute (HRCI)
    
    - SPHR (senior professional in HR)
    
    - PHR (professional in HR) certificate
HR and Technology

Benefits of technological applications for HR

- Intranet-based employee portals through which employees can self-service HR transactions.
- The availability of centralized call centers staffed with HR specialists.
- Increased efficiency of HR operations.
- The development of data warehouses of HR-related information.
- The ability to outsource HR activities to specialist service providers.
The Plan of This Book: Basic Themes

- **HR management is** the responsibility of every manager—not just those in the HR department.

- **HR managers must always stand ready to defend their plans and contributions in measurable terms.**

- **An HR department’s performance is measured relative to achieving the company’s strategic aims.**

- **HR managers increasingly rely on IT to help support the company’s strategic aims.**

- **Virtually every HR-related decision managers make has legal implications.**

- **Globalization and diversity are important HR issues today.**
Strategy and the Basic HR Process

Company’s Strategic Plan
- What business are you in?
- On what basis will you compete?
- How do you plan to expand?

Develop personnel plans and job descriptions
Chapter 4

Recruit candidates
Chapter 5

Interview and select employees
Chapters 6, 7

Train employees based on job requirements
Chapter 8

Appraise employees
Chapters 9, 10

Reward employees
Chapters 11, 12, 13

Conform to ethical standards and EEOC and other HR-related laws
Chapters 2, 14, 15, 16

Figure 1–8
KEY TERMS

management process
human resource management (HRM)
authority
line manager
staff manager
line authority
implied authority
functional control
employee advocacy
globalization
nontraditional workers
human capital
strategy
metrics
HR Scorecard
outsourcing
Chapter 2

Equal Opportunity and the Law
After studying this chapter, you should be able to:

1. Cite the main features of at least five employment discrimination laws.

2. Define adverse impact and explain how it is proved and what its significance is.

3. Explain and illustrate two defenses you can use in the event of discriminatory practice allegations.

4. Avoid employment discrimination problems.

5. Cite specific discriminatory personnel management practices in recruitment, selection, promotion, transfer, layoffs, and benefits.

6. Define and discuss diversity management.

- Title VII of the Civil Rights Act (1964)
  - An employer cannot discriminate on the basis of race, color, religion, sex, or national origin with respect to employment.
  - Coverage
    - All public or private employers of 15 or more persons.
    - All private and public educational institutions, the federal government, and state and local governments.
    - All public and private employment agencies.
    - All labor unions with 15 or more members.
Title VII of the 1964 Civil Rights Act

- The Equal Employment Opportunity Commission (EEOC)
  - Consists of five members appointed by the president with the advice and consent of the Senate.
  - Each member serves a five-year term.
  - The EEOC has a staff of thousands to assist it in administering the Civil Rights law in employment settings.
  - EEOC may file discrimination charges and go to court on behalf of aggrieved individuals.
Executive Orders

- **Executive Orders 11246 and 11375**
  - Require affirmative action: steps that are taken for the purpose of eliminating the present effects of past discrimination

- **Office of Federal Contract Compliance Programs (OFCCP)**
  - Responsible for implementing the executive orders related to affirmative action and ensuring the compliance of federal contractors.
Employment Discrimination Laws

- **Equal Pay Act of 1963**
  - The act requiring equal pay for equal work, regardless of sex.

- **Age Discrimination in Employment Act of 1967 (ADEA)**
  - 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.
Employment Discrimination Laws (cont’d)

- **Vietnam Era Veterans’ Readjustment Act of 1974**
  - An act requiring that employees with government contracts take affirmative action to hire disabled veterans.

- **Pregnancy Discrimination Act (PDA) of 1978**
  - A Title VII amendment that prohibits sex discrimination based on “pregnancy, childbirth, or related medical conditions.”
    - If an employer offers its employees disability coverage, then it must treat pregnancy and childbirth like any other disability, and include it in the plan as a covered condition.
Federal Agency Guidelines

- **Uniform Guidelines**
  - Guidelines issued by federal agencies charged with ensuring compliance with equal employment federal legislation explaining recommended employer procedures in detail.
  - The EEOC, Civil Service Commission, Department of Labor, and Department of Justice together have *uniform guidelines* for employers to use.
Title VII: Sexual Harassment

Sexual harassment

- Harassment on the basis of sex that has the purpose or effect of substantially interfering with a person’s work performance or creating an intimidating, hostile, or offensive work environment.
  - Employers have an affirmative duty to maintain workplaces free of sexual harassment and intimidation.

Federal Violence Against Women Act of 1994

- A person who commits a violent crime motivated by gender is liable to the party injured.
Sexual Harassment Defined

- **Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that takes place under any of the following conditions:**

  - Submission to such conduct is made either explicitly or implicitly a term or condition of an individual’s employment.
  
  - Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual.
  
  - Such conduct has the purpose or effect of unreasonably interfering with an individual’s work performance or creating an intimidating, hostile, or offensive work environment.
Proving Sexual Harassment

- **Quid pro quo**
  - Rejecting a supervisor’s advances adversely affects the employee’s tangible benefits, such as raises or promotions.

- **Hostile environment created by supervisors.**
  - Behaviors that substantially affect an employee’s emotional and psychological ability to the point that they affect the employee’s ability to continue with the employee’s job.

- **Hostile environment created by co-workers or non-employees.**
  - Advances by the employee’s co-workers (or even the employer’s customers) can cause harassment.
Sexual Harassment: Court Decisions

- Meritor Savings Bank, FSB v. Vinson
- Burlington Industries v. Ellerth
- Faragher v. City of Boca Raton

- In a quid pro quo case it is not necessary for the employee to have suffered a tangible job action to win the case.
- The employer (in its defense) must show that it took “reasonable care” to prevent and promptly correct any sexually harassing behavior and that the employee unreasonably failed to take advantage of the employer’s policy.
What Employers Should Do to Minimize Liability in Sexual Harassment Claims

- Take all complaints about harassment seriously.
- Issue a strong policy statement condemning such behavior.
- Inform all employees about the policy and of their rights.
- Develop and implement a complaint procedure.
- Establish a management response system that includes an immediate reaction and investigation by senior management.
- Begin management training sessions with supervisors and managers to increase their awareness of the issues.

What Employers Should Do to Minimize Liability in Sexual Harassment Claims (cont’d)

- **Discipline managers and employees involved in harassment.**
- **Keep records of complaints, investigations, and actions taken.**
- **Conduct exit interviews that uncover any complaints and that acknowledge by signature the reasons for leaving.**
- **Re-publish the sexual harassment policy periodically.**
- **Encourage upward communication through periodic written attitude surveys, hotlines, suggestion boxes, and other feedback procedures.**

California State University, Fresno: Complaint Form for Filing a Complaint of Harassment or Discrimination

Figure 2–2

Source: California State University, Fresno.
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Early Court Decisions Regarding Equal Employment Opportunity

- Griggs v. Duke Power Company

  - Discrimination by the employer need not be overt; employer’s intent is irrelevant.
  - An employment practice must be job related and valid if it has an unequal impact on members of a protected class.
  - The burden of proof is on the employer to show that the employment practice is job related.
  - Business necessity is the employer’s defense for any practice that has adverse impact.
Early Court Decisions Regarding Equal Employment Opportunity (cont’d)

 Albemarle Paper Company v. Moody

- If an employer uses a test to screen candidates, then the job’s specific duties and responsibilities must be carefully analyzed and documented.

- The performance standards for employees on the job in question should be clear and unambiguous.

- EEOC (now federal) guidelines on validation are to be used for validating employment practices.
Equal Employment Opportunity
1991–present

- **Civil Rights Act of 1991 (CRA)**
  - It places burden of proof back on employers once the plaintiff has made a prima facie case and permits compensatory and punitive damages.

- **Disparate impact**
  - A practice or policy that has a greater adverse impact on the members of a protected group than on other employees, regardless of intent.

- **Disparate treatment**
  - Intentional discrimination on the part of the employer.
Equal Employment Opportunity
1991–present

- *Desert Palace Inc. vs. Costa.*
  
  - Mixed motive: an employer cannot avoid liability by proving it would have taken the same action even without the discriminatory motive.
  
  - Workers do not have to provide evidence of explicitly discriminatory conduct (such as discriminatory employer statements), but could provide circumstantial evidence (such as lowered performance evaluations).
Americans with Disabilities Act (ADA)

- **ADA of 1990**
  - Requires employers to make *reasonable accommodations* for disabled employees; it prohibits discrimination against disabled persons.

- **Disability**
  - A physical or mental impairment that substantially limits one or more major life activities.
    - Excludes homosexuality, bisexuality, voyeurism, compulsive gambling, pyromania, and disorders resulting from the current illegal use of drugs.
ADA and Individuals

**Qualified individuals**
- Under ADA, those who can carry out the essential functions of the job.

**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.”
Employer Obligations under ADA

- An employer must make a reasonable accommodation for a qualified disabled individual unless doing so would result in undue hardship.
- Employers are not required to lower existing performance standards or stop using tests for a job.
- Employers may ask pre-employment questions about essential job functions but cannot make inquiries about disability.
- Medical exams (or testing) for current employees must be job-related.
- Employers should review job application forms, interview procedures, and job descriptions for illegal questions and statements.
- Employers should have up-to-date job descriptions that identify the current essential functions of the job.
Disabilities and ADA

- Courts will tend to define “disabilities” quite narrowly.
- Employers are not required to tolerate misconduct or erratic performance even if the behaviors can be attributed to the disability.
- Employers do not have to create a new job for the disabled worker nor reassign that person to a light-duty position for an indefinite period, unless such a position exists.
- Employers should not treat employees as if they are disabled so that they will not “regarded as” disabled and protected under the ADA.
State and Local Equal Employment Opportunity Laws

- The effect of the state and local laws is usually to further restrict employers’ treatment of job applicants and employees.

  - State and local laws cannot conflict with federal law but can extend coverage to additional protected groups.
  
  - The EEOC can defer a discrimination charge to state and local agencies that have comparable jurisdiction.
### Important Equal Employment Opportunity Actions

<table>
<thead>
<tr>
<th>Action</th>
<th>What it Does</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VII of 1964 Civil Rights Act, as amended</td>
<td>Bars discrimination because of race, color, religion, sex, or national origin; instituted EEOC.</td>
</tr>
<tr>
<td>Executive orders</td>
<td>Prohibit employment discrimination by employers with federal contracts of more than $10,000 (and their subcontractors); establish office of federal compliance; require affirmative action programs.</td>
</tr>
<tr>
<td>Federal agency guidelines</td>
<td>Indicate policy covering discrimination based on sex, national origin, and religion, as well as employee selection procedures; for example, require validation of tests.</td>
</tr>
<tr>
<td>Supreme Court decisions: <em>Griggs v. Duke Power Co.</em>, <em>Albemarle v. Moody</em></td>
<td>Rule that job requirements must be related to job success; that discrimination need not be overt to be proved; that the burden of proof is on the employer to prove the qualification is valid.</td>
</tr>
<tr>
<td>Equal Pay Act of 1963</td>
<td>Requires equal pay for men and women for performing similar work.</td>
</tr>
<tr>
<td>Age Discrimination in Employment Act of 1967</td>
<td>Prohibits discriminating against a person 40 or over in any area of employment because of age.</td>
</tr>
<tr>
<td>State and local laws</td>
<td>Often cover organizations too small to be covered by federal laws.</td>
</tr>
</tbody>
</table>

*Note: The actual laws (and others) can be accessed at: [http://www.legal.gsa.gov/legal(#1)fcd.htm](http://www.legal.gsa.gov/legal(#1)fcd.htm).*
# Important Equal Employment Opportunity Actions

<table>
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<tr>
<td>Vocational Rehabilitation Act of 1973</td>
<td>Requires affirmative action to employ and promote qualified handicapped persons and prohibits discrimination against handicapped persons.</td>
</tr>
<tr>
<td>Pregnancy Discrimination Act of 1978</td>
<td>Prohibits discrimination in employment against pregnant women, or related conditions.</td>
</tr>
<tr>
<td>Ward Cove v. Atonio</td>
<td>Made it more difficult to prove a case of unlawful discrimination against an employer.</td>
</tr>
<tr>
<td>Price Waterhouse v. Hopkins</td>
<td>Unlawful actions may not be discriminatory if lawful actions would have resulted in the same personnel decision.</td>
</tr>
<tr>
<td>Americans with Disabilities Act of 1990</td>
<td>Strengthens the need for most employers to make reasonable accommodations for disabled employees at work; prohibits discrimination.</td>
</tr>
<tr>
<td>Civil Rights Act of 1991</td>
<td>Reverses Ward Cove, Price Waterhouse, and other decisions; places burden of proof back on employer and permits compensatory and punitive money damages for discrimination.</td>
</tr>
</tbody>
</table>

*Note:* The actual laws (and others) can be accessed at: [http://www.legal.gsa.gov/legal(#1)fcd.htm](http://www.legal.gsa.gov/legal(#1)fcd.htm).
Sources of Discrimination Allegations

➤ *Disparate treatment*

– Intentional discrimination where an employer treats an individual differently because that individual is a member of a particular race, religion, gender, or ethnic group.

➤ *Disparate impact*

– An apparently neutral employment practice that creates an adverse impact—a significant disparity—between the proportion of minorities in the available labor pool and the proportion hired.
Adverse Impact

**Adverse impact**

- The overall impact of employer practices that result in significantly higher percentages of members of minorities and other protected groups being rejected for employment, placement, or promotion.
- Used to help establish a *prima facie* case of discrimination.
Showing Adverse Impact

- **Disparate rejection rates**
  - A test that demonstrates that there is a discrepancy between rates of rejection of members of a protected group and of others.

- **Four-fifths rule of thumb**
  - If the protected group’s hiring rate is less than eighty percent (80%) of the majority group, then a *prima facie* case for discrimination is indicated.
Showing Adverse Impact (cont’d)

- **Restricted policy**
  - An employer’s hiring practices exclude a protected group—whether intentionally or not.

- **Population comparisons**
  - A comparison of the percentage of a minority/protected group and white workers in the organization with the percentage of corresponding groups in the relevant labor market.
Showing Adverse Impact (cont’d)

- **McDonnell-Douglas test**
  - A test for disparate (intentional) treatment situations in which the applicant was qualified but the employer rejected the person and continued seeking applicants.

- **Conditions for applying McDonnell-Douglas**
  - The person belongs to a protected class.
  - The person applied and was qualified for the job.
  - The person was rejected despite qualification.
  - After rejection, the position remained open and the employer continued seeking applications from persons with the complainant’s qualifications.
Bona Fide Occupational Qualification

*Bona fide occupational qualification (BFOQ)*

- Requirement that an employee be of a certain religion, sex, or national origin where that is reasonably necessary to the organization’s normal operation. Specified by the 1964 Civil Rights Act.

  - Age
  - Religion
  - Gender
  - National Origin
Business Necessity

“Business necessity”

- A defense created by the courts that requires employers show that there is an overriding business purpose (i.e., “irresistible demand”) for a discriminatory practice.
  - Spurlock v. United Airlines

Validity

- The degree to which the test or other employment practice is related to or predicts performance on the job.
Other Considerations in Discriminatory Practice Defenses

- Good intentions are no excuse.
- Employers cannot hide behind collective bargaining agreements—equal opportunity laws override union contract agreements.
- If a personnel practice is discriminatory, firms should react by agreeing to eliminate the illegal practice and (when required) by compensating the people discriminated against.
Discriminatory Employment Practices

Reruitment
- Word of Mouth
- Misleading Information
- Help Wanted Ads

Personal Appearance
- Dress
- Hair
- Uniforms

Selection
- Educational Requirements
- Preference to Relatives
- Height, Weight, and Physical Characteristics
- Arrest Records
- Application Forms
- Discharge Due to Garnishment
Questions to Ask When an Employer Receives Notice That EEOC has Filed a Bias Claim

1. Exactly what is the charge and is your company covered by the relevant statutes?
2. What protected group does the employee belong to? Is the EEOC claiming disparate impact or disparate treatment?
3. Are there any obvious bases upon which you can challenge and/or rebut the claim?
4. If it is a sexual harassment claim, are there offensive comments, calendars, posters, screensavers, and so on, on display in the company?
5. Who are the supervisors who actually took the allegedly discriminatory actions and how effective will they be as potential witnesses?

The EEOC Charge-Filing Process

Source: Based on information in www.eeoc.gov/index.html.
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The EEOC Enforcement Process

Processing a charge

- A claim must be filed in writing within two years after the alleged incident took place.
- After a charge is filed, the EEOC has 10 days to serve notice on the employer.
- The EEOC has 120 days to investigate and to make a reasonable cause determination and attempt conciliation or dismiss the charge and issue a Notice of Right to Sue to the filing party who then has 90 days to file suit on their own.
- If conciliation fails, the EEOC can bring a civil suit in a federal district court.
The EEOC Enforcement Process (cont’d)

**Conciliation proceedings**

- The EEOC has 30 days to work out a conciliation agreement between the parties before bringing suit.
- The EEOC conciliator meets with the employee to determine what remedy would be satisfactory and then tries to persuade the employer to accept it.
- If both parties accept the remedy, they sign and submit a conciliation agreement to the EEOC for approval.
How to Respond to Employment Discrimination Charges

➤ The EEOC investigation

- Provide a position statement in your defense that demonstrates a lack of merit of the charge
- Furnish only information requested by the EEOC.
- Obtain as much information as possible about the charging party’s claim.
How to Respond to Employment Discrimination Charges (cont’d)

The fact-finding conference

– EEOC notes are the only official record of the conference.

– EEOC discourages the employer’s lawyers from attending the conference.

– Conferences occur soon after the charge is filed.

– Witnesses’ statements can be used as admissions against the employer’s interests.
How to Respond to Employment Discrimination Charges (cont’d)

- **EEOC determination and attempted conciliation**
  - The investigator’s recommendation is often the determining factor in finding cause, so be courteous and cooperative (within limits).
  - If there is a finding of cause, review the finding very carefully; point out inaccuracies.
  - Do not accept conciliation, wait for the lawsuit.
  - In a no-cause finding, the charging party gets a Notice of Right to Sue letter, and has 90 days to bring a lawsuit.
Mandatory Arbitration of Discrimination Claims

- **Gilmer v. Interstate/Johnson Lane Corp.**
  - An agreement, entered into for mandatory arbitration of all employment-related disputes, can require the employee to arbitrate claims arising under the Age Discrimination in Employment Act.

- **Recommendations**
  - Employers should consider asking that the party be compelled to arbitrate the claim.
  - Employers should consider inserting a mandatory arbitration clause in their employment applications or employee handbooks.
  - Employers can forestall an appeal and protect against arbitrator bias by allowing the arbitrator to afford a claimant broad relief and allow for reasonable fact finding.
Diversity Management

**Managing diversity**

- Provide strong leadership.
- Assess the situation.
- Provide diversity training and education.
- Change culture and management systems.
- Evaluate the diversity management program.

**Boosting workforce diversity**

- Adopt strong company policies advocating the benefits of a culturally, racially, and sexually diverse workforce.
- Take concrete steps to foster diversity at work.
Is the Diversity Initiative Effective?

- Are there women and minorities reporting directly to senior managers?
- Do women and minorities have a fair share of job assignments that are steppingstones to successful careers in the company?
- Do women and minorities have equal access to international assignments?
- Are female and minority candidates in the company’s career development pipeline?
- Are turnover rates for female and minority managers the same or lower than those for white male managers?
Equal Employment Opportunity Versus Affirmative Action

➤ *Equal employment opportunity*

   – Aims to ensure that anyone, regardless of race, color, disability, sex, religion, national origin, or age, has an equal chance for a job based on his or her qualifications.

➤ *Affirmative action*

   – Requires the employer to make an extra effort to hire and promote those in a protected group that results in measurable, yearly improvements in hiring, training, and promotion of minorities and females in all parts of the organization.
## Differences Between Managing Diversity and Meeting Affirmative Action Requirements

<table>
<thead>
<tr>
<th>Managing Diversity</th>
<th>Practicing Diversity to Meet EEO/Affirmative Action Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is voluntary</td>
<td>Is often mandatory</td>
</tr>
<tr>
<td>Focuses on productivity</td>
<td>Focuses on legal, social, moral justifications</td>
</tr>
<tr>
<td>Includes all elements of diversity</td>
<td>Includes only race, gender, and ethnicity</td>
</tr>
<tr>
<td>Emphasizes changing systems and operations</td>
<td>Emphasizes changing the mix of people</td>
</tr>
<tr>
<td>Offers a perception of equity</td>
<td>Offers a perception of preference</td>
</tr>
<tr>
<td>Is long term and ongoing</td>
<td>Is short term and limited</td>
</tr>
<tr>
<td>Is grounded in individuality</td>
<td>Is grounded in assimilation</td>
</tr>
</tbody>
</table>

*Source: National Institutes of Health.*
Steps in an Affirmative Action Program

1. Issues a written equal employment policy.
2. Appoints a top official to direct and implement the program.
3. Publicizes the equal employment policy and affirmative action commitment.
4. Surveys minority and female employment to determine where affirmative action programs are especially desirable.
5. Develops goals and timetables to improve utilization of minorities, males, and females.
6. Develops and implements specific programs to achieve these goals.
7. Establishes an audit and reporting system to monitor and evaluate progress of the program.
8. Develops support for the affirmative action program, both inside the company and in the community.
Designing an Affirmative Action Program

- **Good faith effort strategy**
  - Aimed at changing practices that contributed to excluding or underutilizing protected groups.
    - Increasing the minority or female applicant flow.
    - Demonstrating top-management support for the equal employment policy.
    - Demonstrating equal employment commitment to the local community.
    - Keeping employees informed about the specifics of the affirmative action program.
    - Broadening the work skills of incumbent employees.
    - Institutionalizing the equal employment policy to encourage supervisors’ support of it.
Reverse Discrimination

Reverse discrimination

- A claim that due to affirmative action quota systems, white males are discriminated against.
  - Supreme Court’s June 2003 affirmative action decision outlawed the University of Michigan’s quota-based admissions program.

Reverse discrimination cases

- *Bakke v. Regents of the University of California (1978)*: Race can be a factor, but not be the deciding factor (no quotas).
Reverse Discrimination (cont’d)

Reverse discrimination cases (cont’d)


Recruiting Minorities Online

- Diversity candidate Web sites with job banks
  - African American Network
  - National Action Council of Minorities in Engineering
  - National Urban League
  - Hispanic Online
  - Latino Web
  - Society of Hispanic Engineers
  - Gay.com
  - Association for Women in Science
  - Minorities Job Bank.
Key Terms

Title VII of the 1964 Civil Rights Act
Equal Employment Opportunity Commission (EEOC)
affirmative action
Office of Federal Contract Compliance Programs (OFCCP)
Equal Pay Act of 1963
Age Discrimination in Employment Act of 1967 (ADEA)
Vocational Rehabilitation Act of 1973
Vietnam Era Veterans’ Readjustment Act of 1974
Pregnancy Discrimination Act (PDA)
uniform guidelines
sexual harassment
Federal Violence Against Women Act of 1994

protected class
Civil Rights Act of 1991 (CRA 1991)
mixed motive
Americans with Disabilities Act (ADA)
qualified individuals
adverse impact
disparate rejection rates
restricted policy
bona fide occupational qualification (BFOQ)
alternative dispute resolution or ADR program
good faith effort strategy
reverse discrimination
Chapter 3

Part 1 Introduction

Strategic Human Resource Management and the HR Scorecard
After studying this chapter, you should be able to:

1. Outline the steps in the strategic management process.

2. Explain and give examples of each type of companywide and competitive strategy.

3. Explain what a high performance work system is and why it is important.

4. Illustrate and explain each of the seven steps in the HR Scorecard approach to creating HR systems.
HR’s Strategic Challenges

- **Strategic plan**
  - A company’s plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage.

- **Three basic challenges**
  - The need to support corporate productivity and performance improvement efforts.
  - That employees play an expanded role in employers’ performance improvement efforts.
  - HR must be more involved in designing—not just executing—the company’s strategic plan.
The Strategic Management Process

- **Strategic management**
  - The process of identifying and executing the organization’s mission by matching its capabilities with the demands of its environment.

- **Strategy**
  - A strategy is a course of action.
  - The company’s long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.
Business Mission and Its Vision

**Vision**
- A general statement of its intended direction that evokes emotional feelings in organization members.

**Mission**
- Spells out who the company is, what it does, and where it’s headed.
Strategic Management Process (cont’d)

- **Strategic management tasks**
  - Step 1: Define the Business and Its Mission
  - Step 2: Perform External and Internal Audits
  - Step 3: Translate the Mission into Strategic Goals
  - Step 4: Formulate a Strategy to Achieve the Strategic Goals
  - Step 5: Implement the Strategy
  - Step 6: Evaluate Performance
Overview of Strategic Management

Figure 3–1
**SWOT Analysis**

The use of a SWOT chart to compile and organize the process of identifying company

**Strengths,**  
**Weaknesses,**  
**Opportunities,** and  
**Threats.**

![SWOT Chart Diagram]

Figure 3–2
### Strategies in Brief

<table>
<thead>
<tr>
<th>Company</th>
<th>Strategic Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dell</td>
<td>Be direct</td>
</tr>
<tr>
<td>eBay</td>
<td>Focus on trading communities</td>
</tr>
<tr>
<td>General Electric</td>
<td>Be number one or number two in every industry in which we compete, or get out</td>
</tr>
<tr>
<td>Southwest Airlines</td>
<td>Meet customers’ short-haul travel needs at fares competitive with the cost of automobile travel</td>
</tr>
<tr>
<td>Vanguard</td>
<td>Unmatchable value for the investor-owner</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Low prices, every day</td>
</tr>
</tbody>
</table>

Types of Strategic Planning

- **Corporate-level strategy**
  - Identifies the portfolio of businesses that, in total, comprise the company and the ways in which these businesses relate to each other.

  - **Diversification strategy** implies that the firm will expand by adding new product lines.
  - **Vertical integration strategy** means the firm expands by, perhaps, producing its own raw materials, or selling its products direct.
  - **Consolidation strategy** reduces the company’s size.
  - **Geographic expansion strategy** takes the company abroad.
Types of Strategic Planning (cont’d)

- **Business-level/competitive strategy**
  - Identifies how to build and strengthen the business’s long-term competitive position in the marketplace.

  - **Cost leadership**: the enterprise aims to become the low-cost leader in an industry.
  - **Differentiation**: a firm seeks to be unique in its industry along dimensions that are widely valued by buyers.
  - **Focus**: a firm seeks to carve out a market niche, and compete by providing a product or service customers can get in no other way.
Types of Strategic Planning (cont’d)

- **Functional strategies**
  - Identify the basic courses of action that each department will pursue in order to help the business attain its competitive goals.
Relationships Among Strategies in Multiple-Business Firms

- Corporate Strategy
  - Business 1 Strategy
    - Functional Strategy
  - Business 2 Strategy
    - Functional Strategy
  - Business 3 Strategy
    - Functional Strategy

Figure 3-4
Achieving Strategic Fit

Michael Porter

- Emphasizes the “fit” point of view that all of the firm’s activities must be tailored to or fit its strategy, by ensuring that the firm’s functional strategies support its corporate and competitive strategies.

Gary Hamel and C. K. Prahalad

- Argue for “stretch” in leveraging resources—supplementing what you have and doing more with what you have—can be more important than just fitting the strategic plan to current resources.
The Southwest Airlines’ Activity System


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Competitive advantage

- Any factors that allow an organization to differentiate its product or service from those of its competitors to increase market share.
- Superior human resources are an important source of competitive advantage.
Strategic Human Resource Management

- The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility.

- Formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviors the company needs to achieve its strategic aims.
Linking Corporate and HR Strategies

Company's Competitive Environment
Economic, political, demographic, competitive, and technological trends

Company's Strategic Situation

Company's Internal Strengths and Weaknesses

Company's Strategic Plan
For example
・Should we expand geographically?
・Cut costs?
・Diversify?

Company's HR (and Other Functional) Strategies
What are the basic courses of action HR will pursue to ensure that the recruiting, selecting, training, appraising, and compensation systems are consistent with the company’s strategic plan?

Source: © 2003, Gary Dessler, Ph.D.
HR’S Strategic Roles

- *HR professionals should be part of the firm’s strategic planning executive team.*
  - Identify the human issues that are vital to business strategy.
  - Help establish and execute strategy.
  - Provide alternative insights.
  - Are centrally involved in creating responsive and market-driven organizations.
  - Conceptualize and execute organizational change.
HR Involvement in Mergers

HR’s Strategy Execution Role

- The HR department’s strategies, policies, and activities must make sense in terms of the company’s corporate and competitive strategies, and they must support those strategies.
HR’s Strategy Formulation Role

HR helps top management formulate strategy in a variety of ways by:

- Supplying competitive intelligence that may be useful in the strategic planning process.
- Supplying information regarding the company’s internal human strengths and weaknesses.
- Build a persuasive case that shows how—in specific and measurable terms—the firm’s HR activities can and do contribute to creating value for the company.
Creating a Strategy-oriented HR System

Components of the HR process

– HR professionals who have strategic and other skills
– HR policies and activities that comprise the HR system itself
– Employee behaviors and competencies that the company’s strategy requires.
The Basic Architecture of HR


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The High-Performance Work System

- High-performance work system (HPWS) practices.
  - High-involvement employee practices (such as job enrichment and team-based organizations),
  - High commitment work practices (such as improved employee development, communications, and disciplinary practices)
  - Flexible work assignments.
  - Other practices include those that foster skilled workforces and expanded opportunities to use those skills.
Translating Strategy into HR Policy and Practice

Basic Model of How to Align HR Strategy and Actions with Business Strategy

Formulate Business Strategy
“What are the strategic goals of the business?”

Identify Workforce Requirements
“What employee competencies and behaviors must HR deliver to enable the business to reach its goals?”

Formulate HR Strategic Policies and Activities
“Which HR strategies and practices will enable HR to produce these employee competencies and behaviors?”

Develop Detailed HR Scorecard Measures
“How can HR measure whether it is executing well for the business, in terms of producing the required workforce competencies and behaviors?”

The HR Scorecard Approach

- **HR scorecard**
  - Measures the HR function’s effectiveness and efficiency in producing employee behaviors needed to achieve the company’s strategic goals.

- **Creating an HR scorecard**
  - Must know what the company’s strategy is.
  - Must understand the causal links between HR activities, employee behaviors, organizational outcomes, and the organization’s performance.
  - Must have metrics to measure all the activities and results involved.
Strategic HR Relationships

HR Activities → Emergent Employee Behaviors → Strategically Relevant Organizational Outcomes → Organizational Performance → Achieve Strategic Goals
The HR Scorecard Approach to Formulating HR Policies, Activities, and Strategies

1. Define the business strategy
2. Outline the company’s value chain activities
3. Identify the strategically required organizational outcomes
4. Identify the required workforce behaviors
5. Identify the strategically relevant HR system policies and activities, such as new training and grievance systems
6. Design the HR Scorecard measurement system
7. Periodically reevaluate the measurement system

Source: Copyright © Gary Dessler, Ph.D.
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Using the HR Scorecard Approach

- **Step 1:** Define the Business Strategy
- **Step 2:** Outline the Company’s Value Chain
- **Step 3:** Identify the Strategically Required Organizational Outcomes
- **Step 4:** Identify the Required Workforce Competencies and Behaviors
- **Step 5:** Identify the Strategically Relevant HR System Policies and Activities
- **Step 6:** Design the HR Scorecard Measurement System
- **Step 7:** Periodically Evaluate the Measurement System
Outlining the Company’s Value Chain

➢ **Value chain analysis**

– A tool for identifying, isolating, visualizing, and analyzing the firm’s most important activities and strategic costs.

– Identifying the primary and crucial activities that create value for customers and the related support activities.

  • Each activity is part of the process of designing, producing, marketing, and delivering the company’s product or service.

– Shows the chain of essential activities.

– Prompts future questions.
Simple Value Chain for “the Hotel Paris”
HR Scorecard for the Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests, and thus boost revenues and profitability”).

Figure 3–13
Key Terms

competitive advantage
HR Scorecard
leveraging
metrics
mission strategic control
strategic human resource manager
strategic management
strategic plan
strategy
SWOT analysis
value chain analysis
vision
Job Analysis
After studying this chapter, you should be able to:

1. Discuss the nature of job analysis, including what it is and how it’s used.
2. Use at least three methods of collecting job analysis information, including interviews, questionnaires, and observation.
3. Write job descriptions, including summaries and job functions, using the Internet and traditional methods.
4. Write job specifications using the Internet as well as your judgment.
5. Explain job analysis in a “jobless” world, including what it means and how it’s done in practice.
The Nature of Job Analysis

- **Job analysis**
  - The procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.

- **Job description**
  - A list of a job’s duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities—one product of a job analysis.

- **Job specifications**
  - A list of a job’s “human requirements,” that is, the requisite education, skills, personality, and so on—another product of a job analysis.
Types of Information Collected

- Work activities
- Human behaviors
- Machines, tools, equipment, and work aids
- Performance standards
- Job context
- Human requirements
Uses of Job Analysis Information

- Recruitment and Selection
- Compensation
- Performance Appraisal
- Training
- Discovering Unassigned Duties
- EEO Compliance
Uses of Job Analysis Information

Figure 4–1
Steps in Job Analysis

- **Step 1:** Decide how you’ll use the information.
- **Step 2:** Review relevant background information.
- **Step 3:** Select representative positions.
- **Step 4:** Actually analyze the job.
- **Step 5:** Verify the job analysis information.
- **Step 6:** Develop a job description and job specification.
Charting the Organization

- **Organization chart**
  - A chart that shows the organizationwide distribution of work, with titles of each position and interconnecting lines that show who reports to and communicates to whom.

- **Process chart**
  - A work flow chart that shows the flow of inputs to and outputs from a particular job.
Process Chart for Analyzing a Job’s Workflow

Information Input from Plant Manager

Job Under Study—Quality Control Clerk

Information Output to Plant Manager Regarding Component Quality

Components Input from Suppliers

Product Quality Output to Plant Manager

Figure 4–2
Methods of Collecting Job Analysis Information: The Interview

Information sources
- Individual employees
- Groups of employees
- Supervisors with knowledge of the job

Advantages
- Quick, direct way to find overlooked information.

Disadvantages
- Distorted information

Interview formats
- Structured (Checklist)
- Unstructured
Interview Guidelines

- The job analyst and supervisor should work together to identify the workers who know the job best.
- Quickly establish rapport with the interviewee.
- Follow a structured guide or checklist, one that lists open-ended questions and provides space for answers.
- Ask the worker to list his or her duties in order of importance and frequency of occurrence.
- After completing the interview, review and verify the data.
Methods of Collecting Job Analysis Information: Questionnaires

- **Information source**
  - Have employees fill out questionnaires to describe their job-related duties and responsibilities.

- **Questionnaire formats**
  - Structured checklists
  - Opened-ended questions

- **Advantages**
  - Quick and efficient way to gather information from large numbers of employees

- **Disadvantages**
  - Expense and time consumed in preparing and testing the questionnaire
Methods of Collecting Job Analysis Information: Observation

- **Information source**
  - Observing and noting the physical activities of employees as they go about their jobs.

- **Advantages**
  - Provides first-hand information
  - Reduces distortion of information

- **Disadvantages**
  - Time consuming
  - Difficulty in capturing entire job cycle
  - Of little use if job involves a high level of mental activity.
Methods of Collecting Job Analysis Information: Participant Diary/Logs

- **Information source**
  - Workers keep a chronological diary/log of what they do and the time spent in each activity.

- **Advantages**
  - Produces a more complete picture of the job
  - Employee participation

- **Disadvantages**
  - Distortion of information
  - Depends upon employees to accurately recall their activities
Quantitative Job Analysis Techniques

- **The position analysis questionnaire (PAQ)**
  - A questionnaire used to collect quantifiable data concerning the duties and responsibilities of various jobs.

- **The Department of Labor (DOL) procedure**
  - A standardized method by which different jobs can be quantitatively rated, classified, and compared.

- **Functional job analysis**
  - Takes into account the extent to which instructions, reasoning, judgment, and mathematical and verbal ability are necessary for performing job tasks.
Job Analysis Schedule

1. Established Job Title
   DOUGH MIXER

2. Ind. Assign
   (bake prod.)

3. SIC Code(s) and Title(s)
   2051 Bread and other bakery products

4. JOB SUMMARY:
   Operates mixing machine to mix ingredients for
   straight and sponge (yeast) doughs according to
   established formulas, directs other workers in
   fermentation of dough, and curls dough into
   pieces with hand cutter.

5. WORK PERFORMED RATINGS:

<table>
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<tr>
<th>D</th>
<th>P</th>
<th>(T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

   Worker Functions: Data, People, Things

   Work Field
   Cooking, Food Preparing

6. WORKER TRAITS RATING: (To be filled in by analyst)
   Training time required
   Aptitudes
   Temperaments
   Interests
   Physical Demands
   Environment Conditions

Sample Report
Based on Department of Labor Job Analysis Technique

Figure 4–6
Writing Job Descriptions

A job description
- A written statement of what the worker actually does, how he or she does it, and what the job’s working conditions are.

Sections of a typical job description
- Job identification
- Job summary
- Responsibilities and duties
- Authority of incumbent
- Standards of performance
- Working conditions
- Job specifications
Sample Job Description, Pearson Education

<table>
<thead>
<tr>
<th>JOB TITLE:</th>
<th>Telesales Representative</th>
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<th>100001</th>
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<td>EXEMPT/NON-EXEMPT STATUS: NonExempt</td>
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<td>JOB FAMILY:</td>
<td>Sales</td>
<td>EEOC:</td>
<td>Sales Workers</td>
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<td>DIVISION:</td>
<td>Higher Education</td>
<td>REPORTS TO:</td>
<td>District Sales Manager</td>
</tr>
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<td>DEPARTMENT:</td>
<td>In-House Sales</td>
<td>LOCATION:</td>
<td>Boston</td>
</tr>
<tr>
<td>DATE:</td>
<td>April 2004</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SUMMARY (Write a brief summary of job)
This position is responsible for selling College textbooks, software, and multimedia products to professors, via incoming and outgoing telephone calls, and to carry out selling strategies to meet sales goals in assigned territories of smaller colleges and universities. In addition, this position will be responsible for generating a designated amount of editorial leads, and communicating to the publishing groups product feedback and market trends observed in the assigned territory.

SCOPE AND IMPACT OF JOB
Dollar responsibilities (budget and/or revenue)
This position is responsible for generating approximately $2 million in revenue, for meeting operating expense budget of approximately $4000, and a sampling budget of approximately 10,000 units.

Supervisory responsibilities (direct and indirect)
None
Other

REQUIRED KNOWLEDGE AND EXPERIENCE (Knowledge and experience necessary to do job)
Related work experience
Prior sales or publishing experience preferred. One year of company experience in a customer service or marketing function with broad knowledge of company products and services is desirable.

Formal education or equivalent
Bachelor’s degree with strong academic performance or work equivalent experience.

Skills
Must have strong organizational and persuasive skills. Must have excellent verbal and written communications skills and must be PC proficient.
Other

Limited travel required (approx 5%)

Source: Courtesy of HR Department, Pearson Education.

Figure 4–7a
**PRIMARY RESPONSIBILITIES** (List in order of importance and list amount of time spent on task)

**Driving Sales (60%)**
- Achieve quantitative sales goal for assigned territory of smaller colleges and universities.
- Determine sales priorities and strategies for territory and develop a plan for implementing those strategies.
- Conduct 15–20 professor interviews per day during the academic sales year that accomplishes those priorities.
- Conduct product presentations (including texts, software, and web-site); effectively articulate author’s central vision of key titles; conduct sales interviews using the PSS model; conduct walk-through of books and technology.
- Employ telephone selling techniques and strategies.
- Sample products to appropriate faculty making strategic use of assigned sampling budgets.
- Close class test adoptions for first edition products.
- Negotiate custom publishing and special packaging agreements within company guidelines.
- Initiate and conduct in-person faculty presentations and selling trips as appropriate to maximize sales with the strategic use of travel budget. Also use internal resources to support the territory sales goals.
- Plan and execute in-territory special selling events and book-fairs
- Develop and implement in-territory promotional campaigns and targeted email campaigns.

**Publishing (editorial/marketing) 25%**
- Report, track, and sign editorial projects.
- Gather and communicate significant market feedback and information to publishing groups.

**Territory Management 15%**
- Track and report all pending and closed business in assigned database.
- Maintain records of customer sales interviews and adoption situations in assigned database.
- Manage operating budget strategically.
- Submit territory itineraries, sales plans, and sales forecasts as assigned.
- Provide superior customer service and maintain professional bookstore relations in assigned territory.

**Decision-Making Responsibilities for this position:**
Determine the strategic use of assigned sampling budget to most effectively generate sales revenue to exceed sales goals.
Determine the priority of customer and account contacts to achieve maximum sales potential.
Determine where in-person presentations and special selling events would be most effective to generate most sales.

Source: Courtesy of HR Department, Pearson Education.

Figure 4–7b

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“Marketing Manager” Description from Standard Occupational Classification

20. 11-2021 Marketing Managers

Abstract: 11-2021 Marketing Managers. Determine the demand for products and services offered by a firm and its competitors and identify potential customers. Develop pricing strategies with the goal of maximizing the firm’s profits or share of the market while ensuring the firm’s customers are satisfied.
The Job Description

Job identification

- Job title: name of job
- FLSA status section: Exempt or nonexempt
- Preparation date: when the description was written
- Prepared by: who wrote the description

Job summary

- Describes the general nature of the job
- Lists the major functions or activities
The Job Description (cont’d)

- **Relationships (chain of command)**
  - Reports to: employee’s immediate supervisor
  - Supervises: employees that the job incumbent directly supervises
  - Works with: others with whom the job holder will be expected to work and come into contact with internally.
  - Outside the company: others with whom the job holder is expected to work and come into contact with externally.
The Job Description (cont’d)

- **Responsibilities and duties**
  - A listing of the job’s major responsibilities and duties (essential functions)
  - Defines limits of jobholder’s decision-making authority, direct supervision, and budgetary limitations.

- **Standard Occupational Classification**
  - Classifies all workers into one of 23 major groups of jobs which are subdivided into 96 minor groups of jobs and detailed occupations.
| SOC’s Major Groups of Jobs |

Table 4-2

Note: Within these major groups are 96 minor groups, 449 broad occupations, and 821 detailed occupations.

<table>
<thead>
<tr>
<th>SOC Code</th>
<th>Occupation Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-0000</td>
<td>Management Occupations</td>
</tr>
<tr>
<td>13-0000</td>
<td>Business and Financial Operations Occupations</td>
</tr>
<tr>
<td>15-0000</td>
<td>Computer and Mathematical Occupations</td>
</tr>
<tr>
<td>17-0000</td>
<td>Architecture and Engineering Occupations</td>
</tr>
<tr>
<td>19-0000</td>
<td>Life, Physical, and Social Science Occupations</td>
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<td>21-0000</td>
<td>Community and Social Services Occupations</td>
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<td>Legal Occupations</td>
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<td>Education, Training, and Library Occupations</td>
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<td>Arts, Design, Entertainment, Sports, and Media Occupations</td>
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<td>Food Preparation and Serving-Related Occupinations</td>
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<td>Building and Grounds Cleaning and Maintenance Occupations</td>
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<tr>
<td>45-0000</td>
<td>Farming, Fishing, and Forestry Occupations</td>
</tr>
<tr>
<td>47-0000</td>
<td>Construction and Extraction Occupations</td>
</tr>
<tr>
<td>49-0000</td>
<td>Installation, Maintenance, and Repair Occupations</td>
</tr>
<tr>
<td>51-0000</td>
<td>Production Occupations</td>
</tr>
<tr>
<td>53-0000</td>
<td>Transportation and Material Moving Occupitations</td>
</tr>
<tr>
<td>55-0000</td>
<td>Military Specific Occupations</td>
</tr>
</tbody>
</table>
Is the Job Function Essential?

- What three or four main activities actually constitute the job? Is each really necessary?

- What is the relationship between each task? Is there a special sequence which the tasks must follow?

- Do the tasks necessitate sitting, standing, crawling, walking, climbing, running, stooping, kneeling, lifting, carrying, digging, writing, operating, pushing, pulling, fingering, talking, listening, interpreting, analyzing, seeing, coordinating, etc.?

- How many employees are available to perform the job function? Can the job function be distributed among other employees?

- How much time is spent on the job performing each particular function? Are infrequent tasks less important to success?

- Would removing a function fundamentally alter the job?
Is the Job Function Essential? (cont’d)

- What happens if a task is not completed on time?
- Does the position exist to perform that function?
- Are employees in the position actually required to perform the function?
- Is there a limited number of other employees available to perform the function?
- What is the degree of expertise or skill required to perform the function?
- What is the actual work experience of present or past employees in the job?
- What is the amount of time an individual actually spends performing the function?
- What are the consequences of not requiring the performance of the function?
The Job Description (cont’d)

- **Standards of performance and working conditions**
  - Lists the standards the employee is expected to achieve under each of the job description’s main duties and responsibilities.
Writing Job Specifications

- **Specifications for trained personnel**
  - Focus on traits like length of previous service, quality of relevant training, and previous job performance.

- **Specifications for untrained personnel**
  - Focus on physical traits, personality, interests, or sensory skills that imply some potential for performing or for being trained to do the job.
Writing Job Specifications (cont’d)

- **Specifications Based on Judgment**
  - Self-created judgments (common sense)
  - List of competencies in Web-based job descriptions (e.g., www.jobdescription.com)
  - O*NET online
  - Standard Occupational Classification

- **Specifications Based on Statistical Analysis**
  - Attempts to determine statistically the relationship between a predictor or human trait and an indicator or criterion of job effectiveness.
Writing Job Specifications (cont’d)

Steps in the Statistical Approach

– Analyze the job and decide how to measure job performance.
– Select personal traits that you believe should predict successful performance.
– Test candidates for these traits.
– Measure the candidates’ subsequent job performance.
– Statistically analyze the relationship between the human trait and job performance.
Writing Job Descriptions

- Step 1. Decide on a Plan
- Step 2. Develop an Organization Chart
- Step 3. Use a Job Analysis/Description Questionnaire
- Step 4. Obtain Lists of Job Duties from O*NET
- Step 5. Compile the Job’s Human Requirements from O*NET
- Step 6. Complete Your Job Description
Job Analysis in a “Jobless” World

Job

- Generally defined as “a set of closely related activities carried out for pay.”
From Specialized to Enlarged Jobs

- **Job enlargement**
  - Assigning workers additional same level activities, thus increasing the number of activities they perform.

- **Job enrichment**
  - Redesigning jobs in a way that increases the opportunities for the worker to experience feelings of responsibility, achievement, growth, and recognition.
From Specialized to Enlarged Jobs (cont’d)

- **Job rotation**
  - Moving a trainee from department to department to broaden his or her experience and identify strong and weak points to prepare the person for an enhanced role with the company.
  - Systematically moving workers from one job to another to enhance work team performance.
Why Managers Are Dejobbing Their Companies

- **Dejobbing**
  - Broadening the responsibilities of the company’s jobs
  - Encouraging employee initiative.

- **Internal factors leading to dejobbing**
  - Flatter organizations
  - Work teams

- **External factors leading to dejobbing.**
  - Rapid product and technological change
  - Global competition
  - Deregulation,
  - Political instability,
  - Demographic changes
  - Rise of a service economy.
Competency-Based Job Analysis

- Competencies
  - Demonstrable characteristics of a person that enable performance of a job.

- Competency-based job analysis
  - Describing a job in terms of the measurable, observable, behavioral competencies (knowledge, skills, and/or behaviors) an employee must exhibit to do a job well.
Why Use Competency Analysis?

➢ To support HPWS
  – Traditional job descriptions (with their lists of specific duties) may actually backfire if a high-performance work system is the goal.

➢ Maintain a strategic focus
  – Describing the job in terms of the skills, knowledge, and competencies the worker needs is more strategic.

➢ Measuring performance
  – Measurable skills, knowledge, and competencies are the heart of any company’s performance management process.
Performance Management

- **Performance management**
  - Managing all elements of the organizational process that affect how well employees perform.

- **Types of competencies**
  - General competencies
    - reading, writing, and mathematical reasoning.
  - Leadership competencies
    - leadership, strategic thinking, and teaching others.
  - Technical competencies
    - specific technical competencies required for specific types of jobs and/or occupations.
Background Data for Examples

Example of Job Title: Customer Service Clerk

Example of Job Summary:
Answers inquiries and gives directions to customers, authorizes cashing of customers’ checks, records and returns lost charge cards, sorts and reviews new credit applications, works at customer service desk in department store.

Example of One Job Duty:
Authorizes cashing of checks: authorizes cashing of personal or payroll checks (up to a specified amount) by customers desiring to make payment by check. Requests identification—such as driver’s license—from customers and examines check to verify date, amount, signature, and endorsement. Initials check and sends customer to cashier.
Job Family Search Results for:
Sales and Related (30 matches)

<table>
<thead>
<tr>
<th>O*NET-SOC Code</th>
<th>O*NET-SOC Title</th>
<th>Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>41-1011.00</td>
<td>First-Line Supervisors/Managers of Retail Sales Workers</td>
<td>Summary</td>
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<tr>
<td>41-1012.00</td>
<td>First-Line Supervisors/Managers of Non-Retail Sales Workers</td>
<td>Summary</td>
</tr>
<tr>
<td>41-2011.00</td>
<td>Cashiers</td>
<td>Summary</td>
</tr>
<tr>
<td>41-2012.00</td>
<td>Gaming Change Persons and Booth Cashiers</td>
<td>Summary</td>
</tr>
<tr>
<td>41-2021.00</td>
<td>Counter and Rental Clerks</td>
<td>Summary</td>
</tr>
<tr>
<td>41-2022.00</td>
<td>Parts Salespersons</td>
<td>Summary</td>
</tr>
<tr>
<td>41-2031.00</td>
<td>Retail Salespersons</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3011.00</td>
<td>Advertising Sales Agents</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3021.00</td>
<td>Insurance Sales Agents</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3031.00</td>
<td>Securities, Commodities, and Financial Services Sales Agents</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3031.01</td>
<td>Sales Agents, Securities and Commodities</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3031.02</td>
<td>Sales Agents, Financial Services</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3041.00</td>
<td>Travel Agents</td>
<td>Summary</td>
</tr>
<tr>
<td>41-3099.99</td>
<td>Sales Representatives, Services, All Other</td>
<td>Summary</td>
</tr>
<tr>
<td>41-4011.00</td>
<td>Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products</td>
<td>Summary</td>
</tr>
<tr>
<td>41-4011.01</td>
<td>Sales Representatives, Agricultural</td>
<td>Summary</td>
</tr>
<tr>
<td>41-4011.02</td>
<td>Sales Representatives, Chemical and Pharmaceutical</td>
<td>Summary</td>
</tr>
<tr>
<td>41-4011.03</td>
<td>Sales Representatives, Electrical/Electronic</td>
<td>Summary</td>
</tr>
</tbody>
</table>
Summary Report for:
41-2031.00 - Retail Salespersons

Sell merchandise, such as furniture, motor vehicles, appliances, or apparel in a retail establishment.

Tasks | Knowledge | Skills | Abilities | Work Activities | Work Context | Job Zone | Interests | Work Style | Work Values | Related Occupations | Wages & Employment

Tasks

- Greet customers and ascertain what each customer wants or needs.
- Open and close cash registers, performing tasks such as counting money, separating charge slips, coupons, and vouchers, balancing cash drawers, and making deposits.
- Maintain knowledge of current sales and promotions, policies regarding payment and exchanges, and security practices.
- Compute sales prices, total purchases and receive and process cash or credit payment.
- Maintain records related to sales.
- Watch for and recognize security risks and thefts, and know how to prevent or handle these situations.
- Recommend, select, and help locate or obtain merchandise based on customer needs and desires.
- Answer questions regarding the store and its merchandise.
- Describe merchandise and explain use, operation, and care of merchandise to customers.
- Ticket, arrange and display merchandise to promote sales.

Knowledge

Customer and Personal Service — Knowledge of principles and processes for providing customer and personal services. This includes customer needs assessment, meeting quality standards for services, and evaluation of customer satisfaction.

Sales and Marketing — Knowledge of principles and methods for showing, promoting, and selling products or services. This includes marketing strategy and tactics, product demonstration, sales techniques, and sales control systems.

Administration and Management — Knowledge of business and management principles involved in strategic planning, resource allocation, human resources modeling, leadership technique, production methods, and coordination of people and resources.

Education and Training — Knowledge of principles and methods for curriculum and training design, teaching and instruction for individuals and groups, and the measurement of training effects.

Mathematics — Knowledge of arithmetic, algebra, geometry, calculus, statistics, and their applications.

English Language — Knowledge of the structure and content of the English language including the meaning and spelling of words, rules of composition, and grammar.
Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
The Skills Matrix for One Job at BP

Note: The light blue boxes indicate the minimum level of skill required for the job.
<table>
<thead>
<tr>
<th>Key Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>job analysis</td>
</tr>
<tr>
<td>job description</td>
</tr>
<tr>
<td>job specifications</td>
</tr>
<tr>
<td>organization chart</td>
</tr>
<tr>
<td>process chart</td>
</tr>
<tr>
<td>diary/log</td>
</tr>
<tr>
<td>position analysis</td>
</tr>
<tr>
<td>questionnaire (PAQ)</td>
</tr>
<tr>
<td>U.S. Department of Labor (DOL)</td>
</tr>
<tr>
<td>job analysis procedure</td>
</tr>
<tr>
<td>functional job analysis</td>
</tr>
</tbody>
</table>
Chapter 5

Part 2  Recruitment and Placement

Personnel Planning and Recruiting
After studying this chapter, you should be able to:

1. Explain the main techniques used in employment planning and forecasting.
2. List and discuss the main outside sources of candidates.
3. Effectively recruit job candidates.
4. Name and describe the main internal sources of candidates.
5. Develop a help wanted ad.
6. Explain how to recruit a more diverse workforce.
The Recruitment and Selection Process

1. Decide what positions you’ll have to fill through personnel planning and forecasting.

2. Build a pool of candidates for these jobs by recruiting internal or external candidates.

3. Have candidates complete application forms and perhaps undergo an initial screening interview.

4. Use selection techniques like tests, background investigations, and physical exams to identify viable candidates.

5. Decide who to make an offer to, by having the supervisor and perhaps others on the team interview the candidates.
The recruitment and selection process is a series of hurdles aimed at selecting the best candidate for the job.
Planning and Forecasting

- **Employment or personnel planning**
  - The process of deciding what positions the firm will have to fill, and how to fill them.

- **Succession planning**
  - The process of deciding how to fill the company’s most important executive jobs.

- **What to forecast?**
  - Overall personnel needs
  - The supply of inside candidates
  - The supply of outside candidates
Linking Employer’s Strategy to Plans

Figure 5–2
Forecasting Personnel Needs

- **Trend analysis**
  - The study of a firm’s past employment needs over a period of years to predict future needs.

- **Ratio analysis**
  - A forecasting technique for determining future staff needs by using ratios between a causal factor and the number of employees needed.
  - Assumes that the relationship between the causal factor and staffing needs is constant.
The Scatter Plot

- **Scatter plot**
  - A graphical method used to help identify the relationship between two variables.

<table>
<thead>
<tr>
<th>Size of Hospital (Number of Beds)</th>
<th>Number of Registered Nurses</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>240</td>
</tr>
<tr>
<td>300</td>
<td>260</td>
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<tr>
<td>400</td>
<td>470</td>
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<td>800</td>
<td>820</td>
</tr>
<tr>
<td>900</td>
<td>860</td>
</tr>
</tbody>
</table>
Determining the Relationship Between Hospital Size and Number of Nurses

Figure 5–3
Drawbacks to Scatter Plots

1. They focus on projections and historical relationships, and assume that the firm’s existing structure and activities will continue into the future.

2. They generally do not consider the impact the company’s strategic initiatives may have on future staffing levels.

3. They tend to support compensation plans that reward managers for managing ever-larger staffs, and will not uncover managers who expand their staffs irrespective of strategic needs.

4. They tend to “bake in” the nonproductive idea that increases in staffs are inevitable.

5. They tend to validate and institutionalize existing planning processes and ways of doing things, even in the face of rapid change.
Using Computers to Forecast Personnel Requirements

- **Computerized forecasts**
  - The use software packages to determine future staff needs by projecting sales, volume of production, and personnel required to maintain a volume of output.
    - Generates figures on average staff levels required to meet product demands, as well as forecasts for direct labor, indirect staff, and exempt staff.
    - Typical metrics: direct labor hours required to produce one unit of product (a measure of productivity), and three sales projections—minimum, maximum, and probable.
Forecasting the Supply of Inside Candidates

- **Qualifications inventories**
  - Manual or computerized records listing employees’ education, career and development interests, languages, special skills, and so on, to be used in selecting inside candidates for promotion.
Manual Systems and Replacement Charts

- **Personnel replacement charts**
  - Company records showing present performance and promotability of inside candidates for the most important positions.

- **Position replacement card**
  - A card prepared for each position in a company to show possible replacement candidates and their qualifications.
Management Replacement Chart Showing Development Needs of Future Divisional Vice President

Figure 5–4
Computerized Information Systems

- **Human Resource Information System (HRIS)**
  - Computerized inventory of information that can be accessed to determine employees’ background, experience, and skills that may include:
    - Work experience codes
    - Product or service knowledge
    - Industry experience
    - Formal education
The Matter of Privacy of HR Information

➢ The need to ensure the security of HR information

– There is a lot of HR information to keep secure.
– Control of HR information can be established through the use of access matrices that limit users.
– Legal considerations: The Federal Privacy Act of 1974 gives employees rights regarding who has access to information about their work history and job performance.
Forecasting the Supply of Outside Candidates

Factors impacting the supply of outside candidates

- General economic conditions
- Expected unemployment rate

Sources of information

- Periodic forecasts in business publications
- Online economic projections
  - U.S. Congressional Budget Office (CBO)
  - Bureau of Labor Statistics
  - U.S. Department of Labor: O*Net
  - Other federal agencies
Effective Recruiting

- **External factors affecting recruiting:**
  - Looming undersupply of workers
  - Lessening of the trend in outsourcing of jobs
  - Increasingly fewer “qualified” candidates

- **Internal factors affecting recruiting:**
  - The consistency of the firm’s recruitment efforts with its strategic goals
  - The available resources, types of jobs to be recruited and choice of recruiting methods
  - Nonrecruitment HR issues and policies
  - Line and staff coordination and cooperation
Effective Recruiting (cont’d)

- Advantages of centralizing recruitment
  - Strengthens employment brand
  - Ease in applying strategic principles
  - Reduces duplication of HR activities
  - Reduces the cost of new HR technologies
  - Builds teams of HR experts
  - Provides for better measurement of HR performance
  - Allows for the sharing of applicant pools
Sample Acceptable Questions
Once A Conditional Offer Is Made

1. Do you have any responsibilities that conflict with the job vacancy?
2. How long have you lived at your present address?
3. Do you have any relatives working for this company?
4. Do you have any physical defects that would prevent you from performing certain jobs where, to your knowledge, vacancies exist?
5. Do you have adequate means of transportation to get to work?
6. Have you had any major illness (treated or untreated) in the past 10 years?
7. Have you ever been convicted of a felony or do you have a history of being a violent person? (This is a very important question to avoid a negligent hiring or retention charge.)
8. Educational background. (The information required here would depend on the job-related requirements of the position.)

Measuring Recruiting Effectiveness

- **What to measure and how to measure**
  - How many *qualified* applicants were attracted from each recruitment source?
    - Assessing both the quantity and the quality of the applicants produced by a source.

- **High performance recruiting**
  - Applying best-practices management techniques to recruiting.
    - Using a benchmarks-oriented approach to analyzing and measuring the effectiveness of recruiting efforts such as employee referrals.
Selection Devices that Could be used to Initially Screen Applicants

<table>
<thead>
<tr>
<th>Selection device</th>
<th>Validity for predicting job performance*</th>
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<tbody>
<tr>
<td>Construct</td>
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<td>General mental ability tests</td>
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<td>Conscientiousness tests</td>
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<td>Integrity tests</td>
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<td>Method</td>
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<td>Work sample tests</td>
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<td>Job knowledge tests</td>
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<td>Structured interviews</td>
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<td>Biographical data</td>
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<td>Grade point average</td>
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<tr>
<td>Ratings of training and experience</td>
<td>.11</td>
</tr>
</tbody>
</table>

*Higher is better.


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Recruiting yield pyramid

- The historical arithmetic relationships between recruitment leads and invitees, invitees and interviews, interviews and offers made, and offers made and offers accepted.
Internal Sources of Candidates: Hiring from Within

➢ **Advantages**
  
  – Foreknowledge of candidates’ strengths and weaknesses
  
  – More accurate view of candidate’s skills
  
  – Candidates have a stronger commitment to the company
  
  – Increases employee morale
  
  – Less training and orientation required

➢ **Disadvantages**
  
  – Failed applicants become discontented
  
  – Time wasted interviewing inside candidates who will not be considered
  
  – Inbreeding of the status quo
Finding Internal Candidates

➢ **Job posting**
  - Publicizing an open job to employees (often by literally posting it on bulletin boards) and listing its attributes.

➢ **Rehiring former employees**
  - **Advantages:**
    • They are known quantities.
    • They know the firm and its culture.
  - **Disadvantages:**
    • They may have less-than positive attitudes.
    • Rehiring may sent the wrong message to current employees about how to get ahead.
Finding Internal Candidates (cont’d)

- **Succession planning**
  - The process of ensuring a suitable supply of successors for current and future senior or key jobs.

- **Succession planning steps:**
  - Identifying and analyzing key jobs.
  - Creating and assessing candidates.
  - Selecting those who will fill the key positions.
Outside Sources of Candidates

- **Advertising**
  - The Media: selection of the best medium depends on the positions for which the firm is recruiting.
    - Newspapers (local and specific labor markets)
    - Trade and professional journals
    - Internet job sites
    - Marketing programs

- **Constructing an effective ad**
  - Wording related to job interest factors should evoke the applicant’s attention, interest, desire, and action (AIDA) and create a positive impression of the firm.
Help Wanted Ad

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Outside Sources of Candidates (cont’d)

- Types of employment agencies:
  - Public agencies operated by federal, state, or local governments
  - Agencies associated with nonprofit organizations
  - Privately owned agencies
Outside Sources of Candidates (cont’d)

- **Reasons for using a private employment agency:**
  - When a firm doesn’t have an HR department and is not geared to doing recruiting and screening.
  - The firm has found it difficult in the past to generate a pool of qualified applicants.
  - The firm must fill a particular opening quickly.
  - There is a perceived need to attract a greater number of minority or female applicants.
  - The firm wants to reach currently employed individuals, who might feel more comfortable dealing with agencies than with competing companies.
  - The firm wants to cut down on the time it’s devoting to recruiting.
Outside Sources of Candidates (cont’d)

- Avoiding problems with employment agencies:
  - Give the agency an accurate and complete job description.
  - Make sure tests, application blanks, and interviews are part of the agency’s selection process.
  - Periodically review data on candidates accepted or rejected by your firm, and by the agency. Check on the effectiveness and fairness of the agency’s screening process.
  - Screen the agency. Check with other managers or HR people to find out which agencies have been the most effective at filling the sorts of positions needed to be filled.
  - Review the Internet and a few back issues of the Sunday classified ads to discover the agencies that handle the positions to be filled.
Temp Agencies and Alternative Staffing

➢ **Benefits of Temps**
  - Paid only when working
  - More productive
  - No recruitment, screening, and payroll administration costs

➢ **Costs of Temps**
  - Fees paid to temp agencies
  - Lack of commitment to firm
Concerns of Temp Employees

- Treatment by employers in a dehumanizing, impersonal, and ultimately discouraging way.
- Insecurity about their employment and pessimistic about the future.
- Worry about their lack of insurance and pension benefits.
- Being misled about their job assignments and in particular about whether temporary assignments were likely to become full-time positions.
- Being “underemployed” (particularly those trying to return to the full-time labor market).
- In general they were angry toward the corporate world and its values; participants repeatedly expressed feelings of alienation and disenchantment.
Guidelines for Using Temporary Employees

1. Do not train your contingent workers.
2. Do not negotiate the pay rate of your contingent workers.
3. Do not coach or counsel a contingent worker on his/her job performance.
4. Do not negotiate a contingent worker’s vacations or personal time off.
5. Do not routinely include contingent workers in your company’s employee functions.
6. Do not allow contingent workers to utilize facilities intended for employees.
7. Do not let managers issue company business cards, nameplates, or employee badges to contingent workers without HR and legal approval.
8. Do not let managers discuss harassment or discrimination issues with contingent workers.
9. Do not discuss job opportunities and the contingent worker’s suitability for them directly.
10. Do not terminate a contingent worker directly.

Source: Adapted from Bohner and Selasco, “Beware the Legal Risks of Hiring Temps,” Workforce, October 2000, p. 53.
Working with a Temp Agency

- **Invoicing.** Get a sample copy of the agency’s invoice. Make sure it fits your company’s needs.

- **Time sheets.** With temps, the time sheet is not just a verification of hours worked. Once the worker’s supervisor signs it, it’s usually an agreement to pay the agency’s fees.

- **Temp-to-perm policy.** What is the policy if the client wants to hire one of the agency’s temps as a permanent employee?

- **Recruitment of and benefits for temp employees.** Find out how the agency plans to recruit what sorts of benefits it pays.

- **Dress code.** Specify the attire at each of your offices or plants.

- **Equal employment opportunity statement.** Get a statement from the agency that it is not discriminating when filling temp orders.

- **Job description information.** Have a procedure whereby you can ensure the agency understands the job to be filled and the sort of person you want to fill it.
Offshoring/Outsourcing White-Collar and Other Jobs

 Specific issues in outsourcing jobs abroad

– Political and military instability
– Likelihood of cultural misunderstandings
– Customers’ security and privacy concerns
– Foreign contracts, liability, and legal concerns
– Special training of foreign employees
– Costs associated with companies supplying foreign workers
Outside Sources of Candidates (cont’d)

- Executive recruiters (headhunters)
  - Special employment agencies retained by employers to seek out top-management talent for their clients.
    - Contingent-based recruiters collect a fee for their services when a successful hire is completed.
    - Retained executive searchers are paid regardless of the outcome of the recruitment process.
  - Internet technology and specialization trends are changing how candidates are attracted and how searches are conducted.
Guidelines for Choosing a Recruiter

- Make sure the firm is capable of conducting a thorough search.
- Meet the individual who will actually handle your assignment.
- Ask how much the search firm charges.
Outside Sources of Candidates (cont’d)

- On demand recruiting services (ODRS)
  - A service that provides short-term specialized recruiting to support specific projects without the expense of retaining traditional search firms.
Outside Sources of Candidates (cont’d)

➤ College recruiting

– Recruiting goals
  • To determine if the candidate is worthy of further consideration
  • To attract good candidates

– On-site visits
  • Invitation letters
  • Assigned hosts
  • Information package
  • Planned interviews
  • Timely employment offer
  • Follow-up

– Internships
Outside Sources of Candidates (cont’d)

- **Employee referrals**
  - Applicants who are referred to the organization by current employees
    - Referring employees become stakeholders.
    - Referral is a cost-effective recruitment program.
    - Referral can speed up diversifying the workforce

- **Walk-ins**
  - Direct applicants who seek employment with or without encouragement from other sources.
  - Courteous treatment of any applicant is a good business practice.
Outside Sources of Candidates (cont’d)

- **Recruiting via the Internet**
  - More firms and applicants are utilizing the Internet in the job search process.

- **Advantages of Internet recruiting**
  - Cost-effective way to publicize job openings
  - More applicants attracted over a longer period
  - Immediate applicant responses
  - Online prescreening of applicants
  - Links to other job search sites
  - Automation of applicant tracking and evaluation
Selected Recruitment Web Sites

CareerBuilder.com
8420 W. Bryn Mawr Avenue
Chicago, IL 60631
877-235-8978
Fax: 773-399-6313
carrie.moon@careerbuilder.com
www.careerbuilder.com
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Ineffective and Effective Web Ads

**INEFFECTIVE WEB AD**

**Unix Solaris Admin/Windows 2000 Administrator**

Exciting opportunity on ground floor project for telecom/Internet venture—local candidates only at this time.  
***Might also consider subcontract if candidate has over 6 years of Solaris admin exp.***

Solaris Unix Solaris Systems Admin.  
MUST have Windows 2000 Admin experience.  
MUST have at least 3–4 years plus of System Admin experience.  
MUST have at least 3 solid years of Solaris exp.  
Looking for someone who has solid experience working with data storage and how it works in enterprise systems. (Looking for experience like RAID.)  
Also must have: Windows 2000 and looking for someone with specific Cisco switches and routers (5500 and 6500 Series).

**EFFECTIVE WEB AD**

**Work for the World’s Best Boss... You!**

Now you can be in business for yourself, have your own office, schedule your own time, and advance to management within a year. Add to that a six-figure income in the second year... and you have the dream career your talents deserve.  
We have over 140 offices nationally with over 60,000 clients.  
Currently, our office in Tampa seeks entrepreneurial, success-driven professionals who will welcome the independence and advantages of being a sales professional. You must have the interpersonal/communication skills and highly professional image to promote our indispensable services to the business and medical communities.  

**We offer:**  
- Excellent Commissions  
- Proven Repeat Business  
- Outstanding Training  
- No Travel, Nights or Weekends

Figure 5–10
Issues in Recruiting a More Diverse Workforce

- **Single parents**
  - Providing work schedule flexibility.

- **Older workers**
  - Revising polices that make it difficult or unattractive for older workers to remain employed.

- **Recruiting minorities and women**
  - Understanding recruitment barriers.
  - Formulating recruitment plans.
  - Instituting specific day-to-day programs.
Issues in Recruiting a More Diverse Workforce (cont’d)

- **Welfare-to-work**
  - Developing pre-training programs to overcome difficulties in hiring and assimilating persons previously on welfare.

- **The disabled**
  - Developing resources and policies to recruit and integrate disable persons into the workforce.
Developing and Using Application Forms

- **Application form**
  - The form that provides information on education, prior work record, and skills.

- **Uses of information from applications**
  - Judgments about the applicant’s educational and experience qualifications
  - Conclusions about the applicant’s previous progress and growth
  - Indications of the applicant’s employment stability
  - Predictions about which candidate is likely to succeed on the job
Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)

Figure 5–11
Chapter 6

Part 2 Recruitment and Placement

Employee Testing and Selection
After studying this chapter, you should be able to:

1. Explain what is meant by reliability and validity.
2. Explain how you would go about validating a test.
3. Cite and illustrate our testing guidelines.
4. Give examples of some of the ethical and legal considerations in testing.
5. List eight tests you could use for employee selection, and how you would use them.
6. Explain the key points to remember in conducting background investigations.
Why Careful Selection is Important

The importance of selecting the right employees

- Organizational performance always depends in part on subordinates having the right skills and attributes.
- Recruiting and hiring employees is costly.
- The legal implications of incompetent hiring
  - EEO laws and court decisions related to nondiscriminatory selection procedures
  - The liability of negligent hiring of workers with questionable backgrounds
Avoiding Negligent Hiring Claims

- Carefully scrutinize information supplied by the applicant on his or her employment application.
- Get the applicant’s written authorization for reference checks, and carefully check references.
- Save all records and information you obtain about the applicant.
- Reject applicants who make false statements of material facts or who have conviction records for offenses directly related and important to the job in question.
- Balance the applicant’s privacy rights with others’ “need to know,” especially when you discover damaging information.
- Take immediate disciplinary action if problems arise.
Basic Testing Concepts

- **Reliability**
  - The consistency of scores obtained by the same person when retested with the identical or equivalent tests.
  - Are the test results stable over time?

- **Test validity**
  - The accuracy with which a test, interview, and so on measures what it purports to measure or fulfills the function it was designed to fill.
  - Does the test actually measure what we need for it to measure?
Sample Picture Card from Thematic Apperception Test

How do you interpret this picture?

Source: Harvard University Press. Used with permission.
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Types of Validity

- **Criterion validity**
  - A type of validity based on showing that scores on the test (predictors) are related to job performance (criterion).
    - Are test scores in this class related to students’ knowledge of human resource management?

- **Content validity**
  - A test that is content valid is one that contains a fair sample of the tasks and skills actually needed for the job in question.
    - Do the test questions in this course relate to human resource management topics?
    - Is taking an HR course the same as doing HR?
Examples of Web Sites Offering Information on Tests or Testing Programs

- **www.hr-guide.com/data/G371.htm**
  - Provides general information and sources for all types of employment tests.

- **http://buros.unl.edu/buros/jsp/search.jsp**
  - Provides technical information on all types of employment and nonemployment tests.

- **www.ets.org/testcoll/index.html**
  - Provides information on over 20,000 tests.

- **www.kaplan.com/**
  - Information from Kaplan test preparation on how various admissions tests work.

- **www.assessments.biz/default.asp?source=GW-emptest**
  - One of many firms offering employment tests.
How to Validate a Test

- **Step 1: Analyze the job**
  - Predictors: job specification (KSAOs)
  - Criterion: quantitative and qualitative measures of job success

- **Step 2: Choose the tests**
  - Test battery or single test?

- **Step 3: Administer the test**
  - Concurrent validation
    - Current employees’ scores with current performance
  - Predictive validation
    - Later-measured performance with prior scores
How to Validate a Test (cont’d)

- **Step 4: Relate Test Scores and Criteria**
  - Correlation analysis
    - Actual scores on the test with actual performance

- **Step 5: Cross-Validate and Revalidate**
  - Repeat Step 3 and Step 4 with a different sample of employees.
Expectancy Chart

Note: This expectancy chart shows the relation between scores made on the Minnesota Paper Form Board and rated success of junior draftspersons. Example: Those who score between 37 and 44 have a 55% chance of being rated above average and those scoring between 57 and 64 have a 97% chance.
Testing Program Guidelines

1. Use tests as supplements.
2. Validate the tests.
3. Monitor your testing/selection program
4. Keep accurate records.
5. Use a certified psychologist.
6. Manage test conditions.
7. Revalidate periodically.
Equal Employment Opportunity (EEO)  
Aspects of Testing

- A organization must be able to prove:
  - That its tests are related to success or failure on the job (validity)
  - That its tests don’t unfairly discriminate against minority or nonminority subgroups (disparate impact).

- EEO guidelines and laws apply to all selection devices, including interviews, applications, and references.
Equal Employment Opportunity (EEO) Aspects of Testing (cont’d)

- **Testing alternatives if a selection device has disparate impact:**
  - Institute a different, valid selection procedure that does not have an adverse impact.
  - Show that the test is valid—in other words, that it is a valid predictor of performance on the job.
  - Monitor the selection test to see if it has disparate impact.
<table>
<thead>
<tr>
<th>CHECK YES OR NO</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. You like a lot of excitement in your life.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. An employee who takes it easy at work is cheating on the employer.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. You are a cautious person.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. In the past three years you have found yourself in a shouting match at school or work.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. You like to drive fast just for fun.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Analysis: According to John Kamp, an industrial psychologist, applicants who answered no, yes, yes, no, no to questions 1, 2, 3, 4, and 5 are statistically likely to be absent less often, to have fewer on-the-job injuries, and, if the job involves driving, to have fewer on-the-job driving accidents. Actual scores on the test are based on answers to 130 questions.
Test Takers’ Individual Rights and Test Security

Under the American Psychological Association’s standard for educational and psychological tests, test takers have the right:

- To privacy and information.
- To the confidentiality of test results.
- To informed consent regarding use of these results.
- To expect that only people qualified to interpret the scores will have access to them.
- To expect the test is fair to all.
Using Tests at Work

- **Major types of tests used by employers**
  - Basic skills tests (45%)
  - Drug tests (47%)
  - Psychological tests (33%)

- **Use of testing**
  - Less overall testing now but more testing is used as specific job skills and work demands increase.
    - Screen out bad or dishonest employees
    - Reduce turnover by personality profiling

- **Source of tests**
  - Test publishers
Computer-Interactive Testing

- **Types of tests**
  - Specialized work sample tests
  - Numerical ability tests
  - Reading comprehension tests
  - Clerical comparing and checking tests

- **Online tests**
  - Telephone prescreening
  - Offline computer tests
  - Virtual “inbox” tests
  - Online problem solving tests
Types of Tests

- **Tests of cognitive abilities**
  - **Intelligence Tests**
    - Tests of general intellectual abilities that measure a range of abilities, including memory, vocabulary, verbal fluency, and numerical ability.
  - **Aptitude tests**
    - Tests that measure specific mental abilities, such as inductive and deductive reasoning, verbal comprehension, memory, and numerical ability.
Types of Tests (cont’d)

- **Tests of motor abilities**
  - Tests that measure motor abilities, such as finger dexterity, manual dexterity, and reaction time.

- **Tests of physical abilities**
  - Tests that measure static strength, dynamic strength, body coordination, and stamina.
Problem from the Test of Mechanical Comprehension

Which gear will turn the same way as the driver?

Source: Reproduced by permission. Copyright 1967, 1969 by The Psychological Corporation, New York, NY. All rights reserved. Author’s note: 1969 is the latest copyright on this test, which is still the main one used for this purpose.
Measuring Personality and Interests

- Personality tests
  - Tests that use projective techniques and trait inventories to measure basic aspects of an applicant’s personality, such as introversion, stability, and motivation.
  - Disadvantage
    - Personality tests—particularly the projective type—are the most difficult tests to evaluate and use.
  - Advantage
    - Tests have been used successfully to predict dysfunctional job behaviors and identify successful candidates for overseas assignments.
The “Big Five”

- **Extraversion**
  - The tendency to be sociable, assertive, active, and to experience positive effects, such as energy and zeal.

- **Emotional stability/neuroticism**
  - The tendency to exhibit poor emotional adjustment and experience negative effects, such as anxiety, insecurity, and hostility.

- **Openness to experience**
  - The disposition to be imaginative, nonconforming, unconventional, and autonomous.

- **Agreeableness**
  - The tendency to be trusting, compliant, caring, and gentle.

- **Conscientiousness**
  - Is comprised of two related facets: achievement and dependability.
Other Tests

- **Interest inventories**
  - Personal development and selection devices that compare the person’s current interests with those of others now in various occupations so as to determine the preferred occupation for the individual.

- **Achievement tests**
  - Test that measure what a person has already learned—“job knowledge” in areas like accounting, marketing, or personnel.
Other Tests (cont’d)

- **Web-Based (Online) testing**
  - Eliminates costly and inefficient paper-and-pencil testing processes.
  - Allows for role-playing by applicants.
  - Use of computer-based scoring eliminates rater bias.
  - Provides immediate scoring and feedback of results to applicants.
  - Can be readily customized for specific jobs.
Work Samples

- **Work samples**
  - Actual job tasks are used in testing applicants’ performance.

- **Work sampling technique**
  - A testing method based on measuring an applicant’s performance on actual basic job tasks.
Example of a Work Sampling Question

Checks key before installing against:
—shaft score 3
—pulley score 3
—neither score 1

Note: This is one step in installing pulleys and belts.
Work Simulations

- **Management assessment center**
  - A simulation in which management candidates are asked to perform realistic tasks in hypothetical situations and are scored on their performance.

- **Typical simulated exercises include:**
  - *The in-basket*
  - *Leaderless group discussion*
  - *Management games*
  - *Individual presentations*
  - *Objective tests*
  - *The interview*
Work Simulations (cont’d)

Video-Based situational testing

- A situational test comprised of several video scenarios, each followed by a multiple choice question that requires the candidate to choose from among several courses of action.

- While the evidence is mixed, the results suggest that video-based situational tests can be useful for selecting employees.
Work Simulations (cont’d)

The miniature job training and evaluation approach

– Candidates are trained to perform a sample of the job’s tasks, and then are evaluated on their performance.

– The approach assumes that a person who demonstrates that he or she can learn and perform the sample of tasks will be able to learn and perform the job itself.
Background Investigations and Reference Checks

- Extent of investigations and checks
  - Reference checks (87%)
  - Background employment checks (69%)
  - Criminal records (61%)
  - Driving records (56%)
  - Credit checks (35%)

- Reasons for investigations and checks
  - To verify factual information provided by applicants.
  - To uncover damaging information.
Reference Checking Form

(Verify that the applicant has provided permission before conducting reference checks)

Candidate Name:

Reference Name: Company Name:

Dates of Employment: (From: and To:)

Position(s) Held: Salary History:

Reason for Leaving:

Explain the reason for your call and verify the above information with the supervisor (including the reason for leaving)

1. Please describe the type of work for which the candidate was responsible.

2. How would you describe the applicant’s relationships with coworkers, subordinates (if applicable), and with superiors?

3. Did the candidate have a positive or negative work attitude? Please elaborate

4. How would you describe the quantity and quality of output generated by the former employee?

5. What were his/her strengths on the job?

6. What were his/her weaknesses on the job?

7. What is your overall assessment of the candidate?

8. Would you recommend him/her for this position? Why or why not?

9. Would this individual be eligible for rehire? Why or why not?

Other comments?

Background Investigations and Reference Checks (cont’d)

- Sources of information for background checks:
  - Former employers
  - Current supervisors
  - Commercial credit rating companies
  - Written references
Background Investigations and Reference Checks (cont’d)

Legal limitations on background checks

- Privacy Act of 1974
- Fair Credit Reporting Act of 1970
- Family Education Rights and Privacy Act of 1974 (and Buckley Amendment of 1974)
- Freedom of Information Act of 1966
- 1990 Americans with Disabilities Act (ADA)
Background Investigations and Reference Checks (cont’d)

- Reference providers’ concerns
  - Fear of legal reprisal for defamation
  - Not wanting to damage the applicant’s chances
  - Helping to get rid of an incompetent employee
Making Background Checks More Useful

- Include on the application form a statement for applicants to sign explicitly authorizing a background check.
- Use telephone references if possible.
- Be persistent in obtaining information.
- Ask open-ended questions to elicit more information from references.
- Use references provided by the candidate as a source for other references.
Using Preemployment Information Services

Concerns about checking applicant histories

- Various equal employment laws discourage or prohibit the use of such information in employee screening.
- Courts view making employment decisions based on someone’s arrest record as unfairly discriminatory.
- The EEOC says a poor credit history should not by itself preclude someone from getting a job.
Checking Background Information

- **Step 1—Disclosure and authorization.**
  - Inform the employee/applicant that a report will be requested and obtain written authorization.

- **Step 2—Certification.**
  - The employer must certify to the reporting agency that the employer will comply with the federal and state legal requirements.

- **Step 3—Providing copies of reports.**
  - The employer must provide copies of the report to the applicant or employee if adverse action is contemplated.
Checking Background Information (cont’d)

➤ **Step 4—Notice after adverse action.**

– After the employer provides the employee or applicant with copies of the investigative reports and a “reasonable period” has elapsed, the employer may take an adverse action.
Collecting Background Information

1. Check all applicable state laws.
2. Review the impact of federal equal employment laws.
3. Remember the Federal Fair Credit Reporting Act.
4. Do not obtain information that you’re not going to use.
5. Remember that using arrest information will be highly suspect.
6. Avoid blanket policies (such as “we hire no one with a record of workers’ compensation claims”).
7. Use information that is specific and job related.
8. Keep information confidential and up to date.
9. Never authorize an unreasonable investigation.

Collecting Background Information (cont’d)

10. Make sure you always get at least two forms of identification from the applicant.

11. Always require applicants to fill out a job application.

12. Compare the application to the résumé

13. Particularly for executive candidates, include background checks of such things as involvement in lawsuits, and of articles about the candidate in local or national newspapers.

14. Separate the tasks of (1) hiring and (2) doing the background check.

The Polygraph and Honesty Testing

- **The polygraph (or lie detector)**
  - A device that measures physiological changes,
  - The assumption is that such changes reflect changes in emotional state that accompany lying.

- **Employee Polygraph Protection Act of 1988.**
  - Prohibits employers (in most all cases) from conducting polygraph examinations of all job applicants and most employees.
  - Also prohibited are other mechanical or electrical devices including psychological stress evaluators and voice stress analyzers.
Permitted Users of the Polygraph

- **Employers with contracts involving:**
  - National defense or security
  - Nuclear-power (Department of Energy)
  - Access to highly classified information
  - Counterintelligence (the FBI or Department of Justice)

- **Other exceptions**
  - Hiring of private security personnel
  - Hiring persons with access to drugs
  - Conducting ongoing investigations involving economic loss or injury to an employer’s business.
Paper-and-Pencil Honesty Tests

Paper-and-pencil honesty tests

- Psychological tests designed to predict job applicants’ proneness to dishonesty and other forms of counterproductivity.

- Measure attitudes regarding things like tolerance of others who steal, acceptance of rationalizations for theft, and admission of theft-related activities.
Antitheft Screening Procedure

- Ask blunt questions.
- Listen, rather than talk.
- Do a credit check.
- Check all employment and personal references.
- Use paper-and-pencil honesty tests and psychological tests.
- Test for drugs.
- Establish a search-and-seizure policy and conduct searches.
Graphology

- **Graphology (handwriting analysis)**
  - Assumes that handwriting reflects basic personality traits.
  - Graphology’s validity is highly suspect.

Handwriting Exhibit Used by Graphologist

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Physical Examination

*Reasons for preemployment medical examinations:*

- To verify that the applicant meets the physical requirements of the position
- To discover any medical limitations you should take into account in placing the applicant.
- To establish a record and baseline of the applicant’s health for future insurance or compensation claims.
- To reduce absenteeism and accidents
- To detect communicable diseases that may be unknown to the applicant.
Substance Abuse Screening

- **Types of screening:**
  - Before formal hiring
  - After a work accident
  - Presence of obvious behavioral symptoms
  - Random or periodic basis
  - Transfer or promotion to new position

- **Types of tests**
  - Urinalysis
  - Hair follicle testing
Substance Abuse in the Workplace

Issues

- Impairment versus presence
- Recreational use versus habituation
- Intrusiveness of procedures
- Accuracy of tests
- Drug Free Workplace Act of 1988
- Americans with Disabilities Act
Complying with Immigration Law
Post 9/11

1. **Hire only citizens and aliens lawfully authorized to work in the United States.**

2. **Advise all new job applicants of your policy.**

3. **Require all new employees to complete and sign the INS I-9 form to certify that they are eligible for employment.**

4. **Examine documentation presented by new employees, record information about the documents on the verification form, and sign the form.**

5. **Retain the form for three years or for one year past the employment of the individual, whichever is longer.**

6. **If requested, present the form for inspection by INS or Department of Labor officers.**
HR Scorecard for Hotel Paris International Corporation*

Note: "(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)"
Key Terms

negligent hiring
reliability
test validity
criterion validity
content validity
expectancy chart
interest inventory
work samples
work sampling technique
management assessment center
Interviewing Candidates
After studying this chapter, you should be able to:

1. List the main types of selection interviews.
2. Explain and illustrate at least six factors that affect the usefulness of interviews.
3. Explain and illustrate each guideline for being a more effective interviewer.
4. Effectively interview a job candidate.
Basic Features of Interviews

- **An interview**
  - A procedure designed to obtain information from a person through oral responses to oral inquiries

- **Types of interviews**
  - Selection interview
  - Appraisal interview
  - Exit interview

- **Interviews formats**
  - Structured
  - Unstructured
Types of Interviews

- **Selection interview**
  - A selection procedure designed to predict future job performance on the basis of applicants’ oral responses to oral inquiries.

- **Appraisal interview**
  - A discussion, following a performance appraisal, in which supervisor and employee discuss the employee’s rating and possible remedial actions.

- **Exit interview**
  - An interview to elicit information about the job or related matters to the employer some insight into what’s right or wrong about the firm.
Formats of Interviews

- **Unstructured or nondirective interview**
  - An unstructured conversational-style interview in which the interviewer pursues points of interest as they come up in response to questions.

- **Structured or directive interview**
  - An interview following a set sequence of questions.
Interview Content: Types of Questions

➤ *Situational interview*
  – A series of job-related questions that focus on how the candidate would behave in a given situation.

➤ *Behavioral interview*
  – A series of job-related questions that focus on how they reacted to actual situations in the past.

➤ *Job-related interview*
  – A series of job-related questions that focus on relevant past job-related behaviors.
APPLICANT INTERVIEW GUIDE

To the interviewer: This Applicant Interview Guide is intended to assist in employee selection and placement. If it is used for all applicants for a position, it will help you to compare them, and it will provide more objective information than you will obtain from unstructured interviews.

Because this is a general guide, all of the items may not apply in every instance. Skip those that are not applicable and add questions appropriate to the specific position. Space for additional questions will be found at the end of the form.

Federal law prohibits discrimination in employment on the basis of sex, race, color, national origin, religion, disability, and in most instances, age. The laws of most states also ban some or all of the above types of discrimination in employment as well as discrimination based on marital status or ancestry. Interviewers should take care to avoid any questions that suggest that an employment decision will be made on the basis of any such factors.

Job Interest

Name ___________________________ Position applied for ___________________________

What do you think the job (position) involves? ___________________________

Why do you want the job (position)? ___________________________

Why are you qualified for it? ___________________________

What would your salary requirements be? ___________________________

What do you know about our company? ___________________________

Why do you want to work for us? ___________________________

Current Work Status

Are you now employed? _____ Yes _____ No. If not, how long have you been unemployed? ___________

Why are you unemployed? ___________________________

If you are working, why are you applying for this position? ___________________________

When would you be available to start work with us? ___________________________

Work Experience

(Start with the applicant's current or last position and work back. All periods of time should be accounted for. Go back at least 12 years, depending upon the applicant's age. Military service should be treated as a job.)

Current or last employer ___________________________ Address ___________________________

Dates of employment: from ___________________________ to ___________________________

Current or last job title ___________________________

What were your duties? ___________________________

Have you held the same job throughout your employment with that company? _____ Yes _____ No. If not, describe the various jobs you have held with that employer, how long you held each of them, and the main duties of each. ___________________________

What was your starting salary? ___________________________ What are you earning now? ___________________________ Comments ___________________________

Name of your last or current supervisor ___________________________

What did you like most about that job? ___________________________

What did you like least about it? ___________________________

Why are you thinking of leaving? ___________________________

Why are you leaving right now? ___________________________

Interviewer's comments or observations ___________________________

[continued]
Structured Interview Guide (cont’d)

Figure 7-1b

Source: Copyright 1992. The Dartnell Corporation, Chicago, IL. Adapted with permission.
Structured Interview Guide (cont’d)

Figure 7–1c

<table>
<thead>
<tr>
<th>Personal Characteristics</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal appearance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poise, manner</td>
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<tr>
<td>Speech</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation with interviewer</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Job-related Characteristics

<table>
<thead>
<tr>
<th>Experience for this job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of job</td>
</tr>
<tr>
<td>Interpersonal relationships</td>
</tr>
<tr>
<td>Effectiveness</td>
</tr>
</tbody>
</table>

Overall rating for job

1    2    3    4    5
---:---:---:---:---
Superior | Above Average | Average | Marginal | Unsatisfactory |
          | (well qualified) | (qualified) | (barely qualified) |

Comments or remarks

Interviewer: __________________ Date: ________________

Source: Copyright 1992. The Dartnell Corporation, Chicago, IL. Adapted with permission.
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
Interview Content: Types of Questions

- **Stress interview**
  - An interview in which the interviewer seeks to make the applicant uncomfortable with occasionally rude questions that supposedly to spot sensitive applicants and those with low or high stress tolerance.

- **Puzzle questions**
  - Recruiters for technical, finance, and other types of jobs use questions to pose problems requiring unique ("out-of-the-box") solutions to see how candidates think under pressure.
Personal or Individual Interviews

- **Unstructured sequential interview**
  - An interview in which each interviewer forms an independent opinion after asking different questions.

- **Structured sequential interview**
  - An interview in which the applicant is interviewed sequentially by several persons; each rates the applicant on a standard form.

- **Panel interview**
  - An interview in which a group of interviewers questions the applicant.
Personal or Individual Interviews

- **Panel (broad) interview**
  - An interview in which a group of interviewers questions the applicant.

- **Mass interview**
  - A panel interviews several candidates simultaneously.
Computerized Interviews

- **Computerized selection interview**
  - An interview in which a job candidate’s oral and/or computerized replies are obtained in response to computerized oral, visual, or written questions and/or situations.

- **Characteristics**
  - Reduces amount of time managers devote to interviewing unacceptable candidates.
  - Applicants are more honest with computers.
  - Avoids problems of interpersonal interviews.
  - Mechanical nature of computer-aided interview can leave an applicant dissatisfied.
Factors Affecting Interviews

First impressions

– The tendency for interviewers to jump to conclusions—make snap judgments—about candidates during the first few minutes of the interview.

– Negative bias: unfavorable information about an applicant influences interviewers more than does positive information.
Factors Affecting Interviews (cont’d)

- **Misunderstanding the job**
  - Not knowing precisely what the job entails and what sort of candidate is best suited causes interviewers to make decisions based on incorrect stereotypes of what a good applicant is.

- **Candidate-order error**
  - An error of judgment on the part of the interviewer due to interviewing one or more very good or very bad candidates just before the interview in question.
Factors Affecting Interviews (cont’d)

- Nonverbal behavior and impression management
  - Interviewers’ inferences of the interviewee’s personality from the way he or she acts in the interview have a large impact on the interviewer’s rating of the interviewee.
  - Clever interviewees attempt to manage the impression they present to persuade interviewers to view them more favorably.
Factors Affecting Interviews (cont’d)

- **Effect of personal characteristics: attractiveness, gender, race**
  - Interviewers tend to have a less favorable view of candidates who are:
    - Physically unattractive
    - Female
    - Of a different racial background
    - Disabled
Factors Affecting Interviews (cont’d)

- Interviewer behaviors affecting interview outcomes
  - Inadvertently telegraphing expected answers.
  - Talking so much that applicants have no time to answer questions.
  - Letting the applicant dominate the interview.
  - Acting more positively toward a favored (or similar to the interviewer) applicant.
Designing and Conducting the Interview

The structured situational interview

- Use either situational questions (preferred) or behavioral questions that yield high criteria-related validities.

- Step 1: Job Analysis
- Step 2: Rate the Job’s Main Duties
- Step 3: Create Interview Questions
- Step 4: Create Benchmark Answers
- Step 5: Appoint the Interview Panel and Conduct Interviews
How to Conduct an Effective Interview

Structure your interview:

1. Base questions on actual job duties.
2. Use job knowledge, situational, or behaviorally oriented questions and objective criteria to evaluate the interviewee’s responses.
3. Train interviewers.
4. Use the same questions with all candidates.
5. Use descriptive rating scales (excellent, fair, poor) to rate answers.
6. Use multiple interviewers or panel interviews.
7. If possible, use a standardized interview form.
8. Control the interview.
9. Take brief, unobtrusive notes during the interview.
Examples of Questions That Provide Structure

Situational Questions:
1. Suppose a co-worker was not following standard work procedures. The co-worker was more experienced than you and claimed the new procedure was better. Would you use the new procedure?
2. Suppose you were giving a sales presentation and a difficult technical question arose that you could not answer. What would you do?

Past Behavior Questions:
3. Based on your past work experience, what is the most significant action you have ever taken to help out a co-worker?
4. Can you provide an example of a specific instance where you developed a sales presentation that was highly effective?

Background Questions:
5. What work experiences, training, or other qualifications do you have for working in a teamwork environment?
6. What experience have you had with direct point-of-purchase sales?

Job Knowledge Questions:
7. What steps would you follow to conduct a brainstorming session with a group of employees on safety?
8. What factors should you consider when developing a television advertising campaign?

Note: So that direct comparisons can be made, an example is presented to assess both teamwork (1,3,5,7) and sales attributes (2,4,6,8) for each type of question.

How to Conduct an Effective Interview (cont’d)

- **Prepare for the interview**
  - Secure a private room to minimize interruptions.
  - Review the candidate’s application and résumé.
  - Review the job specifications

- **Establish rapport**
  - Put the person at ease.

- **Ask questions**
  - Follow your list of questions.
  - Don’t ask questions that can be answered yes or no.
Key Terms

Unstructured or nondirective Interview
Structured or directive interview
Situational interview
Behavioral interviews
Job-related interview
Stress interview
Unstructured sequential interview
Structured sequential interview
Panel interview
Mass interview
Candidate-order error
Chapter 8

Part 3  Training and Development

Training and Developing Employees
After studying this chapter, you should be able to:

1. Describe the basic training process.
2. Describe and illustrate how you would go about identifying training requirements.
3. Explain how to distinguish between problems you can fix with training and those you can’t.
4. Explain how to use five training techniques.
Orienting Employees

- **Employee orientation**
  - A procedure for providing new employees with basic background information about the firm.

- **Orientation content**
  - Information on employee benefits
  - Personnel policies
  - The daily routine
  - Company organization and operations
  - Safety measures and regulations
  - Facilities tour
Orienting Employees (cont’d)

- A successful orientation should accomplish four things for new employees:
  - Make them feel welcome and at ease.
  - Help them understand the organization in a broad sense.
  - Make clear to them what is expected in terms of work and behavior.
  - Help them begin the process of becoming socialized into the firm’s ways of acting and doing things.
# New Employee Departmental Orientation Checklist

Source: UCSD Healthcare. Used with permission.

![New Employee Departmental Orientation Checklist](https://example.com/checklist.png)

**Figure 8–1**

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### New Employee Departmental Orientation Checklist

<table>
<thead>
<tr>
<th>Departmental Orientation Checklist</th>
<th>Date Reviewed</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. HUMAN RESOURCES INFORMATION</strong></td>
<td>a. ___</td>
<td>___</td>
</tr>
<tr>
<td>a. Departmental Attendance Procedures and UCSD Healthcare Work Time &amp; Attendance Policy</td>
<td>b. ___</td>
<td>___</td>
</tr>
<tr>
<td>b. Job Description Review</td>
<td>c. ___</td>
<td>___</td>
</tr>
<tr>
<td>c. Annual Performance Evaluation and Peer Feedback Process</td>
<td>d. ___</td>
<td>___</td>
</tr>
<tr>
<td>d. Probationary Period Information</td>
<td>e. ___</td>
<td>___</td>
</tr>
<tr>
<td>e. Appearance/Dress Code Requirements</td>
<td>f. ___</td>
<td>___</td>
</tr>
<tr>
<td>f. Annual TB Screening</td>
<td>g. ___</td>
<td>___</td>
</tr>
<tr>
<td>g. License and/or Certification Renewals</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. DEPARTMENT INFORMATION</strong></td>
<td>a. ___</td>
<td>___</td>
</tr>
<tr>
<td>a. Organizational Structure/Department Core Values Orientation</td>
<td>b. ___</td>
<td>___</td>
</tr>
<tr>
<td>b. Department/Unit Area Specific Policies &amp; Procedures</td>
<td>c. ___</td>
<td>___</td>
</tr>
<tr>
<td>c. Customer Service Practices</td>
<td>d. ___</td>
<td>___</td>
</tr>
<tr>
<td>d. CQI Effort and Projects</td>
<td>e. ___</td>
<td>___</td>
</tr>
<tr>
<td>e. Tour and Floor Plan</td>
<td>f. ___</td>
<td>___</td>
</tr>
<tr>
<td>f. Equipment/Supplies</td>
<td>g. ___</td>
<td>___</td>
</tr>
<tr>
<td>g. Keys issued</td>
<td>h. ___</td>
<td>___</td>
</tr>
<tr>
<td>h. House Keys issued</td>
<td>i. ___</td>
<td>___</td>
</tr>
<tr>
<td>i. Other</td>
<td>j. ___</td>
<td>___</td>
</tr>
<tr>
<td>j. Mail and Recharge Codes</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. SAFETY INFORMATION</strong></td>
<td>a. ___</td>
<td>___</td>
</tr>
<tr>
<td>a. Departmental Safety Plan</td>
<td>b. ___</td>
<td>___</td>
</tr>
<tr>
<td>b. Employee Safety/Injury Reporting Procedures</td>
<td>c. ___</td>
<td>___</td>
</tr>
<tr>
<td>c. Hazard Communication</td>
<td>d. ___</td>
<td>___</td>
</tr>
<tr>
<td>d. Infection Control/Injuries Disposal</td>
<td>e. ___</td>
<td>___</td>
</tr>
<tr>
<td>e. Attendance at annual Safety Fair (mandatory)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4. FACILITIES INFORMATION</strong></td>
<td>a. ___</td>
<td>___</td>
</tr>
<tr>
<td>a. Emergency Power</td>
<td>b. ___</td>
<td>___</td>
</tr>
<tr>
<td>b. Mechanical Systems</td>
<td>c. ___</td>
<td>___</td>
</tr>
<tr>
<td>c. Water</td>
<td>d. ___</td>
<td>___</td>
</tr>
<tr>
<td>d. Medical Gases</td>
<td>e. ___</td>
<td>___</td>
</tr>
<tr>
<td>e. Patient Rooms</td>
<td>f. ___</td>
<td>___</td>
</tr>
<tr>
<td>f. Bed</td>
<td>g. ___</td>
<td>___</td>
</tr>
<tr>
<td>g. Headwall</td>
<td>h. ___</td>
<td>___</td>
</tr>
<tr>
<td>h. Bathroom</td>
<td>i. ___</td>
<td>___</td>
</tr>
<tr>
<td>i. Nurse Call System</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5. SECURITY INFORMATION</strong></td>
<td>a. ___</td>
<td>___</td>
</tr>
<tr>
<td>a. Code Login Assignment</td>
<td>b. ___</td>
<td>___</td>
</tr>
<tr>
<td>b. Code Login Assignment</td>
<td>c. ___</td>
<td>___</td>
</tr>
<tr>
<td>c. Code Red - Evacuation Procedure</td>
<td>d. ___</td>
<td>___</td>
</tr>
<tr>
<td>d. Code 10 - Bomb Threat Procedure</td>
<td>e. ___</td>
<td>___</td>
</tr>
<tr>
<td>e. Departmental Security Measures</td>
<td>f. ___</td>
<td>___</td>
</tr>
<tr>
<td>f. UCSD Emergency Number 6111 or 911</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This generic checklist may not constitute a complete departmental orientation or assessment. Please attach any additional unit specific orientation material for placement in the employee's HR file.*

I have been oriented on the items listed above.
The Training Process

- **Training**
  - The process of teaching new employees the basic skills they need to perform their jobs.

- **The strategic context of training**
  - Performance management: the process employers use to make sure employees are working toward organizational goals.
    - Web-based training
    - Distance learning-based training
    - Cross-cultural diversity training
The Training and Development Process

- **Needs analysis**
  - Identify job performance skills needed, assess prospective trainees skills, and develop objectives.

- **Instructional design**
  - Produce the training program content, including workbooks, exercises, and activities.

- **Validation**
  - Presenting (trying out) the training to a small representative audience.

- **Implement the program**
  - Actually training the targeted employee group.

- **Evaluation**
  - Assesses the program’s successes or failures.
Make the Learning Meaningful

- At the start of training, provide a bird’s-eye view of the material to be presented to facilitates learning.
- Use a variety of familiar examples.
- Organize the information so you can present it logically, and in meaningful units.
- Use terms and concepts that are already familiar to trainees.
- Use as many visual aids as possible.
Make Skills Transfer Easy

- Maximize the similarity between the training situation and the work situation.
- Provide adequate practice.
- Label or identify each feature of the machine and/or step in the process.
- Direct the trainees’ attention to important aspects of the job.
- Provide “heads-up” preparatory information that lets trainees know they might happen back on the job.
Motivate the Learner

- People learn best by doing so provide as much realistic practice as possible.
- Trainees learn best when the trainers immediately reinforce correct responses.
- Trainees learn best at their own pace.
- Create a perceived training need in the trainees’ minds.
- The schedule is important too: The learning curve goes down late in the day, less than full day training is most effective.
Analyzing Training Needs

- **Task analysis**
  - A detailed study of a job to identify the specific skills required, especially for new employees.

- **Performance analysis**
  - Verifying that there is a performance deficiency and determining whether that deficiency should be corrected through training or through some other means (such as transferring the employee).
<table>
<thead>
<tr>
<th>Task List</th>
<th>When and How Often Performed</th>
<th>Quantity and Quality of Performance</th>
<th>Conditions Under Which Performed</th>
<th>Skills or Knowledge Required</th>
<th>Where Best Learned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operate paper cutter</td>
<td>4 times per day</td>
<td></td>
<td>Noisy pressroom distractions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Start motor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Set cutting distance</td>
<td>±tolerance of 0.007 In.</td>
<td></td>
<td>Read gauge</td>
<td>On the job</td>
<td></td>
</tr>
<tr>
<td>1.3 Place paper on cutting table</td>
<td>Must be completely even to prevent uneven cut</td>
<td></td>
<td>Lift paper correctly</td>
<td>On the job</td>
<td></td>
</tr>
<tr>
<td>1.4 Push paper up to cutter</td>
<td></td>
<td></td>
<td>Must be even</td>
<td>On the job</td>
<td></td>
</tr>
<tr>
<td>1.5 Grasp safety release with left hand</td>
<td>100% of time, for safety</td>
<td></td>
<td>Essential for safety</td>
<td>On the job but practice first with no distractions</td>
<td></td>
</tr>
<tr>
<td>1.6 Grasp cutter release with right hand</td>
<td></td>
<td></td>
<td>Must keep both hands on releases</td>
<td>On the job but practice first with no distractions</td>
<td></td>
</tr>
<tr>
<td>1.7 Simultaneously pull safety release with left hand and cutter release with right hand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8 Wait for cutter to retract</td>
<td>100% of time, for safety</td>
<td></td>
<td>Must keep both hands on releases</td>
<td>On the job but practice first with no distractions</td>
<td></td>
</tr>
<tr>
<td>1.9 Retract paper</td>
<td></td>
<td></td>
<td>Wait until cutter retracts</td>
<td>On the job but practice first with no distractions</td>
<td></td>
</tr>
<tr>
<td>1.10 Shut off</td>
<td>100% of time, for safety</td>
<td></td>
<td></td>
<td>On the job but practice first with no distractions</td>
<td></td>
</tr>
</tbody>
</table>

2. Operate printing press

2.1 Start motor

Note: Task analysis record form showing some of the tasks and subtasks performed by a printing press operator.

Table 8–1
Training Methods

- **On-the-job training (OJT)**
  - Having a person learn a job by actually doing the job.

- **OJT methods**
  - Coaching or understudy
  - Job rotation
  - Special assignments

- **Advantages**
  - Inexpensive
  - Immediate feedback
Steps in OJT

**Step 1: Prepare the learner**

- Put the learner at ease—relieve the tension.
- Explain why he or she is being taught.
- Create interest, encourage questions, find out what the learner already knows about this or other jobs.
- Explain the whole job and relate it to some job the worker already knows.
- Place the learner as close to the normal working position as possible.
- Familiarize the worker with equipment, materials, tools, and trade terms.
Steps in OJT (cont’d)

Step 2: Present the operation

- Explain quantity and quality requirements.
- Go through the job at the normal work pace.
- Go through the job at a slow pace several times, explaining each step. Between operations, explain the difficult parts, or those in which errors are likely to be made.
- Again go through the job at a slow pace several times; explain the key points.
- Have the learner explain the steps as you go through the job at a slow pace.
Steps in OJT (cont’d)

- **Step 3: Do a tryout**
  - Have the learner go through the job several times, slowly, explaining each step to you.
  - Correct mistakes and, if necessary, do some of the complicated steps the first few times.
  - Run the job at the normal pace.
  - Have the learner do the job, gradually building up skill and speed.
  - As soon as the learner demonstrates ability to do the job, let the work begin, but don’t abandon him or her.
Steps in OJT (cont’d)

➢ **Step 4: Follow up**

- Designate to whom the learner should go for help.
- Gradually decrease supervision, checking work from time to time against quality and quantity standards.
- Correct faulty work patterns before they become a habit. Show why the learned method is superior.
- Compliment good work; encourage the worker until he or she is able to meet the quality and quantity standards.
Training Methods (cont’d)

- **Apprenticeship training**
  - A structured process by which people become skilled workers through a combination of classroom instruction and on-the-job training.

- **Informal learning**
  - The majority of what employees learn on the job they learn through informal means of performing their jobs on a daily basis.

- **Job instruction training (JIT)**
  - Listing each job’s basic tasks, along with key points, in order to provide step-by-step training for employees.
The 25 Most Popular Apprenticeships

According to the U.S. Department of Labor apprenticeship database, the occupations listed below had the highest numbers of apprentices in 2001. These findings are approximate because the database includes only about 70% of registered apprenticeship programs—and none of the unregistered ones.

- Boilermaker
- Bricklayer (construction)
- Carpenter
- Construction craft laborer
- Cook (any industry)
- Cook (hotel and restaurant)
- Correction officer
- Electrician
- Electrician (aircraft)
- Electrician (maintenance)
- Electronics mechanic
- Firefighter
- Machinist
- Maintenance mechanic (any industry)
- Millwright
- Operating engineer
- Painter (construction)
- Pipefitter (construction)
- Plumber
- Power plant operator
- Roofer
- Sheet-metal worker
- Structural-steel worker
- Telecommunications technician
- Tool and die maker

Training Methods (cont’d)

- Effective lectures
  - Use signals to help listeners follow your ideas.
  - Don’t start out on the wrong foot.
  - Keep your conclusions short.
  - Be alert to your audience.
  - Maintain eye contact with the trainees.
  - Make sure everyone in the room can hear.
  - Control your hands.
  - Talk from notes rather than from a script.
  - Break a long talk into a series of five-minute talks.
Programmed Learning

- **Programmed instruction (PI)**
  - A systematic method for teaching job skills involving:
    - Presenting questions or facts
    - Allowing the person to respond
    - Giving the learner immediate feedback on the accuracy of his or her answers

- **Advantages**
  - Reduced training time
  - Self-paced learning
  - Immediate feedback
  - Reduced risk of error for learner
Training Methods (cont’d)

- **Literacy training techniques**
  - Responses to functional illiteracy
    - Testing job candidates’ basic skills.
    - Setting up basic skills and literacy programs.

- **Audiovisual-based training**
  - To illustrate following a sequence over time.
  - To expose trainees to events not easily demonstrable in live lectures.
  - To meet the need for organizationwide training and it is too costly to move the trainers from place to place.
Training Methods (cont’d)

- Simulated training (occasionally called vestibule training)
  - Training employees on special off-the-job equipment so training costs and hazards can be reduced.
  - Computer-based training (CBT)
  - Electronic performance support systems (EPSS)
  - Learning portals
Computer-based Training (CBT)

- **Advantages**
  - Reduced learning time
  - Cost-effectiveness
  - Instructional consistency

- **Types of CBT**
  - Intelligent Tutoring systems
  - Interactive multimedia training
  - Virtual reality training
Distance and Internet-Based Training

- **Teletraining**
  - A trainer in a central location teaches groups of employees at remote locations via TV hookups.

- **Videoconferencing**
  - Interactively training employees who are geographically separated from each other—or from the trainer—via a combination of audio and visual equipment.

- **Training via the Internet**
  - Using the Internet or proprietary internal intranets to facilitate computer-based training.
What Is Management Development?

- **Management development**
  - Any attempt to improve current or future management performance by imparting knowledge, changing attitudes, or increasing skills.

- **Succession planning**
  - A process through which senior-level openings are planned for and eventually filled.
    - Anticipate management needs
    - Review firm’s management skills inventory
    - Create replacement charts
    - Begin management development
Managerial on-the-Job Training

- **Job rotation**
  - Moving a trainee from department to department to broaden his or her experience and identify strong and weak points.

- **Coaching/Understudy approach**
  - The trainee works directly with a senior manager or with the person he or she is to replace; the latter is responsible for the trainee’s coaching.

- **Action learning**
  - Management trainees are allowed to work full-time analyzing and solving problems in other departments.
Off-the-Job Management Training and Development Techniques

- **Case study method**
  - Managers are presented with a description of an organizational problem to diagnose and solve.

- **Management game**
  - Teams of managers compete by making computerized decisions regarding realistic but simulated situations.

- **Outside seminars**
  - Many companies and universities offer Web-based and traditional management development seminars and conferences.
Off-the-Job Management Training and Development Techniques (cont’d)

- **Role playing**
  - Creating a realistic situation in which trainees assume the roles of persons in that situation.

- **Behavior modeling**
  - Modeling: showing trainees the right (or “model”) way of doing something.
  - Role playing: having trainees practice that way
  - Social reinforcement: giving feedback on the trainees’ performance.
  - Transfer of learning: Encouraging trainees apply their skills on the job.
Off-the-Job Management Training and Development Techniques (cont’d)

- Corporate universities
  - Provides a means for conveniently coordinating all the company’s training efforts and delivering Web-based modules that cover topics from strategic management to mentoring.

- In-house development centers
  - A company-based method for exposing prospective managers to realistic exercises to develop improved management skills.
Off-the-Job Management Training and Development Techniques (cont’d)

- Executive coaches
  - An outside consultant who questions the executive’s boss, peers, subordinates, and (sometimes) family in order to identify the executive’s strengths and weaknesses.
  - Counsels the executive so he or she can capitalize on those strengths and overcome the weaknesses.
Managing Organizational Change and Development

What to change?

- Strategy: mission and vision
- Culture: new corporate values
- Structure: departmental structure, coordination, span of control, reporting relationships, tasks, decision-making procedures
- Technologies: new systems and methods
- Employees: changes in employee attitudes and skills
Overcoming Resistance to Change

What causes resistance?

- All behavior in organizations is a product of two kinds of forces—those striving to maintain the status quo and those pushing for change.

Lewin’s Change Process

- Unfreezing: reducing the forces striving to maintain the status quo.
- Moving: developing new behaviors, values, and attitudes, sometimes through structural changes.
- Refreezing: reinforcing the changes.
Overcoming Resistance to Change

Change initiatives

- Political campaign: creating a coalition strong enough to support and guide the initiative.

- Marketing campaign: tapping into employees’ thoughts and feelings and also effectively communicating messages about the prospective program’s theme and benefits.

- Military campaign: Deploying executives’ scarce resources of attention and time to actually carry out the change.
How to Lead the Change (in 10 Steps)

1. Establish a sense of urgency.
3. Create a guiding coalition.
4. Develop a shared vision.
5. Communicate the vision.
6. Help employees to make the change.
8. Consolidate gains and produce more change.
9. Anchor the new ways of doing things in the company’s culture.
10. Monitor progress and adjust the vision as required.
Using Organizational Development

Organizational development (OD)

A special approach to organizational change in which employees themselves formulate and implement the change that’s required.

• Usually involves action research.
• Applies behavioral science knowledge.
• Changes the attitudes, values, and beliefs of employees.
• Changes the organization in a particular direction.
Examples of OD Interventions

**Human Process**
- T-groups
- Process consultation
- Third-party intervention
- Team building
- Organizational confrontation meeting
- Intergroup relations

**Technostructural**
- Formal structural change
- Differentiation and integration
- Cooperative union–management projects
- Quality circles
- Total quality management
- Work design

**Human Resource Management**
- Goal setting
- Performance appraisal
- Reward systems
- Career planning and development
- Managing workforce diversity
- Employee wellness

**Strategic**
- Integrated strategic management
- Culture change
- Strategic change
- Self-designing organizations

Table 8–3
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
Evaluating the Training Effort

- **Designing the study**
  - Time series design
  - Controlled experimentation

- **Training effects to measure**
  - Reaction of trainees to the program
  - Learning that actually took place
  - Behavior that changed on the job
  - Results that were achieved as a result of the training
Time Series Training Evaluation Design

Figure 8–5
**TRAINING EVALUATION FORM**

**TITLE OF COURSE:** "Work and Family Issues: A Module for Supervisors and Managers"

**DATE OF TRAINING**
- **Started:**
- **Ended:**

**NAME/OPTIONAL:**

**POSITION TITLE/GRADE:**

<table>
<thead>
<tr>
<th>AGENCY:</th>
<th>OFFICE PHONE: (Optional)</th>
<th>OFFICE ADDRESS: (Optional)</th>
</tr>
</thead>
</table>

**Rate Your Knowledge and Skill Level**

<table>
<thead>
<tr>
<th>Before this course Low</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>After this course Low</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>High</td>
</tr>
</tbody>
</table>

**Overall, how would you rate this course?**
- __Excellent__
- __Very Good__
- __Good__
- __Fair__
- __Poor__

---

**EVALUATION OF COURSE**

(Choose appropriate box)

<table>
<thead>
<tr>
<th>ITEMS OF EVALUATION</th>
<th>Excellent</th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What Work and Family Programs Are</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>2. Who Uses Work and Family Programs</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>3. How to Recognize/Solve Work/Family Issues</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>4. Helping You Take Practical Steps on the Job</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

---

**RATING OF INSTRUCTOR**

| 1. Presentation, organization, delivery | * | * | * | * | * | |
| 2. Knowledge and command of the subject | * | * | * | * | * | |
| 3. Use of audio-visual or other training aids | * | * | * | * | * | |
| 4. Stimulus of an open exchange of ideas, participation & group interaction | * | * | * | * | * | |

---

**STRENGTH POINTS OF THE COURSE**

* *

---

**WEAK POINTS OF THE COURSE**

* *

---

**ADDITIONAL DATA YOU WOULD LIKE TO HAVE COVERED IN COURSE**

* *

---

**ADDITIONAL COMMENTS/RECOMMENDATIONS**

---

---

**Source:** [www.opm.gov/wrkfam/](http://www.opm.gov/wrkfam/)

**Figure 8–6**
Key Terms

employee orientation  
training  
performance management  
negligent training  
task analysis  
performance analysis  
on-the-job training  
apprenticeship training  
job instruction training (JIT)  
programmed learning  
simulated training  
job aid  
electronic performance support systems (EPSS)  
management development  
succession planning  
job rotation  
action learning  

case study method  
management game  
role playing  
behavior modeling  
in-house development center  
outsourced learning  
organizational development  
controlled experimentation
After studying this chapter, you should be able to:

1. Describe the appraisal process.
2. Develop, evaluate, and administer at least four performance appraisal tools.
3. Explain and illustrate the problems to avoid in appraising performance.
4. List and discuss the pros and cons of six appraisal methods.
5. Perform an effective appraisal interview.
6. Discuss the pros and cons of using different raters to appraise a person’s performance.
Comparing Performance Appraisal and Performance Management

- **Performance appraisal**
  - Evaluating an employee’s current and/or past performance relative to his or her performance standards.

- **Performance management**
  - The process employers use to make sure employees are working toward organizational goals.
Why Performance Management?

Increasing use by employers of performance management reflects:

- The popularity of the total quality management (TQM) concepts.
- The belief that traditional performance appraisals are often not just useless but counterproductive.
- The necessity in today’s globally competitive industrial environment for every employee’s efforts to focus on helping the company to achieve its strategic goals.
An Introduction to Appraising Performance

Why appraise performance?

- Appraisals play an integral role in the employer’s performance management process.
- Appraisals help in planning for correcting deficiencies and reinforce things done correctly.
- Appraisals, in identifying employee strengths and weaknesses, are useful for career planning.
- Appraisals affect the employer’s salary raise decisions.
### Evaluating Faculty for Promotion and Tenure

#### Classroom Teaching Appraisal by Students

- **Teacher**
- **Course**
- **Term**
- **Academic Year**

Thoughtful student appraisal can help improve teaching effectiveness. This questionnaire is designed for that purpose, and your assistance is appreciated. Please do not sign your name.

Use the back of this form for any further comments you might want to express.

**Directions:** Rate your teacher on each item, giving the highest scores for exceptional performances and the lowest scores for very poor performances. Place in the blank space before each statement the rating that most closely expresses your view.

<table>
<thead>
<tr>
<th>Exceptional</th>
<th>Moderately Good</th>
<th>Very Poor</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>1</td>
<td>_</td>
</tr>
</tbody>
</table>

1. How do you rate the agreement between course objectives and lesson assignments?
2. How do you rate the planning, organization, and use of class periods?
3. Are the teaching methods and techniques employed by the teacher appropriate and effective?
4. How do you rate the competence of the instructor in the subject?
5. How do you rate the interest of the teacher in the subject?
6. Does the teacher stimulate and challenge you to think and to question?
7. Does he or she welcome differing points of view?
8. Does the teacher have a personal interest in helping you in and out of class?
9. How would you rate the fairness and effectiveness of the grading policies and procedures of the teacher?
10. Considering all the above items, what is your overall rating of this teacher?
11. How would you rate this teacher in comparison with all others you have had in the college or university?

---

Realistic Appraisals

- **Motivations for soft (less-than-candid) appraisals**
  - The fear of having to hire and train someone new
  - The unpleasant reaction of the appraisee
  - A company appraisal process that’s not conducive to candor

- **Hazards of giving soft appraisals**
  - Employee loses the chance to improve before being forced to change jobs.
  - Lawsuits arising from dismissals involving inaccurate performance appraisals.
Continuous improvement

- A management philosophy that requires employers to continuously set and relentlessly meet ever-higher quality, cost, delivery, and availability goals by:
  - Eradicating the seven wastes:
    - overproduction, defective products, and unnecessary downtime, transportation, processing costs, motion, and inventory.
  - Requiring each employee to continuously improve his or her own personal performance, from one appraisal period to the next.
The Components of an Effective Performance Management Process

- Direction sharing
- Role clarification
- Goal alignment
- Developmental goal setting
- Ongoing performance monitoring
- Ongoing feedback
- Coaching and support
- Performance assessment (appraisal)
- Rewards, recognition, and compensation
- Workflow and process control and return
Defining Goals and Work Efforts

**Guidelines for effective goals**
- Assign specific goals
- Assign measurable goals
- Assign challenging but doable goals
- Encourage participation

**SMART goals are:**
- **S**pecific, and clearly state the desired results.
- **M**easurable in answering “how much.”
- **A**ttainable, and not too tough or too easy.
- **R**elevant to what’s to be achieved.
- **T**imely in reflecting deadlines and milestones.
Performance Appraisal Roles

- **Supervisors**
  - Usually do the actual appraising.
  - Must be familiar with basic appraisal techniques.
  - Must understand and avoid problems that can cripple appraisals.
  - Must know how to conduct appraisals fairly.
Performance Appraisal Roles (cont’d)

- **HR department**
  - Serves a policy-making and advisory role.
  - Provides advice and assistance regarding the appraisal tool to use.
  - Prepares forms and procedures and insists that all departments use them.
  - Responsible for training supervisors to improve their appraisal skills.
  - Responsible for monitoring the system to ensure that appraisal formats and criteria comply with EEO laws and are up to date.
Steps in Appraising Performance

- **Defining the job**
  - Making sure that you and your subordinate agree on his or her duties and job standards.

- **Appraising performance**
  - Comparing your subordinate’s actual performance to the standards that have been set; this usually involves some type of rating form.

- **Providing feedback**
  - Discussing the subordinate’s performance and progress, and making plans for any development required.
Designing the Appraisal Tool

- **What to measure?**
  - Work output (quality and quantity)
  - Personal competencies
  - Goal (objective) achievement

- **How to measure?**
  - Graphic rating scales
  - Alternation ranking method
  - MBO
Performance Appraisal Methods

- **Graphic rating scale**
  - A scale that lists a number of traits and a range of performance for each that is used to identify the score that best describes an employee’s level of performance for each trait.
### Performance Appraisal

**Employee Name** ____________________________  **Title** ________________________________  **Department** ____________________________  **Employee Payroll Number** __________________

**Reason for Review:**  
- [ ] Annual  
- [ ] Promotion  
- [ ] Unsatisfactory Performance  
- [ ] Merit  
- [ ] End Probation Period  
- [ ] Other ________________________________

**Date employee began present position** ____________________________  **Scheduled appraisal date** ____________________________

**Date of last appraisal** ____________________________  **Instructions:** Carefully evaluate employee’s work performance in relation to current job requirements. Check rating box to indicate the employee’s performance. Indicate N/A if not applicable. Assign points for each rating within the scale and indicate in the corresponding points box. Points will be totaled and averaged for an overall performance score.

### RATING IDENTIFICATION

**O—Outstanding**—Performance is exceptional in all areas and is recognizable as being far superior to others.

**V—Very Good**—Results clearly exceed most position requirements. Performance is of high quality and is achieved on a consistent basis.

**G—Good**—Competent and dependable level of performance. Meets performance standards of the job.

**I—Improvement Needed**—Performance is deficient in certain areas. Improvement is necessary.

**U—Unsatisfactory**—Results are generally unacceptable and require immediate improvement. No merit increase should be granted to individuals with this rating.

**N—Not Rated**—Not applicable or too soon to rate.

#### GENERAL FACTORS

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>RATING SCALE</th>
<th>SUPPORTIVE DETAILS OR COMMENTS</th>
</tr>
</thead>
</table>
| **1. Quality**—The accuracy, thoroughness, and acceptability of work performed. | O [ ] 100–90  
V [ ] 90–80  
G [ ] 80–70  
I [ ] 70–60  
U [ ] below 60 | Points  
| | |  |
| **2. Productivity**—The quantity and efficiency of work produced in a specified period of time. | O [ ] 100–90  
V [ ] 90–80  
G [ ] 80–70  
I [ ] 70–60  
U [ ] below 60 | Points  
| | |  |
| **3. Job Knowledge**—The practical/technical skills and information used on the job. | O [ ] 100–90  
V [ ] 90–80  
G [ ] 80–70  
I [ ] 70–60  
U [ ] below 60 | Points  
| | |  |
| **4. Reliability**—The extent to which an employee can be relied upon regarding task completion and follow-up. | O [ ] 100–90  
V [ ] 90–80  
G [ ] 80–70  
I [ ] 70–60  
U [ ] below 60 | Points  
| | |  

---

Figure 9–3
Portion of an Administrative Secretary’s Sample Performance Appraisal Form


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### Performance Management Outline

<table>
<thead>
<tr>
<th>Objective 1:</th>
<th>Mid-Year Progress Notes</th>
<th>End of Period Rating of Success and Effectiveness Comment and Place X on Scale to Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Not Strong</td>
</tr>
<tr>
<td>Objective 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 3:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 4:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 5:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Objectives for new rating period reviewed and agreed to:

<table>
<thead>
<tr>
<th>Evaluator</th>
<th>Date</th>
<th>Employee</th>
<th>Date</th>
<th>Evaluator</th>
<th>Date</th>
<th>Employee</th>
<th>Date</th>
</tr>
</thead>
</table>

Source: www.cwru.edu.
## Performance Competencies

<table>
<thead>
<tr>
<th>Job Knowledge/Competency</th>
<th>Mid-Year Progress Notes</th>
<th>End of Period Rating of Success and Effectiveness Comment and Place X on Scale to Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrates the knowledge and skills necessary to perform the job effectively. Understands the expectations of the job and remains current regarding new developments in areas of responsibility. Performs responsibilities in accordance with job procedures and policies. Acts as a resource person upon whom others rely for assistance.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality/Quantity of Work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completes assignments in a thorough, accurate, and timely manner that achieves expected outcomes. Exhibits concern for the goals and needs of the department and others that depend on services or work products. Handles multiple responsibilities in an effective manner. Uses work time productively.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning/Organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishes clear objectives and organizes duties for self based on the goals of the department, division, or management center. Identifies resources required to meet goals and objectives. Seeks guidance when goals or priorities are unclear.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initiative/Commitment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstrates personal responsibility when performing duties. Offers assistance to support the goals and objectives of the department and division. Performs with minimal supervision. Meets work schedule/attendance expectations for the position.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem Solving/Creativity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identifies and analyzes problems. Formulates alternative solutions. Takes or recommends appropriate actions. Follows up to ensure problems are resolved.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teamwork and Cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintains harmonious and effective work relationships with co-workers and constituents. Adapts to changing priorities and demands. Shares information and resources with others to promote positive and collaborative work relationships.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interpersonal Skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deals positively and effectively with co-workers and constituents. Demonstrates respect for all individuals.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication (Oral and Written)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectively conveys information and ideas both orally and in writing. Listens carefully and seeks clarification to ensure understanding.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Performance Management Outline (cont’d)

<table>
<thead>
<tr>
<th>Competencies Reviewed and Discussed:</th>
<th>Mid-Year Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluator</td>
<td>Date</td>
</tr>
</tbody>
</table>

Source: [www.cwru.edu](http://www.cwru.edu)

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End of Period Summary Performance Rating

Based on a review of Section I, Success and Effectiveness in Position Responsibilities/Accomplishing Objectives and Standards, and Section II, Performance Competencies, provide a summary performance rating:

Comments:


☐ Performance consistently and significantly above standards in virtually all areas; far exceeds normal expectations.

☐ Performance well above standards in many important aspects; usually exceeds normal expectations.

☐ Performance meets standards in all important aspects; good contributor.

☐ Performance slightly below standards in some important aspects, but meets standards in others; performance generally acceptable but improvement needed to fully achieve functional performance level.

☐ Performance below standards in a number of critical aspects; substantial improvement needed.

Evaluator Signature ________________________ Date ______________

I have read this appraisal and it had been discussed with me. I understand that signing this appraisal does not necessarily mean I agree with all of the information in it or that I forfeit my right for review.

Employee Signature ________________________ Date ______________

Source: www.cwru.edu.

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Figure 9–5c
Performance Appraisal Methods (cont’d)

- **Alternation ranking method**
  - Ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all are ranked.

- **Paired comparison method**
  - Ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better employee of the pair.
Alternation Ranking Scale

For the Trait: ________________________________

For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee’s name on line 1. Put the lowest-ranking employee’s name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.

Highest-ranking employee

1. ________________________________ 11. ________________________________
2. ________________________________ 12. ________________________________
3. ________________________________ 13. ________________________________
4. ________________________________ 14. ________________________________
5. ________________________________ 15. ________________________________
6. ________________________________ 16. ________________________________
7. ________________________________ 17. ________________________________
8. ________________________________ 18. ________________________________
9. ________________________________ 19. ________________________________
10. ________________________________ 20. ________________________________

Lowest-ranking employee

Figure 9–6
Ranking Employees by the Paired Comparison Method

### FOR THE TRAIT “QUALITY OF WORK”

<table>
<thead>
<tr>
<th>As Compared to:</th>
<th>A Art</th>
<th>B Maria</th>
<th>C Chuck</th>
<th>D Diane</th>
<th>E José</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Art</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B Maria</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C Chuck</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D Diane</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>E José</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Maria Ranks Highest Here

### FOR THE TRAIT “CREATIVITY”

<table>
<thead>
<tr>
<th>As Compared to:</th>
<th>A Art</th>
<th>B Maria</th>
<th>C Chuck</th>
<th>D Diane</th>
<th>E José</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Art</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B Maria</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>C Chuck</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>D Diane</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>E José</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>

Art Ranks Highest Here

**Note:** + means “better than.” − means “worse than.” For each chart, add up the number of 1’s in each column to get the highest-ranked employee.
Performance Appraisal Methods (cont’d)

- **Forced distribution method**
  - Similar to grading on a curve; predetermined percentages of ratees are placed in various performance categories.
  - Example:
    - 15% high performers
    - 20% high-average performers
    - 30% average performers
    - 20% low-average performers
    - 15% low performers

- **Narrative Forms**
Performance Appraisal Methods (cont’d)

- **Behaviorally anchored rating scale (BARS)**
  - An appraisal method that uses quantified scale with specific narrative examples of good and poor performance.

- **Developing a BARS:**
  - Generate critical incidents
  - Develop performance dimensions
  - Reallocate incidents
  - Scale the incidents
  - Develop a final instrument
Performance Appraisal Methods (cont’d)

.advantages of using a BARS
- A more accurate gauge
- Clearer standards
- Feedback
- Independent dimensions
- Consistency
Appraisal-Coaching Worksheet

Instructions: This form is to be filled out by supervisor and employee prior to each performance review period.

Employee: __________________ Position: __________________

Supervisor: __________________ Department: __________________

Date: __________ Period of Work under Consideration: From _______ to _______

1. What areas of the employee’s work performance are meeting job performance standards?

2. In what areas is improvement needed during the next six to twelve months?

3. What factors or events that are beyond the employee’s control may affect (positively or negatively) his/her ability to accomplish planned results during the next six to twelve months?

4. What specific strengths has the employee demonstrated on this job that should be more fully used during the next six to twelve months?

5. List two or three areas (if applicable) in which the employee needs to improve his/her performance during the next six to twelve months (gaps in knowledge or experience, skill development needs, behavior modifications that affect job performance, etc.)

6. Based on your consideration of items 1–5 above, summarize your mutual objectives:

A. What supervisor will do:

B. What employee will do:

C. Date for next progress check or to reevaluate objectives:

D. Data/evidence that will be used to observe and/or measure progress.

________________________________________  __________________________
Signature-Employee                  Signature-Supervisor

___________
Date

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Figure 9–8
Examples of Critical Incidents for an Assistant Plant Manager

<table>
<thead>
<tr>
<th>Continuing Duties</th>
<th>Targets</th>
<th>Critical Incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule production for plant</td>
<td>90% utilization of personnel and machinery in plant; orders delivered on time</td>
<td>Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month</td>
</tr>
<tr>
<td>Supervise procurement of raw materials</td>
<td>Minimize inventory costs while keeping adequate supplies on hand</td>
<td>Let inventory storage costs rise 15% last month; overordered parts “A” and “B” by 20%; underordered part “C” by 30%</td>
</tr>
<tr>
<td>and inventory control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervise machinery maintenance</td>
<td>No shutdowns due to faulty machinery</td>
<td>Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part</td>
</tr>
</tbody>
</table>

Table 9-1
Example of a Behaviorally Anchored Rating Scale for the Dimension Salesmanship Skill

SALESMANSHIP SKILLS
Skillfully persuading prospects to join the navy; using navy benefits and opportunities effectively to sell the navy; closing skills; adapting selling techniques appropriately to different prospects; effectively overcoming objectives to joining the navy.

9
A prospect stated he wanted the nuclear power program or he would not sign up. When he did not qualify, the recruiter did not give up; instead, he talked this young man into electronics by emphasizing the technical training he would receive.

8
The recruiter treats objections to joining the navy seriously; he works hard to counter the objections with relevant, positive arguments for a navy career.

7
When talking to a high school senior, the recruiter mentions names of other seniors from that school who have already enlisted.

6
When an applicant qualifies for only one program, the recruiter tries to convey to the applicant that is a desirable program.

5
When a prospect is deciding on which service to enlist in, the recruiter tries to sell the navy by describing navy life at sea and adventures in port.

4
During an interview, the recruiter said to the applicant. I'll try to get you the school you want, but frankly it probably won't be open for another three months, so why don't you take your second choice and leave now.

3
The recruiter insisted on showing more brochures and films even though the applicant told him he wanted to sign up right now.

2
When a prospect states an objection to being in the navy, the recruiter ends the conversation because he thinks the prospect must not be interested.

1

Management by Objectives (MBO)

Involves setting specific measurable goals with each employee and then periodically reviewing the progress made.

1. Set the organization’s goals.
2. Set departmental goals.
3. Discuss departmental goals.
4. Define expected results (set individual goals).
5. Performance reviews.
6. Provide feedback.
Computerized and Web-Based Performance Appraisal

- **Performance appraisal software programs**
  - Keep notes on subordinates during the year.
  - Electronically rate employees on a series of performance traits.
  - Generate written text to support each part of the appraisal.

- **Electronic performance monitoring (EPM)**
  - Having supervisors electronically monitor the amount of computerized data an employee is processing per day, and thereby his or her performance.
Potential Rating Scale Appraisal Problems

- **Unclear standards**
  - An appraisal that is too open to interpretation.

- **Halo effect**
  - Occurs when a supervisor’s rating of a subordinate on one trait biases the rating of that person on other traits.

- **Central tendency**
  - A tendency to rate all employees the same way, such as rating them all average.
# A Graphic Rating Scale with Unclear Standards

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

>Note: For example, what exactly is meant by “good,” “quantity of work,” and so forth?
Potential Rating Scale Appraisal Problems (cont’d)

- **Strictness/leniency**
  - The problem that occurs when a supervisor has a tendency to rate all subordinates either high or low.

- **Bias**
  - The tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive.
How to Avoid Appraisal Problems

- Learn and understand the potential problems, and the solutions for each.

- Use the right appraisal tool. Each tool has its own pros and cons.

- Train supervisors to reduce rating errors such as halo, leniency, and central tendency.

- Have raters compile positive and negative critical incidents as they occur.
Who Should Do the Appraising?

- The immediate supervisor
- Peers
- Rating committees
- Self-ratings
- Subordinates
- 360-Degree feedback
## Advantages and Disadvantages of Appraisal Tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphic rating scale</td>
<td>Simple to use; provides a quantitative rating for each employee.</td>
<td>Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.</td>
</tr>
<tr>
<td>BARS</td>
<td>Provides behavioral “anchors.” BARS is very accurate.</td>
<td>Difficult to develop.</td>
</tr>
<tr>
<td>Alternation ranking</td>
<td>Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.</td>
<td>Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent.</td>
</tr>
<tr>
<td>Forced distribution method</td>
<td>End up with a predetermined number or % of people in each group.</td>
<td>Employees’ Appraisal results depend on your choice of cutoff points.</td>
</tr>
<tr>
<td>Critical incident method</td>
<td>Helps specify what is “right” and “wrong” about the employee’s performance; forces supervisor to evaluate subordinates on an ongoing basis.</td>
<td>Difficult to rate or rank employees relative to one another.</td>
</tr>
<tr>
<td>MBO</td>
<td>Tied to jointly agreed-upon performanceobjectives.</td>
<td>Time-consuming.</td>
</tr>
</tbody>
</table>

Table 9–3
The Appraisal Interview

- **Types of appraisal interviews**
  - Satisfactory—Promotable
  - Satisfactory—Not promotable
  - Unsatisfactory—Correctable
  - Unsatisfactory—Uncorrectable

- **How to conduct the appraisal interview**
  - Talk in terms of objective work data.
  - Don’t get personal.
  - Encourage the person to talk.
  - Don’t tiptoe around.
PERFORMANCE CONTRACT

Within the next year, I understand that our organization’s objectives are ____________________________

and that the goals of our department are ____________________________. I also understand that our work unit goals are ____________________________.

My key internal customers are ____________________________, and their work needs and expectations are ____________________________.

To make my contribution toward attaining the goals stated above, I understand that I am expected to do the following:

My individual performance goals are ____________________________.

My goals for improving work methods (process) are ____________________________.

My goals for improving specific interpersonal work behaviors when I interact with the following ____________________________ are ____________________________.

I believe these goals are acceptable and attainable. I also understand that I will be evaluated by multiple appraisal sources (supervisor, peers, internal, and, if appropriate, external customers).

Compensation for my work performance will be based on whether my performance was (1) outstanding, (2) fully competent, or (3) unsatisfactory. I understand that the following forms of compensation will be considered: (1) merit award for my individual performance goal attainment, (2) enhancement and utilization of my skills, (3) my work unit’s or team’s performance (gainsharing), and (4) our organization’s performance (profit sharing).

__________________________________________________________
Your signature

__________________________________________________________
Supervisor’s signature

Checklist During the Appraisal Interview

- Did you discuss each goal or objective established for this employee?
- Are you and the employee clear on the areas of agreement? disagreement?
- Did you and the employee cover all positive skills, traits, accomplishments, areas of growth, etc.? Did you reinforce the employee’s accomplishments?
- Did you give the employee a sense of what you thought of his or her potential or ability?
- Are you both clear on areas where improvement is required? expected? demanded? desired?
- What training or development recommendations did you agree on?
- Did you indicate consequences for noncompliance, if appropriate?
- Did you set good objectives for the next appraisal period?
  - Objective?
  - Specific?
  - Measurable?
- Standard to be used for evaluation?
  - Time frame?
- Did you set a time for the next evaluation?
- Did you confirm what your part would be? Did the employee confirm his or her part?
- Did you thank the employee for his or her efforts?


Figure 9–11
The Appraisal Interview (cont’d)

- **How to handle a defensive subordinate**
  - Recognize that defensive behavior is normal.
  - Never attack a person’s defenses.
  - Postpone action.
  - Recognize your own limitations.
The Appraisal Interview (cont’d)

How to criticize a subordinate

- Do it in a manner that lets the person maintain his or her dignity and sense of worth.
- Criticize in private, and do it constructively.
- Avoid once-a-year “critical broadsides” by giving feedback on a daily basis, so that the formal review contains no surprises.
- Never say the person is “always” wrong.
- Criticism should be objective and free of any personal biases on your part.
The Appraisal Interview (cont’d)

How to ensure the interview leads to improved performance

– Don’t make the subordinate feel threatened during the interview.

– Give the subordinate the opportunity to present his or her ideas and feelings and to influence the course of the interview.

– Have a helpful and constructive supervisor conduct the interview.

– Offer the subordinate the necessary support for development and change.
The Appraisal Interview (cont’d)

➤ How to handle a formal written warning

- Purposes of the written warning
  - To shake your employee out of bad habits.
  - Help you defend your rating, both to your own boss and (if needed) to the courts.

- Written warnings should:
  - Identify standards by which employee is judged.
  - Make clear that employee was aware of the standard.
  - Specify deficiencies relative to the standard.
  - Indicates employee’s prior opportunity for correction.
Creating the Total Performance Management Process

- “What is our strategy and what are our goals?”
- “What does this mean for the goals we set for our employees, and for how we train, appraise, promote, and reward them?”
- What will be the technological support requirements?
Information Required for TRW’s Web-Based Performance Management System

Page one biographical data
Identification information
Education
Experience summary

Pages 2–3 performance summary
Accomplishments against previous year goals
TRW behaviors
TRW initiatives
Legal and ethical conduct/diversity and cultural sensitivity
Previous year’s professional development activities
Employee comments

Overall performance—manager’s overall rating and comments

Page four development summary
Demonstrated strengths
Improvement opportunities
Performance goals for the upcoming year
Professional development activities for the upcoming year
Future potential/positions (employee perspective)
Future potential/positions (manager perspective)
Electronic sign-off from both employee and manager

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
## Key Terms

<table>
<thead>
<tr>
<th>Performance Appraisal</th>
<th>Management by Objectives (MBO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>performance appraisal</td>
<td>management by objectives (MBO)</td>
</tr>
<tr>
<td>performance management</td>
<td>electronic performance monitoring (EPM)</td>
</tr>
<tr>
<td>graphic rating scale</td>
<td>unclear standards</td>
</tr>
<tr>
<td>alternation ranking method</td>
<td>halo effect</td>
</tr>
<tr>
<td>paired comparison method</td>
<td>central tendency</td>
</tr>
<tr>
<td>forced distribution method</td>
<td>strictness/leniency</td>
</tr>
<tr>
<td>critical incident method</td>
<td>bias</td>
</tr>
<tr>
<td>behaviorally anchored rating scale (BARS)</td>
<td>appraisal interview</td>
</tr>
</tbody>
</table>
Managing Careers
After studying this chapter, you should be able to:

1. Compare employers’ traditional and career planning-oriented HR focuses
2. Explain the employee’s manager’s and employer’s career development roles
3. Describe the issues to consider when making promotion decisions
4. Describe the methods for enhancing diversity through career management
5. Answer the question: How can career development foster employee commitment?
### The Basics of Career Management

- **Career**
  - The occupational positions a person has had over many years.

- **Career management**
  - The process for enabling employees to better understand and develop their career skills and interests, and to use these skills and interests more effectively.

- **Career development**
  - The lifelong series of activities that contribute to a person’s career exploration, establishment, success, and fulfillment.
The Basics of Career Management

Career planning
- The deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics; and establishes action plans to attain specific goals.

Careers today
- Careers are no simple progressions of employment in one or two firms with a single profession.
- Employees now want to exchange performance for training, learning, and development that keep them marketable.
## Traditional Versus Career Development Focus

<table>
<thead>
<tr>
<th>HR Activity</th>
<th>Traditional Focus</th>
<th>Career Development Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human resource planning</strong></td>
<td>Analyzes jobs, skills, tasks—present and future. Projects needs. Uses statistical data.</td>
<td>Adds information about individual interests, preferences, and the like to data.</td>
</tr>
<tr>
<td><strong>Training and development</strong></td>
<td>Provides opportunities for learning skills, information, and attitudes related to job.</td>
<td>Provides career path information. Adds individual growth orientation.</td>
</tr>
<tr>
<td><strong>Performance appraisal</strong></td>
<td>Rating and/or rewards.</td>
<td>Adds development plans and individual goal setting.</td>
</tr>
<tr>
<td><strong>Recruiting and placement</strong></td>
<td>Matching organization’s needs with qualified individuals.</td>
<td>Matches individual and jobs based on a number of variables including employees’ career interests.</td>
</tr>
<tr>
<td><strong>Compensation and benefits</strong></td>
<td>Rewards for time, productivity, talent, and so on.</td>
<td>Adds non-job-related activities to be rewarded, such as United Way leadership positions.</td>
</tr>
</tbody>
</table>


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Employee Career Development Plan

Employee: ____________  Position: ____________
Manager: ____________  Department: ____________

Date of Appraisal: ____________________

1. What is the next logical step up for this employee, and when do you think he/she will be ready for it?

<table>
<thead>
<tr>
<th>Probable Next Job:</th>
<th>When Ready:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Now</td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
</tbody>
</table>

2. What is the highest probable promotion within five years?

3. What does this employee need to prepare for promotion?
   - Knowledge: ____________________
     Action Plan: ____________________
   - Still Training: ____________________
     Action Plan: ____________________
   - Management Training: ____________________
     Action Plan: ____________________

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The Individual

- Accept responsibility for your own career.
- Assess your interests, skills, and values.
- Seek out career information and resources.
- Establish goals and career plans.
- Utilize development opportunities.
- Talk with your manager about your career.
- Follow through on realistic career plans.

The Manager

- Provide timely performance feedback.
- Provide developmental assignments and support.
- Participate in career development discussions.
- Support employee development plans.

The Organization

- Communicate mission, policies, and procedures.
- Provide training and development opportunities.
- Provide career information and career programs.
- Offer a variety of career options.

Roles in Career Development


Table 10–2
Choosing a Mentor

- Choose an appropriate potential mentor.
- Don’t be surprised if you’re turned down.
- Be sure that the mentor understands what you expect in terms of time and advice.
- Have an agenda.
- Respect the mentor’s time.
The Employer’s Role in Career Development

- *Realistic job previews*
- *Challenging first jobs*
- *Career-oriented appraisals*
- *Job rotation*
- *Mentoring*
- *Networking and interactions*
Innovative Corporate Career Development Initiatives

- Provide each employee with an individual budget.
- Offer on-site or online career centers.
- Encourage role reversal.
- Establish a “corporate campus.”
- Help organize “career success teams.”
- Provide career coaches.
- Provide career planning workshops
- Utilize computerized on- and offline career development programs
- Establish a dedicated facility for career development
Sample Agenda—Two-Day Career Planning Workshop

| Day 1 | 8:30–10:00 | Introduction and Overview of Career Planning  
| Welcome and Introduction to Program  
| Welcome by general manager  
| Overview of agenda and outcomes  
| Participant introductions (statements of expectations for the program)  
| Overview of Career Development  
| Company’s philosophy  
| Why career planning is needed  
| What career planning is and is not career planning model |

| 10:00–Noon | Self-Assessment: Part 1  
| Individual Self-Assessment: Values  
| Values card sort exercise  
| Reconciling with values pre-work  
| Introduce career planning summary work sheet  
| Individual Self-Assessment: Skills  
| Motivated skills exercise  
| Examining life accomplishments (synthesize with pre-work)  
| Identifying accomplishment themes  
| Preferred work skills (from pre-work inventory)  
| Fill in career planning summary work sheet |

| 1:00–3:00 | Self-Assessment: Part 2  
| Individual Self-Assessment: Career Anchors  
| Career anchoring pattern exercise  
| Small group discussions  
| Fill in career planning summary work sheet  
| Individual Self-Assessment: Preferences  
| What success means to me  
| Skills, knowledge, personal qualities  
| Fill in career planning summary work sheet  
| Individual Self-Assessment: Career Path Pattern  
| Synthesize with direction options from pre-work  
| Fill in career planning summary work sheet |

| 3:30–4:30 | Environmental Assessment  
| Information About the Company  
| Goals, growth areas, expectations, turnover, competition for jobs, skills for the future  
| Fill in career planning summary work sheet  
| Personal career profile  
| Reality test, how you see self at this point by scoring |

| Day 2 | 8:30–10:00 | Goal Setting  
| Warm-Up Exercise  
| Review of where we’ve been and where we’re going  
| Setting goals—where do I want to be?  
| Creating an ideal future  
| Future skills and accomplishments  
| Desired lifestyle  
| Life and career goals |

| 10:15–1:30 | Environmental Assessment: Part 2  
| Career resources in the company  
| Introduce support services and hand out information  
| Marketing yourself—what it takes to achieve your goals here  
| Describe resource people who will be with the group for lunch and brainstorm questions/ issues to be discussed  
| Lunch with resource people  
| Review lunch discussions |

| 1:30–4:30 | Developing Career Action Plans  
| Making career decisions  
| Identifying long-range alternatives  
| Identifying short-range alternatives  
| Improving career decisions  
| Decision styles and ways to enhance them  
| Creating your career plan  
| Reconciling your goals with options  
| Next career steps  
| Development action plan  
| Contingency planning  
| Making It Happen—Making Commitments to Next Steps  
| Summary and Adjourn |

Source: Fred L. Otte and Peggy Huchison, Helping Employees Manage Careers (Upper Saddle River, NJ: Prentice Hall, 1992), pp. 22–23. In addition to career development training and follow-up support, First USA Bank has also outfitted special career development facilities at its work sites that employees can use on company time. These contain materials such as career assessment and planning tools.  

Figure 10–2
Managing Promotions

Making promotion decisions

– Decision 1: Is Seniority or Competence the Rule?
– Decision 2: How Should We Measure Competence?
– Decision 3: Is the Process Formal or Informal?
– Decision 4: Vertical, Horizontal, or Other?
Managing Transfers

- **Employees’ reasons for desiring transfers**
  - Personal enrichment and growth
  - More interesting jobs
  - Greater convenience (better hours, location)
  - Greater advancement possibilities

- **Employers’ reasons for transferring employees**
  - To vacate a position where an employee is no longer needed.
  - To fill a position where an employee is needed.
  - To find a better fit for an employee within the firm.
  - To boost productivity by consolidating positions.
Enhancing Diversity through Career Management

Sources of bias and discrimination in promotion decisions

- Having few people of color employed in the hiring department
- The “old-boy network” of informal friendships
- A lack of women mentors
- A lack of high-visibility assignments and developmental experiences (glass ceiling)
- A lack of company role models for members of the same racial or ethnic group
- Inflexible organizations and career tracks
Enhancing Women’s and Minorities’ Prospects

- *Eliminate institutional barriers*
- *Improve networking and mentoring*
- *Eliminate the glass ceiling*
- *Institute flexible schedules and career tracks*
Career Management and Employee Commitment

The “New Psychological Contract”

- **Old contract:** “Do your best and be loyal to us, and we’ll take care of your career.”

- **New contract:** “Do your best for us and be loyal to us for as long as you’re here, and we’ll provide you with the developmental opportunities you’ll need to move on and have a successful career.”
Career Management and Employee Commitment

- **Commitment-oriented career development efforts**

  - **Career development programs**
    - Career workshops that use vocational guidance tools (including a computerized skills assessment program and other career gap analysis tools) to help employees identify career-related skills and the development needs they possess.

  - **Career-oriented appraisals**
    - Provide the ideal occasion to link the employee’s performance, career interests, and developmental needs into a coherent career plan.
Retirement

- Retirement
  - The point at which one gives up one’s work, usually between the ages of 60 and 65.

- Preretirement practices
  - Explanation of Social Security benefits
  - Leisure time counseling
  - Financial and investment counseling
  - Health counseling
  - Psychological counseling
  - Counseling for second careers
  - Counseling for second careers inside the company
Sample Performance Review Development Plan

A. Employee's Major Strengths
   1. 
   2. 
   3. 

B. Areas for Improvement/Development
   1. 
   2. 
   3. 

C. Development Plans: Areas for Development
   1. 
   2. 
   3. 
   4. 

Development Strategy:

D. Employee's Comments on This Review:

E. Reviewer's Comments:

Growth potential in present position and future growth potential for increased responsibilities:

Employer's Signature: ___________________________ Date: __________
Reviewer's Signature: ___________________________ Date: __________
Reviewer's Manager's Signature: __________________ Date: __________
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*

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Key Terms

career
career management
career development
career planning
career planning and development
reality shock
job rotation
mentoring
promotions
transfers
retirement
preretirement counseling
career cycle
growth stage
exploration stage
establishment stage
trial substage
stabilization substage
midcareer crisis substage
maintenance stage
decline stage
career anchors
Managing Your Career
Identify Your Career Stage

- **Growth stage**
- **Exploration stage**
- **Establishment stage**
  - Trial substage
  - Stabilization substage
  - Midcareer crisis substage
- **Maintenance Stage**
- **Decline Stage**
Identify Your Occupational Orientation

- Realistic orientation
- Investigative orientation
- Social orientation
- Conventional orientation
- Enterprising orientation
- Artistic orientation
Choosing an Occupational Orientation

Figure 10–A1
Example of Some Occupations that May Typify Each Occupational Theme

<table>
<thead>
<tr>
<th>Realistic</th>
<th>Investigative</th>
<th>Artistic</th>
<th>Social</th>
<th>Enterprising</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Officers</td>
<td>Physicians</td>
<td>Advertising Executives</td>
<td></td>
<td>Lawyers</td>
<td>Accountants</td>
</tr>
<tr>
<td>Engineers</td>
<td>Psychologists</td>
<td>Public Relations Directors</td>
<td>Auto Sales Dealers</td>
<td>Investment Managers</td>
<td>Bankers</td>
</tr>
<tr>
<td>Research and Development Managers</td>
<td></td>
<td></td>
<td>School Administrators</td>
<td>Chamber of Commerce Executives</td>
<td>Credit Managers</td>
</tr>
</tbody>
</table>
Example of Some Occupations that May Typify Each Occupational Theme

Business Career Interest Inventory (BC II)

**Part 1:** All executive work is based on one or more of the following eight core activities. Read them.

- **Application of Technology:** Taking an engineering-like approach to business problems and using technology to solve them (operations process analysis, process redesign, production planning).
- **Quantitative Analysis:** Problem-solving that relies on mathematical and financial analysis (determining the most advantageous debt/equity structure, analyzing market research).
- **Theory Development and Conceptual Thinking:** Taking a broadly conceptual, quasi-academic approach to business problems (developing a new general economic theory or model of market behavior).
- **Creative Production:** Highly creative activities (the generation of new business ideas such as line extensions or additional markets, the development of new marketing concepts).
- **Counseling and Mentoring:** Developing a variety of personal relationships in the workplace and helping others in their careers (human resources coaching, training, and mentoring).
- **Managing People:** Accomplishing business goals through working directly with people (particularly as a front-line manager, team leader, director, or direct supervisor).
- **Enterprise Control:** Having ultimate strategy and decision-approach to business problems and using
- **Influence Through Language and Ideas:** Exercising influence through the skillful use of persuasion (negotiating, deal-making, sales functions, and relationship development).


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Identify Your Career Anchors

- **Career anchor**
  - A concern or value that a person you will not give up if a [career] choice has to be made.

- **Typical career anchors**
  - Technical/functional competence
  - Managerial competence
  - Creativity
  - Autonomy and independence
  - Security
Finding the Right Job

- Do Your Own Local Research
- Personal Contacts
- Answering Advertisements
- Employment Agencies
- Executive Recruiters
- Career Counselors
- Executive Marketing Consultants
- Employers’ Web Sites
Writing Your Résumé

- Introductory Information
- Job Objective
- Job Scope
- Your Accomplishments
- Length
- Personal Data
- Make Your Résumé Scannable
Handling the Interview

- Prepare, Prepare, Prepare
- Uncover the Interviewer’s Needs
- Relate Yourself to the Person’s Needs
- Think Before Answering
- Make a Good Appearance and Show Enthusiasm
Chapter 11

Establishing Strategic Pay Plans

Part 4
Compensation

Gary Dessler

human
resource management
tenth edition

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After studying this chapter, you should be able to:

1. List the basic factors in determining pay rates.
2. Explain in detail how to establish pay rates.
3. Explain how to price managerial and professional jobs.
4. Discuss current trends in compensation.
Determining Pay Rates

- **Employee compensation**
  - All forms of pay or rewards going to employees and arising from their employment.

- **Direct financial payments**
  - Pay in the form of wages, salaries, incentives, commissions, and bonuses.

- **Indirect financial payments**
  - Pay in the form of financial benefits such as insurance.
Overview of Compensation Laws

- **Davis-Bacon Act (1931)**
  - A law that sets wage rates for laborers employed by contractors working for the federal government.

- **Walsh-Healey Public Contract Act (1936)**
  - A law that requires minimum wage and working conditions for employees working on any government contract amounting to more than $10,000.
Overview of Compensation Laws (cont’d)

- **Title VII of the 1964 Civil Rights Act**
  - This act makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.
Overview of Compensation Laws (cont’d)

- **Fair Labor Standards Act (1938)**
  - This act provides for minimum wages, maximum hours, overtime pay for nonexempt employees after 40 hours worked per week, and child labor protection. The law has been amended many times and covers most employees.

- **Equal Pay Act (1963)**
  - An amendment to the Fair Labor Standards Act designed to require equal pay for women doing the same work as men.
### Who Is Exempt? Who Is Not Exempt?

#### Exempt Professionals
- Attorneys
- Physicians
- Dentists
- Pharmacists
- Optometrists
- Architects
- Engineers
- Teachers
- Certified public accountants
- Scientists
- Computer systems analysts

#### Exempt Executives
- Corporate officers
- Department heads
- Superintendents
- General managers
- Individual who is in sole charge of an “independent establishment” or branch

#### Exempt Administrators
- Executive assistant to the president
- Personnel directors
- Credit managers
- Purchasing agents

#### Nonexempt
- Paralegals
- Nonlicensed accountants
- Accounting clerks
- Newspaper writers
- Working foreman/forewoman
- Working supervisor
- Lead worker
- Management trainees
- Secretaries
- Clerical employees
- Inspectors
- Statisticians

*Note: These lists are general in nature, and exceptions exist. Any questionable allocation of exemption status should be reviewed by labor legal counsel.*
Overview of Compensation Laws (cont’d)

- **Employee Retirement Income Security Act (ERISA)**
  - The law that provides government protection of pensions for all employees with company pension plans. It also regulates vesting rights (employees who leave before retirement may claim compensation from the pension plan).

- **The Age Discrimination in Employment Act**
  - Prohibits age discrimination against employees who are 40 years of age and older in all aspects of employment, including compensation.
Overview of Compensation Laws (cont’d)

- **The Americans with Disabilities Act**
  - Prohibits discrimination against qualified persons with disabilities in all aspects of employment, including compensation.

- **The Family and Medical Leave Act**
  - Entitles eligible employees, both men and women, to take up to 12 weeks of unpaid, job-protected leave for the birth of a child or for the care of a child, spouse, or parent.
## Independent Contractor

Managers are to use the following checklist to classify individuals as independent contractors. If more than 3 questions are answered “yes,” the manager will confer with human resources regarding the classification. (EE = Employees, IC = Independent Contractors)

### Factors which show control:

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes/EE</th>
<th>No/IC</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Worker must comply with instructions.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. Worker is trained by person hired.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3. Worker’s services are integrated in business.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4. Worker must personally render services.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5. Worker cannot hire or fire assistants.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6. Work relationship is continuous or indefinite.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7. Work hours are present.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8. Worker must devote full time to this business.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>9. Work is done on the employer’s premises.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>10. Worker cannot control order or sequence.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>11. Worker submits oral or written reports.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>12. Worker is paid at specific intervals.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>13. Worker’s business expenses are reimbursed.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>14. Worker is provided with tools or materials.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>15. Worker has no significant investment.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>16. Worker has no opportunity for profit/loss.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>17. Worker is not engaged by many different firms.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>18. Worker does not offer services to public.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>19. Worker may be discharged by employer.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>20. Worker can terminate without liability.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>


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Corporate Policies, Competitive Strategy, and Compensation

**Aligned reward strategy**

- The employer’s basic task is to create a bundle of rewards—a total reward package—specifically aimed at eliciting the employee behaviors the firm needs to support and achieve its competitive strategy.

- The HR or compensation manager will write the policies in conjunction with top management, in a manner such that the policies are consistent with the firm’s strategic aims.
Developing an Aligned Reward Strategy

Questions to Ask:

1. What are our company’s key success factors? What must our company do to be successful in fulfilling its mission or achieving its desired competitive position?

2. What are the employee behaviors or actions necessary to successfully implement this competitive strategy?

3. What compensation programs should we use to reinforce those behaviors? What should be the purpose of each program in reinforcing each desired behavior?

4. What measurable requirements should each compensation program meet to be deemed successful in fulfilling its purpose?

5. How well do our current compensation programs match these requirements?

Compensation Policy Issues

- Pay for performance
- Pay for seniority
- The pay cycle
- Salary increases and promotions
- Overtime and shift pay
- Probationary pay
- Paid and unpaid leaves
- Paid holidays
- Salary compression
- Geographic costs of living differences
Compensation Policy Issues (cont’d)

- **Salary compression**
  - A salary inequity problem, generally caused by inflation, resulting in longer-term employees in a position earning less than workers entering the firm today.
Equity and Its Impact on Pay Rates

- *The equity theory of motivation*
  - States that if a person perceives an inequity, the person will be motivated to reduce or eliminate the tension and perceived inequity.
Forms of Equity

- **External equity**
  - How a job’s pay rate in one company compares to the job’s pay rate in other companies.

- **Internal equity**
  - How fair the job’s pay rate is, when compared to other jobs within the same company.

- **Individual equity**
  - How fair an individual’s pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company.

- **Procedural equity**
  - The perceived fairness of the process and procedures to make decisions regarding the allocation of pay.
Methods to Address Equity Issues

- **Salary surveys**
  - To monitor and maintain external equity.

- **Job analysis and job evaluation**
  - To maintain internal equity,

- **Performance appraisal and incentive pay**
  - To maintain individual equity.

- **Communications, grievance mechanisms, and employees’ participation**
  - To help ensure that employees view the pay process as transparent and fair.
Establishing Pay Rates

- **Step 1. The salary survey**
  - Aimed at determining prevailing wage rates.
    - A good salary survey provides specific wage rates for specific jobs.
  - Formal written questionnaire surveys are the most comprehensive, but telephone surveys and newspaper ads are also sources of information.
    - **Benchmark job**: A job that is used to anchor the employer’s pay scale and around which other jobs are arranged in order of relative worth.
Sources for Salary Surveys

- **Consulting firms**
- **Professional associations**
- **Government agencies**
  - U.S. Department of Labor’s Bureau of Labor Statistics (BLS) conducts three annual surveys:
    - Area wage surveys
    - Industry wage surveys
    - Professional, administrative, technical, and clerical (PATC) surveys.
## Some Pay Data Web Sites

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Internet Address</th>
<th>What It Provides</th>
<th>Downside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary.com</td>
<td>Salary.com</td>
<td>Salary by job and zip code, plus job and description, for hundreds of jobs</td>
<td>Adapts national averages by applying local cost-of-living differences</td>
</tr>
<tr>
<td>Wageweb</td>
<td><a href="http://www.wageweb.com">www.wageweb.com</a></td>
<td>Average salaries for more than 150 clerical, professional, and managerial jobs</td>
<td>Charges $100 for breakdowns by industry, location, etc. location, etc.</td>
</tr>
<tr>
<td>Exec-U-Net</td>
<td><a href="http://www.execunet.com">www.execunet.com</a></td>
<td>Salary, bonus, and options for about 650 management posts</td>
<td>Charges an initial $125 for job details</td>
</tr>
<tr>
<td>Futurestep*</td>
<td><a href="http://www.futurestep.com">www.futurestep.com</a></td>
<td>Pay analyses for people eligible for managerial posts paying about $50,000 to $200,000 a year</td>
<td>Participants automatically subject to queries from Korn/Ferry recruiters</td>
</tr>
<tr>
<td>Job Smart</td>
<td><a href="http://jobsmart.org/tools/salary/sal-prof.cfm">http://jobsmart.org/tools/salary/sal-prof.cfm</a></td>
<td>Profession-specific salary surveys</td>
<td>Necessary to review numerous salary surveys for each profession</td>
</tr>
</tbody>
</table>

*An alliance between recruiters Korn/Ferry International and the *Wall Street Journal.*

Table 11–2
Establishing Pay Rates (cont’d)

- **Step 2. Job evaluation**
  - A systematic comparison done in order to determine the worth of one job relative to another.

- **Compensable factor**
  - A fundamental, compensable element of a job, such as skills, effort, responsibility, and working conditions.
Preparing for the Job Evaluation

- Identifying the need for the job evaluation
- Getting the cooperation of employees
- Choosing an evaluation committee.
- Performing the actual evaluation.
Job Evaluation Methods: Ranking

- Ranking each job relative to all other jobs, usually based on some overall factor.

Steps in job ranking:

- Obtain job information.
- Select and group jobs.
- Select compensable factors.
- Rank jobs.
- Combine ratings.
### Job Ranking by Olympia Health Care

<table>
<thead>
<tr>
<th>Ranking Order</th>
<th>Annual Pay Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Office manager</td>
<td>$43,000</td>
</tr>
<tr>
<td>2. Chief nurse</td>
<td>42,500</td>
</tr>
<tr>
<td>3. Bookkeeper</td>
<td>34,000</td>
</tr>
<tr>
<td>4. Nurse</td>
<td>32,500</td>
</tr>
<tr>
<td>5. Cook</td>
<td>31,000</td>
</tr>
<tr>
<td>6. Nurse’s aide</td>
<td>28,500</td>
</tr>
<tr>
<td>7. Orderly</td>
<td>25,500</td>
</tr>
</tbody>
</table>

Table 11–3
Job Evaluation Methods: Job Classification

- Raters categorize jobs into groups or classes of jobs that are of roughly the same value for pay purposes.
  - Classes contain similar jobs.
  - Grades are jobs that are similar in difficulty but otherwise different.
  - Jobs are classed by the amount or level of compensable factors they contain.
Example of A Grade Level Definition

<table>
<thead>
<tr>
<th>GRADE</th>
<th>NATURE OF ASSIGNMENT</th>
<th>LEVEL OF RESPONSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS-7</td>
<td>Performs specialized duties in a defined functional or program area involving a wide variety of problems or situations; develops information, identifies interrelationships, and takes actions consistent with objectives of the function or program served.</td>
<td>Work is assigned in terms of objectives, priorities, and deadlines; the employee works independently in resolving most conflicts; completed work is evaluated for conformance to policy; guidelines, such as regulations, precedent cases, and policy statements require considerable interpretation and adaptation.</td>
</tr>
</tbody>
</table>

This is a summary chart of the key grade level criteria for the GS-7 level of clerical and assistance work. Do not use this chart alone for classification purposes; additional grade level criteria are in the Web-based chart.

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Job Evaluation Methods: Point Method

A quantitative technique that involves:

- Identifying the degree to which each compensable factors are present in the job.
- Awarding points for each degree of each factor.
- Calculating a total point value for the job by adding up the corresponding points for each factor.
Job Evaluation Methods: Factor Comparison

- Each job is ranked several times—once for each of several compensable factors.
- The rankings for each job are combined into an overall numerical rating for the job.
Computerized Job Evaluations

- A computerized system that uses a structured questionnaire and statistical models to streamline the job evaluation process.

  - Advantages of computer-aided job evaluation (CAJE)
    - Simplify job analysis
    - Help keep job descriptions up to date
    - Increase evaluation objectivity
    - Reduce the time spent in committee meetings
    - Ease the burden of system maintenance
Establishing Pay Rates (cont’d)

- **Step 3. Group Similar Jobs into Pay Grades**
  - A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.
    - Point method: the pay grade consists of jobs falling within a range of points.
    - Ranking method: the grade consists of all jobs that fall within two or three ranks.
    - Classification method: automatically categorizes jobs into classes or grades.
Establishing Pay Rates (cont’d)

Step 4. Price Each Pay Grade

— Wage Curve

- Shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation.

- Shows the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.
Plotting a Wage Curve

Figure 11–4

Note: Some pay rates may fall well off wage curve
Establishing Pay Rates (cont’d)

- **Step 5. Fine-tune pay rates**
  - **Developing pay ranges**
    - Flexibility in meeting external job market rates
    - Easier for employees to move into higher pay grades
    - Allows for rewarding performance differences and seniority
  - **Correcting out-of-line rates**
    - Raising underpaid jobs to the minimum of the rate range for their pay grade.
    - Freezing rates or cutting pay rates for overpaid (“red circle”) jobs to maximum in the pay range for their pay grade.
Wage Structure

Note: This shows overlapping wage classes and maximum–minimum wage ranges.
Federal Government Pay Schedule:
Grades GS-8–GS-10,
New York, Northern New Jersey, Long Island,
January 2000

<table>
<thead>
<tr>
<th>Grade</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS-8</td>
<td>32,859</td>
<td>33,954</td>
<td>35,049</td>
<td>36,145</td>
<td>37,140</td>
<td>38,335</td>
<td>39,430</td>
<td>40,525</td>
<td>41,620</td>
<td>42,715</td>
</tr>
<tr>
<td>GS-9</td>
<td>36,295</td>
<td>37,504</td>
<td>38,714</td>
<td>39,923</td>
<td>41,133</td>
<td>42,342</td>
<td>43,551</td>
<td>44,761</td>
<td>45,970</td>
<td>47,180</td>
</tr>
<tr>
<td>GS-10</td>
<td>39,969</td>
<td>41,302</td>
<td>42,635</td>
<td>43,967</td>
<td>45,300</td>
<td>46,633</td>
<td>47,966</td>
<td>42,298</td>
<td>50,631</td>
<td>51,964</td>
</tr>
</tbody>
</table>

Source: info@fedamerica.com.

Table 11–4
A good compensation administration program is comprehensive and flexible and ensures optimum performance from employees at all levels. The following checklist may be used to evaluate a company's program. The more questions answered “yes,” the more thorough has been the planning for compensation administration.

Pricing Managerial and Professional Jobs

- **Compensating managers**
  - Base pay: fixed salary, guaranteed bonuses.
  - Short-term incentives: cash or stock bonuses
  - Long-term incentives: stock options
  - Executive benefits and perks: retirement plans, life insurance, and health insurance without a deductible or coinsurance.
What Really Determines Executive Pay?

- CEO pay is set by the board of directors taking into account factors such as the business strategy, corporate trends, and where they want to be in a short and long term.

- Firms pay CEOs based on the complexity of the jobs they filled.

- Boards are reducing the relative importance of base salary while boosting the emphasis on performance-based pay.
Compensating Professional Employees

- Employers can use job evaluation for professional jobs.

- Compensable factors focus on problem solving, creativity, job scope, and technical knowledge and expertise.

- Firms use the point method and factor comparison methods, although job classification seems most popular.

- Professional jobs are market-priced to establish the values for benchmark jobs.
What Is Competency-based Pay?

- **Competency-based pay**
  - Where the company pays for the employee’s range, depth, and types of skills and knowledge, rather than for the job title he or she holds.

- **Competencies**
  - Demonstrable characteristics of a person, including knowledge, skills, and behaviors, that enable performance.
Why Use Competency-Based Pay?

- Traditional pay plans may actually backfire if a high-performance work system is the goal.

- Paying for skills, knowledge, and competencies is more strategic.

- Measurable skills, knowledge, and competencies are the heart of any company’s performance management process.
Competency-Based Pay in Practice

- Main components of skill/competency/knowledge–based pay programs:
  - A system that defines specific skills, and a process for tying the person’s pay to his or her skill
  - A training system that lets employees seek and acquire skills
  - A formal competency testing system
  - A work design that lets employees move among jobs to permit work assignment flexibility.
Competency-Based Pay: Pros and Cons

**Pros**
- Higher quality
- Lower absenteeism and fewer accidents

**Cons**
- Pay program implementation problems
- Cost implications of paying for unused knowledge, skills and behaviors
- Complexity of program
- Uncertainty that the program improves productivity
Other Compensation Trends

- **Broadbanding**
  - Consolidating salary grades and ranges into just a few wide levels or “bands,” each of which contains a relatively wide range of jobs and salary levels.
    - Wide bands provide for more flexibility in assigning workers to different job grades.
    - Lack of permanence in job responsibilities can be unsettling to new employees.
Broadbanded Structure and How It Relates to Traditional Pay Grades and Ranges

Figure 11–7
Strategic Compensation

- **Strategic compensation**
  - Using the compensation plan to support the company’s strategic aims.
  - Focuses employees’ attention on the values of winning, execution, and speed, and on being better, faster, and more competitive.

- **IBM’s strategic compensation plan:**
  - The marketplace rules.
  - Fewer jobs, evaluated differently, in broadband.
  - Managers manage.
  - Big stakes for stakeholders.
Comparable Worth

**Comparable worth**

- Refers to the requirement to pay men and women equal wages for jobs that are of comparable (rather than strictly equal) value to the employer.
- Seeks to address the issue that women have jobs that are dissimilar to those of men and those jobs often consistently valued less than men’s jobs.
Compensation and Women

Factors lowering the earnings of women:

- Women’s starting salaries are traditionally lower.
- Salary increases for women in professional jobs do not reflect their above-average performance.
- In white-collar jobs, men change jobs more frequently, enabling them to be promoted to higher-level jobs over women with more seniority.
- In blue-collar jobs, women tend to be placed in departments with lower-paying jobs.
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
Key Terms

<table>
<thead>
<tr>
<th>Employee Compensation</th>
<th>Ranking Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Financial Payments</td>
<td>Job Classification (or Grading)</td>
</tr>
<tr>
<td>Indirect Financial Payments</td>
<td>Method</td>
</tr>
<tr>
<td>Davis-Bacon Act (1931)</td>
<td>Classes</td>
</tr>
<tr>
<td>Walsh-Healey Public Contract Act (1936)</td>
<td>Grades</td>
</tr>
<tr>
<td>Title VII of the 1964 Civil Rights Act</td>
<td>Grade Definition</td>
</tr>
<tr>
<td>Fair Labor Standards Act (1938)</td>
<td>Point Method</td>
</tr>
<tr>
<td>Equal Pay Act (1963)</td>
<td>Factor Comparison Method</td>
</tr>
<tr>
<td>Employee Retirement Income Security Act (ERISA)</td>
<td>Pay Grade</td>
</tr>
<tr>
<td>Salary Compression</td>
<td>Wage Curve</td>
</tr>
<tr>
<td>Salary Survey</td>
<td>Pay Ranges</td>
</tr>
<tr>
<td>Benchmark Job</td>
<td>Competency-based Pay</td>
</tr>
<tr>
<td>Job Evaluation</td>
<td>Competencies</td>
</tr>
<tr>
<td>Compensable Factor</td>
<td>Broadbanding</td>
</tr>
<tr>
<td></td>
<td>Comparable Worth</td>
</tr>
</tbody>
</table>
Quantitative Job Evaluation Methods

**Factor Comparison Job Evaluation Method**

- Step 1. Obtain job information
- Step 2. Select key benchmark jobs
- Step 3. Rank key jobs by factor
- Step 4. Distribute wage rates by factors
- Step 5. Rank key jobs according to wages assigned to each factor
- Step 6. Compare the two sets of rankings to screen out unusable key jobs
- Step 7. Construct the job-comparison scale
- Step 8. Use the job-comparison scale
Sample Definitions of Factors Typically Used in the Factor Comparison Method

1. **Mental Requirements**
   Either the possession of and/or the active application of the following:
   A. (inherent) Mental traits, such as intelligence, memory, reasoning, facility in verbal expression, ability to get along with people, and imagination.
   B. (acquired) General education, such as grammar and arithmetic; or general information as to sports, world events, etc.
   C. (acquired) Specialized knowledge such as chemistry, engineering, accounting, advertising, etc.

2. **Skill**
   A. (acquired) Facility in muscular coordination, as in operating machines, repetitive movements, careful coordinations, dexterity, assembling, sorting, etc.
   B. (acquired) Specific job knowledge necessary to the muscular coordination only; acquired by performance of the work and not to be confused with general education or specialized knowledge.
      It is very largely training in the interpretation of sensory impressions.
   Examples
   1. In operating an adding machine, the knowledge of *which* key to depress for a subtotal would be skill.
   2. In automobile repair, the ability to determine the significance of a knock in the motor would be skill.
   3. In hand-firing a boiler, the ability to determine from the appearance of the firebed how coal should be shoveled over the surface would be skill.

3. **Physical Requirements**
   A. Physical effort, such as sitting, standing, walking, climbing, pulling, lifting, etc.; both the amount exercised and the degree of the continuity should be taken into account.
   B. Physical status, such as age, height, weight, sex, strength, and eyesight.


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Sample Definitions of Five Factors Typically Used in the Factor Comparison Method

4. Responsibilities
   A. For raw materials, processed materials, tools, equipment, and property.
   B. For money or negotiable securities.
   C. For profits or loss, savings or methods’ improvement.
   D. For public contact.
   E. For records.
   F. For supervision.
   1. Primarily the complexity of supervision *given* to subordinates; the number of subordinates is a secondary feature. Planning, direction, coordination, instruction, control, and approval characterize this kind of supervision.
   2. Also, the degree of supervision *received*. If Jobs A and B gave no supervision to subordinates, but A received much closer immediate supervision than B, then B would be entitled to a higher rating than A in the supervision factor.
   To summarize the four degrees of supervision:
   Highest degree—gives much—gets little
   High degree—gives much—gets much
   Low degree—gives none—gets little
   Lowest degree—gives none—gets much

5. Working Conditions
   A. Environmental influences such as atmosphere, ventilation, illumination, noise, congestion, fellow workers, etc.
   B. Hazards—from the work or its surroundings.
   C. Hours.

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Figure 11–A1 (cont’d)
## Ranking Key Jobs by Factors

<table>
<thead>
<tr>
<th></th>
<th>Mental Requirements</th>
<th>Physical Requirements</th>
<th>Skill Requirements</th>
<th>Responsibility</th>
<th>Working Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welder</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Crane operator</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Punch press operator</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Security guard</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

1 1 is high, 4 is low.

---

Table 11–A1
## Ranking Key Jobs by Wage Rates

<table>
<thead>
<tr>
<th></th>
<th>Hourly Wage</th>
<th>Mental Requirements</th>
<th>Physical Requirements</th>
<th>Skill Requirements</th>
<th>Responsibility</th>
<th>Working Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welder</td>
<td>$9.80</td>
<td>4.00(1)</td>
<td>0.40(4)</td>
<td>3.00(1)</td>
<td>2.00(1)</td>
<td>0.40(2)</td>
</tr>
<tr>
<td>Crane operator</td>
<td>5.60</td>
<td>1.40(3)</td>
<td>2.00(1)</td>
<td>1.80(3)</td>
<td>0.20(4)</td>
<td>0.20(4)</td>
</tr>
<tr>
<td>Punch press operator</td>
<td>6.00</td>
<td>1.60(2)</td>
<td>1.30(3)</td>
<td>2.00(2)</td>
<td>0.80(2)</td>
<td>0.30(3)</td>
</tr>
<tr>
<td>Security guard</td>
<td>4.00</td>
<td>1.20(4)</td>
<td>1.40(2)</td>
<td>0.40(4)</td>
<td>0.40(3)</td>
<td>0.60(1)</td>
</tr>
</tbody>
</table>

1 is high, 4 is low.
Comparison of Factor and Wage Rankings

<table>
<thead>
<tr>
<th></th>
<th>Mental Requirements</th>
<th>Physical Requirements</th>
<th>Skill Requirements</th>
<th>Responsibility</th>
<th>Working Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$A^1$</td>
<td>$A^2$</td>
<td>$A^1$</td>
<td>$A^2$</td>
<td>$A^1$</td>
</tr>
<tr>
<td>Welder</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Crane operator</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Punch press operator</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Security guard</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

1 Amount of each factor based on step 3.
2 Ratings based on distribution of wages to each factor from step 4.
## Job (Factor)-Comparison Scale

<table>
<thead>
<tr>
<th>Mental Requirements</th>
<th>Physical Requirements</th>
<th>Skill Requirements</th>
<th>Responsibility</th>
<th>Working Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>.20</td>
<td></td>
<td></td>
<td>Crane Operator</td>
<td>Crane Operator</td>
</tr>
<tr>
<td>.30</td>
<td></td>
<td></td>
<td></td>
<td>Punch Press Operator</td>
</tr>
<tr>
<td>.40</td>
<td>Welder</td>
<td>Sec. Guard</td>
<td>Sec. Guard</td>
<td>Welder</td>
</tr>
<tr>
<td>.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>.60</td>
<td></td>
<td></td>
<td>Sec. Guard</td>
<td></td>
</tr>
<tr>
<td>.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>.80</td>
<td></td>
<td></td>
<td>Punch Press Operator</td>
<td></td>
</tr>
<tr>
<td>.90</td>
<td></td>
<td></td>
<td>(Plater)</td>
<td></td>
</tr>
<tr>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td></td>
<td></td>
<td>(Plater)</td>
<td></td>
</tr>
<tr>
<td>1.20</td>
<td>Sec. Guard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.30</td>
<td></td>
<td></td>
<td>Punch Press Operator</td>
<td></td>
</tr>
<tr>
<td>1.40</td>
<td>Crane Operator</td>
<td>Sec. Guard</td>
<td>(Inspector)</td>
<td>(Plater)</td>
</tr>
<tr>
<td>1.50</td>
<td>(Inspector)</td>
<td></td>
<td></td>
<td>(Inspector)</td>
</tr>
<tr>
<td>1.60</td>
<td></td>
<td></td>
<td>Punch Press Operator</td>
<td></td>
</tr>
<tr>
<td>1.70</td>
<td>(Plater)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.80</td>
<td></td>
<td></td>
<td>Crane Operator</td>
<td>(Inspector)</td>
</tr>
<tr>
<td>1.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.00</td>
<td>Crane Operator</td>
<td>Punch Press Operator</td>
<td>Welder</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 11–A4*
The Point Method of Job Evaluation

- Step 1. Determine clusters of jobs to be evaluated
- Step 2. Collect job information
- Step 3. Select compensable factors
- Step 4. Define compensable factors
- Step 5. Define factor degrees
- Step 6. Determine relative values of factors
Example of One Factor (Complexity/Problem Solving) in a Point Factor System

The mental capacity required to perform the given job as expressed in resourcefulness in dealing with unfamiliar problems, interpretation of data, initiation of new ideas, complex data analysis, creative or developmental work.

<table>
<thead>
<tr>
<th>Level</th>
<th>Point Value</th>
<th>Description of Characteristics and Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>Seldom confronts problems not covered by job routine or organizational policy; analysis of data is negligible. <em>Benchmark</em>: Telephone operator/receptionist.</td>
</tr>
<tr>
<td>1</td>
<td>40</td>
<td>Follows clearly prescribed standard practice and demonstrates straightforward application of readily understood rules and procedures. Analyzes uncomplicated data by established routine. <em>Benchmark</em>: Statistical clerk, billing clerk.</td>
</tr>
<tr>
<td>2</td>
<td>80</td>
<td>Frequently confronts problems not covered by job routine. Independent judgment exercised in making minor decisions where alternatives are limited and standard policies established. Analysis of standardized data for information of or use by others. <em>Benchmark</em>: Social worker, executive secretary.</td>
</tr>
<tr>
<td>3</td>
<td>120</td>
<td>Exercises independent judgment in making decisions involving nonroutine problems with general guidance only from higher supervision. Analyzes and evaluates data pertaining to nonroutine problems for solution in conjunction with others. <em>Benchmark</em>: Nurse, accountant, team leader.</td>
</tr>
<tr>
<td>4</td>
<td>160</td>
<td>Uses independent judgment in making decisions that are subject to review in the final stages only. Analyzes and solves nonroutine problems involving evaluation of a wide variety of data as a regular part of job duties. Makes decisions involving procedures. <em>Benchmark</em>: Associate director, business manager, park services director.</td>
</tr>
<tr>
<td>5</td>
<td>200</td>
<td>Uses independent judgment in making decisions that are not subject to review. Regularly exercises developmental or creative abilities in policy development. <em>Benchmark</em>: Executive director.</td>
</tr>
</tbody>
</table>

## Evaluation Points Assigned to Factors and Degrees

<table>
<thead>
<tr>
<th></th>
<th>First-Degree Points</th>
<th>Second-Degree Points</th>
<th>Third-Degree Points</th>
<th>Fourth-Degree Points</th>
<th>Fifth-Degree Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision making</td>
<td>41</td>
<td>82</td>
<td>123</td>
<td>164</td>
<td>204</td>
</tr>
<tr>
<td>Problem solving</td>
<td>35</td>
<td>70</td>
<td>105</td>
<td>140</td>
<td>174</td>
</tr>
<tr>
<td>Knowledge</td>
<td>24</td>
<td>48</td>
<td>72</td>
<td>96</td>
<td>123</td>
</tr>
</tbody>
</table>
Chapter 12

Part 4 Compensation

Pay for Performance and Financial Incentives
After studying this chapter, you should be able to:

1. Discuss the main incentives for individual employees.
2. Discuss the pros and cons of incentives for salespeople.
3. Name and define the most popular organization-wide variable pay plans.
4. Describe the main incentives for managers and executives.
5. Outline the steps in developing effective incentive plans.
Motivation, Performance, and Pay

➢ **Incentives**
  
  – Financial rewards paid to workers whose production exceeds a predetermined standard.

➢ **Frederick Taylor**
  
  – Popularized scientific management and the use of financial incentives in the late 1800s.

  • Systematic soldiering: the tendency of employees to work at the slowest pace possible and to produce at the minimum acceptable level.
Individual Differences

- **Law of individual differences**
  - The fact that people differ in personality, abilities, values, and needs.
  - Different people react to different incentives in different ways.
  - Managers should be aware of employee needs and fine-tune the incentives offered to meet their needs.
  - Money is not the only motivator.
Employee Preferences for Noncash Incentives

*The survey polled a random nationwide sample of 1,004 American adults. Among those polled, 851 were working or retired Americans, whose responses represent the percentage cited in this release. The survey was conducted June 4–7, 1999, by Wirthlin Worldwide. The margin of error is ±3.1%. Responses total less than 100 because 4% responded “something else”.

Needs and Motivation

Abraham Maslow’s Hierarchy of Needs

– Five increasingly higher-level needs:
  • physiological (food, water, sex)
  • security (a safe environment)
  • social (relationships with others)
  • self-esteem (a sense of personal worth)
  • self-actualization (becoming the desired self)

– Lower level needs must be satisfied before higher level needs can be addressed or become of interest to the individual.
Needs and Motivation (cont’d)

Herzberg’s Hygiene–Motivator theory

- **Hygienes (extrinsic job factors)**
  - Inadequate working conditions, salary, and incentive pay can cause dissatisfaction and prevent satisfaction.

- **Motivators (intrinsic job factors)**
  - Job enrichment (challenging job, feedback and recognition) addresses higher-level (achievement, self-actualization) needs.

- The best way to motivate someone is to organize the job so that doing it helps satisfy the person’s higher-level needs.
Edward Deci

- Intrinsically motivated behaviors are motivated by the underlying need for competence and self-determination.

- Offering an extrinsic reward for an intrinsically-motivated act can conflict with the acting individual’s internal sense of responsibility.

- Some behaviors are best motivated by job challenge and recognition, others by financial rewards.
Instrumentality and Rewards

Vroom’s Expectancy Theory

- A person’s motivation to exert some level of effort is a function of three things:
  - **Expectancy**: that effort will lead to performance.
  - **Instrumentality**: the connection between performance and the appropriate reward.
  - **Valence**: the value the person places on the reward.

- **Motivation = E x I x V**
  - If any factor (E, I, or V) is zero, then there is no motivation to work toward the reward.
  - Employee confidence building and training, accurate appraisals, and knowledge of workers’ desired rewards can increase employee motivation.
Types of Incentive Plans

Pay-for-performance plans

- Variable pay (organizational focus)
  - A team or group incentive plan that ties pay to some measure of the firm’s overall profitability.

- Variable pay (individual focus)
  - Any plan that ties pay to individual productivity or profitability, usually as one-time lump payments.
Types of Incentive Plans (cont’d)

- Pay-for-performance plans
  - Individual incentive/recognition programs
  - Sales compensation programs
  - Team/group-based variable pay programs
  - Organizationwide incentive programs
  - Executive incentive compensation programs
Individual Incentive Plans

**Piecework Plans**

- The worker is paid a sum (called a *piece rate*) for each unit he or she produces.
  
  - **Straight piecework:** A fixed sum is paid for each unit the worker produces under an established piece rate standard. An incentive may be paid for exceeding the piece rate standard.
  
  - **Standard hour plan:** The worker gets a premium equal to the percent by which his or her work performance exceeds the established standard.
Individual Incentive Plans (cont’d)

➢ *Pro and cons of piecework*

- Easily understandable, equitable, and powerful incentives
- Employee resistance to changes in standards or work processes affecting output
- Quality problems caused by an overriding output focus
- Possibility of violating minimum wage standards
- Employee dissatisfaction when incentives either cannot be earned due to external factors or are withdrawn due to a lack of need for output
Individual Incentive Plans (cont’d)

- **Merit pay**
  - A permanent cumulative salary increase the firm awards to an individual employee based on his or her individual performance.

- **Merit pay options**
  - Annual lump-sum merit raises that do *not* make the raise part of an employee’s base salary.
  - Merit awards tied to both individual and organizational performance.
Lump-Sum Award Determination Matrix  
(an example)

To determine the dollar value of each employee’s incentive award: (1) multiply the employee’s annual, straight-time wage or salary as of June 30 times his or her maximum incentive award and (2) multiply the resultant product by the appropriate percentage figure from this table. For example, if an employee had an annual salary of $20,000 on June 30 and a maximum incentive award of 7% and if her performance and the organization’s performance were both “excellent,” the employee’s award would be $1,120: ($20,000 \times 0.07 \times 0.80 = $1,120).

<table>
<thead>
<tr>
<th>The Employee’s Performance rating (Weight = .50)</th>
<th>Outstanding</th>
<th>Excellent</th>
<th>Good</th>
<th>Marginal</th>
<th>Unacceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>1.00</td>
<td>0.90</td>
<td>0.80</td>
<td>0.70</td>
<td>0.00</td>
</tr>
<tr>
<td>Excellent</td>
<td>0.90</td>
<td>0.80</td>
<td>0.70</td>
<td>0.60</td>
<td>0.00</td>
</tr>
<tr>
<td>Good</td>
<td>0.80</td>
<td>0.70</td>
<td>0.60</td>
<td>0.50</td>
<td>0.00</td>
</tr>
<tr>
<td>Marginal</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 12–1
Individual Incentive Plans (cont’d)

- Incentives for professional employees
  - Professional employees are those whose work involves the application of learned knowledge to the solution of the employer’s problems.
    - Lawyers, doctors, economists, and engineers.

- Possible incentives
  - Bonuses, stock options and grants, profit sharing
  - Better vacations, more flexible work hours
  - improved pension plans
  - Equipment for home offices
Individual Incentive Plans (cont’d)

- **Recognition-based awards**
  - Recognition has a positive impact on performance, either alone or in conjunction with financial rewards.
    - Combining financial rewards with nonfinancial ones produced performance improvement in service firms almost twice the effect of using each reward alone.
  - Day-to-day recognition from supervisors, peers, and team members is important.
Individual Incentive Plans (cont’d)

- **Online award programs**
  - Programs offered by online incentives firms that improve and expedite the awards process.
    - Broader range of awards
    - More immediate rewards

- **Information technology and incentives**
  - Enterprise incentive management (EIM)
    - Software that automates the planning, calculation, modeling and management of incentive compensation plans, enabling companies to align their employees with corporate strategy and goals.
Incentives for Salespeople

- **Salary plan**
  - Straight salaries
    - Best for: prospecting (finding new clients), account servicing, training customer’s salesforce, or participating in national and local trade shows.

- **Commission plan**
  - Pay is only a percentage of sales
    - Keeps sales costs proportionate to sales revenues.
    - May cause a neglect of nonselling duties.
    - Can create wide variation in salesperson’s income.
    - Likelihood of sales success may linked to external factors rather than to salesperson’s performance.
    - Can increase turnover of salespeople.
Incentives for Salespeople (cont’d)

**Combination plan**

- Pay is a combination of salary and commissions, usually with a sizable salary component.
- Plan gives salespeople a floor (safety net) to their earnings.
- Salary component covers company-specified service activities.
- Plans tend to become complicated, and misunderstandings can result.
Specialized Combination Plans

- **Commission-plus-drawing-account plan**
  - Commissions are paid but a draw on future earnings helps the salesperson to get through low sales periods.

- **Commission-plus-bonus plan**
  - Pay is mostly based on commissions.
  - Small bonuses are paid for directed activities like selling slow-moving items.
Setting Sales Quotas

- Whether to lock quotas in for a period of time?
- Have quotas been communicated quotas to the salesforce within one month of the start of the period?
- Does the salesforce know exactly how its quotas are set?
- Do you combine bottom-up information (like account forecasts) with top-down requirements (like the company business plan)?
- Do 60% to 70% of the salesforce generally hit their quota?
- Do high performers hit their targets consistently?
- Do low performers show improvement over time?
- Are quotas stable through the performance period?
- Are returns and debookings reasonably low?
- Has your firm generally avoided compensation-related lawsuits?
- Is 10% of the salesforce achieving higher performance than previously?
- Is 5% to 10% of the salesforce achieving below quota performance and receiving coaching?
Team/Group Variable Pay Incentive Plans

- **Team or group incentive plan**
  - A plan in which a production standard is set for a specific work group, and its members are paid incentives if the group exceeds the production standard.
How to Design Team Incentives

- Set individual work standards
  - Set work standards for each team member and then calculate each member’s output.
  - Members are paid based on one of three formulas:
    - All members receive the same pay earned by the highest producer.
    - All members receive the same pay earned by the lowest producer.
    - All members receive same pay equal to the average pay earned by the group.
How to Design Team Incentives (cont’d)

- **Use an engineered production standard based on the output of the group as a whole.**
  - All members receive the same pay, based on the piece rate for the group’s job.
    - This group incentive can use the piece rate or standard hour plan, but the latter is more prevalent.

- **Tie rewards to goals based on an overall standard of group performance**
  - If the firm reaches its goal, the employees share in a percentage of the improvement (in labor costs saved).
Organizationwide Variable Pay Plans

- **Profit-sharing plans**
  - **Cash plans**
    - Employees receive cash shares of the firm’s profits at regular intervals.
  - **The Lincoln incentive system**
    - Profits are distributed to employees based on their individual merit rating.
  - **Deferred profit-sharing plans**
    - A predetermined portion of profits is placed in each employee’s account under a trustee’s supervision.
Organizationwide Variable Pay Plans (cont’d)

- **Employee stock ownership plan (ESOP)**

  - A corporation annually contributes its own stock—or cash (with a limit of 15% of compensation) to be used to purchase the stock—to a trust established for the employees.

  - The trust holds the stock in individual employee accounts and distributes it to employees upon separation from the firm if the employee has worked long enough to earn ownership of the stock.
Advantages of ESOPs

**Employees**
- ESOPs help employees develop a sense of ownership in and commitment to the firm, and help to build teamwork.
- No taxes on ESOPs are due until employees receive a distribution from the trust, usually at retirement when their tax rate is lower.

**Shareholders of closely held corporations**
- Helps to diversify their assets by placing their shares of company stock into an ESOP trust and allowing them to purchase other marketable securities for themselves in their place.
Advantages of ESOPs (cont’d)

*The company*

- A tax deduction equal to the fair market value of the shares transferred to the trustee.
- An income tax deduction for dividends paid on ESOP-owned stock.
- The Employee Retirement Income Security Act (ERISA) allows a firm to borrow against employee stock held in trust and then repay the loan in pretax rather than after-tax dollars.
- Firms offering ESOP had higher shareholder returns than did those not offering ESOPs.
Scanlon Plan

Scanlon plan (Joseph Scanlon, 1937)

– Philosophy of cooperation
  • No “us” and “them” attitudes that inhibit employees from developing a sense of ownership in the company.

– Identity
  • Employees understand the business’s mission and how it operates in terms of customers, prices, and costs.

– Competence
  • The plan depends a high level of competence from employees at all levels.

– Sharing of benefits formula
  • Employees share in 75% of the savings (reduction in payroll expenses divided by total sales).
Gainsharing Plans

- **Gainsharing**
  - An incentive plan that engages many or all employees in a common effort to achieve a company’s productivity objectives.
  - Cost-savings gains are shared among employees and the company.

- **Rucker plan**

- **Improshare**
Implementing a Gainsharing Plan

1. Establish general plan objectives.
2. Choose specific performance measures.
3. Decide on a funding formula.
4. Decide on a method for dividing and distributing the employees’ share of the gains.
5. Choose the form of payment.
6. Decide how often to pay bonuses.
7. Develop the involvement system.
8. Implement the plan.
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
At-Risk Variable Pay Plans

- At-risk variable pay plans that put some portion of the employee’s weekly pay at risk.
  - If employees meet or exceed their goals, they earn incentives.
  - If they fail to meet their goals, they forgo some of the pay they would normally have earned.
Short-Term Incentives for Managers And Executives

- **Annual bonus**
  - Plans that are designed to motivate short-term performance of managers and are tied to company profitability.
    - Eligibility basis: job level, base salary, and impact on profitability
    - Fund size basis: nondeductible formula (net income) or deductible formula (profitability)
    - Individual awards: personal performance/contribution
Multiplier Approach to Determining Annual Bonus

**Company Performance (based on sales targets, weight .50)**

<table>
<thead>
<tr>
<th>Individual Performance</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>.90</td>
<td>.80</td>
<td>.70</td>
</tr>
<tr>
<td>(based on appraisal. weight .50)</td>
<td>Good</td>
<td>.80</td>
<td>.70</td>
<td>.60</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Note:* To determine the dollar amount of a manager’s award, multiply the maximum possible (target) bonus by the appropriate factor in the matrix.
Long-Term Incentives for Managers And Executives

- Stock option
  - The right to purchase a specific number of shares of company stock at a specific price during a specific period of time.
    - Nonqualified stock option
    - Indexed option
    - Premium priced option
  - Options have no value (go “underwater”) if the price of the stock drops below the option’s strike price (the option’s stock purchase price).
Long-Term Incentives for Managers And Executives (cont’d)

- **Other plans**
  - Key employee program
  - Stock appreciation rights
  - Performance achievement plan
  - Restricted stock plans
  - Phantom stock plans

- **Performance plans**
  - Plans whose payment or value is contingent on financial performance measured against objectives set at the start of a multi-year period.
Other Executive Incentives

- **Golden parachutes**
  - Payments companies make to departing executives in connection with a change in ownership or control of a company.

- **Guaranteed loans to directors**
  - Loans provided to buy company stock.
  - A highly risky and now frowned upon practice.
Creating an Executive Compensation Plan

- Define the strategic context for the executive compensation program.
- Shape each component of the package to focus the manager on achieve the firm’s strategic goals.
- Create a stock option plan to meet the needs of the executives and the company and its strategy.
- Check the executive compensation plan for compliance with all legal and regulatory requirements and for tax effectiveness.
- Install a process for reviewing and evaluating the executive compensation plan whenever a major business change occurs.
Why Incentive Plans Fail

- Performance pay can’t replace good management.
- You get what you pay for.
- “Pay is not a motivator.”
- Rewards punish.
- Rewards rupture relationships.
- Rewards can have unintended consequences.
- Rewards may undermine responsiveness.
- Rewards undermine intrinsic motivation.
Implementing Effective Incentive Plans

- Ask: Is effort clearly instrumental in obtaining the reward?
- Link the incentive with your strategy.
- Make sure effort and rewards are directly related.
- Make the plan easy for employees to understand.
- Set effective standards.
- View the standard as a contract with your employees.
- Get employees’ support for the plan.
- Use good measurement systems.
- Emphasize long-term as well as short-term success.
- Adopt a comprehensive, commitment-oriented approach.
**HR Activities that Build Commitment**

- Clarifying and communicating the goals and mission of the organization.
- Guaranteeing organizational justice.
- Creating a sense of community by emphasizing teamwork and encouraging employees to interact.
- Supporting employee development by emphasizing promotion from within, developmental activities, and career-enhancing activities.
- Generally committing to “people-first values.”
# Express Auto Compensation System

<table>
<thead>
<tr>
<th>Express Auto Team</th>
<th>Responsibility of Team</th>
<th>Current Compensation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales force</td>
<td>Persuade buyer to purchase a car.</td>
<td>Very small salary (minimum wage) with commissions. Commission rate increases with every 20 cars sold per month.</td>
</tr>
<tr>
<td>2. Finance office</td>
<td>Help close the sale; persuade customer to use company finance plan.</td>
<td>Salary, plus bonus for each $10,000 financed with the company.</td>
</tr>
<tr>
<td>3. Detailing</td>
<td>Inspect cars delivered from factory, clean, and make minor adjustments</td>
<td>Piecework paid on the number of cars detailed per day.</td>
</tr>
<tr>
<td>4. Mechanics</td>
<td>Provide factory warranty service, maintenance, and repair.</td>
<td>Small hourly wage, plus bonus based on (1) number of cars completed per day and (2) finishing each car faster than the standard estimated time to repair.</td>
</tr>
<tr>
<td>5. Receptionists/phone service personnel</td>
<td>Primary liaison between customer and salesforce, finance, and mechanics.</td>
<td>Minimum wage.</td>
</tr>
</tbody>
</table>

Table 12–3
### Key Terms

<table>
<thead>
<tr>
<th>Law of Individual Differences</th>
<th>Team or Group Incentive Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectancy</td>
<td>Profit-Sharing Plan</td>
</tr>
<tr>
<td>Instrumentality</td>
<td>Employee Stock Ownership Plan (ESOP)</td>
</tr>
<tr>
<td>Valence</td>
<td>Scanlon Plan</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>Gainsharing Plan</td>
</tr>
<tr>
<td>Piecework</td>
<td>At-Risk Variable Pay Plans</td>
</tr>
<tr>
<td>Straight Piecework</td>
<td>Annual Bonus</td>
</tr>
<tr>
<td>Standard Hour Plan</td>
<td>Stock Option</td>
</tr>
<tr>
<td>Merit Pay (Merit Raise)</td>
<td>Golden Parachutes</td>
</tr>
</tbody>
</table>
Chapter 13

Part 4  Compensation

Benefits and Services
After studying this chapter, you should be able to:

1. Name and define each of the main pay for time not worked benefits.
2. Describe each of the main insurance benefits.
3. Discuss the main retirement benefits.
4. Outline the main employees’ services benefits.
5. Explain the main flexible benefit programs.
Benefits

- **Benefits**
  - Indirect financial and nonfinancial payments employees receive for continuing their employment with the company.

- **Types of employee benefit plans**
  - Supplemental pay: sick leave and vacation pay
  - Insurance: workers’ compensation
  - Retirement: Pensions
  - Employee services: child-care facilities
The Benefits Picture Today

- Most full-time employees in the United States receive benefits.
- Virtually all employers—99%—offer some health insurance coverage.
- Benefits are a major expense (about one-third of wages and salaries) for employers.
- Employees do seem to understand the value of health benefits.
Annual Health Care Cost Increases

Annual Health Care Cost Increases—National Averages

Source: Hewitt Health Value Initiative.
Note: 2002 projected.

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Figure 13–1
Private-Sector Employer Compensation Costs, June 2003

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Laws Affecting Employee Benefits

- **Retirement plans**
  - Employee Retirement Income Security Act of 1975 (ERISA)
  - Economic Growth and Tax Relief Conciliation Act of 2000
  - Job Creation and Worker Assistance Act

- **Health plans**
  - The Newborn Mother’s Protection Act of 1996
  - The Mental Health Parity Act of 1996
  - Age Discrimination in Employment Act
  - Health Insurance Portability and Accountability Act of 1996 (HIPAA)
  - Family and Medical Leave Act (FMLA)
  - Americans with Disabilities Act (ADA)
Types of Employee Benefits

- Pay for time not worked
- Insurance benefits
- Retirement benefits
- Services
Issues in Developing Benefits Plans

- Benefits to be offered.
- Coverage of retirees in the plan
- Denial of benefits to employees during initial “probationary” periods
- Financing of benefits.
- Benefit choices to give employees.
- Cost containment procedures to use.
- Communicating benefits options to employees.
Legally Required or Regulated Benefits

<table>
<thead>
<tr>
<th>Benefits Required by Federal or Most State Law</th>
<th>Benefits Discretionary on Part of Employer*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>Disability, Health, and Life Insurance</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>Pensions</td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>Paid Time Off for Vacations, Holidays, Sick Leave, Personal Leave, Jury Duty, etc.</td>
</tr>
<tr>
<td>Leaves under Family Medical Leave Act</td>
<td>Employee Assistance and Counseling Programs</td>
</tr>
<tr>
<td></td>
<td>“Family Friendly” benefits for Child Care, Elder Care, Flexible Work Schedules, etc</td>
</tr>
<tr>
<td></td>
<td>Executive Perquisites</td>
</tr>
</tbody>
</table>

* While not required under federal law, all these benefits are regulated in some way by federal law, as explained in this chapter.
Pay for Time Not Worked

- **Unemployment insurance**
  - Provides for benefits if a person is unable to work through no fault of his or her own.
  - Payroll tax on employers that is determined by an employer’s rate of personnel terminations.
  - Tax is collected and administered by the state.

- **Vacations and holidays**
  - Number of paid vacation days varies by employer.
  - Number of holidays varies by employer.
  - Premium pay for work on holidays.
Pay for Time Not Worked (cont’d)

- **Sick leave**
  - Provides pay to an employee when he or she is out of work because of illness.
    - Costs for misuse of sick leave
    - Pooled paid leave plans

- **Parental leave**
  - The Family Medical Leave Act of 1993 (FMLA)
    - Up to 12 weeks of unpaid leave within a one-year period
    - Employees must take unused paid leave first.
    - Employees on leave retain their health benefits.
    - Employees have the right to return to their job or equivalent position.
This request and the U.S. Department of Labor Certification of Health Care Provider form should be sent to Human Resources Salary Administration, Box 7210, NCSU, Raleigh, NC 27695. CALS-Cooperative Extension Personnel should forward their forms to CALS Personnel Office, Box 7602, NCSU, Raleigh, NC 27695.

Employee Name ___________________________________________ PeopleSoft ID# ____________________________

Telephone ____________________(work)______________________(home)

Department ____________________________________________

Supervisor Name _________________________________________ Telephone ________________________________

Leave Coordinator Name __________________________________ Telephone ________________________________

Leave to Begin _____ / _____ / _____ Return to Work _____ / _____ / _____

While on Family Illness Leave I plan to use: (check all that apply)

☐ Leave Without Pay (LWOP) ☐ Sick Leave ☐ Comp Time
☐ Annual Leave ☐ Bonus Leave

I have applied for participation in the Shared Leave Program ☐ Yes ☐ No

I understand that if I am taking this leave as LWOP, I will need to pay for my health benefits should I want them to continue while I am on Family Illness Leave. I also understand that I must provide written notice of my intention to return to work prior to the end of my leave and return to duty within or at the end of the time granted, or notify the department immediately when there is a decision not to return. Failure to report at the expiration of a leave, unless an extension has been requested and approved, may be considered as a resignation.

Employee Signature ___________________________________________ Date ________________

Supervisor Signature ___________________________________________ Date ________________

Human Resources Signature ___________________________________________ Date ________________

Source: Used with permission.
Pay for Time Not Worked (cont’d)

Severance pay

- A one-time payment when terminating an employee.

- Reasons for granting severance pay:
  
  - Acts as a humanitarian gesture and good public relations.
  
  - Mirrors employee’s two week quit notice.
  
  - Avoids litigation from disgruntled former employees.
  
  - Meets Worker Adjustment and Retraining Notification ("plant closing") Act requirements.
  
  - Reassures employees who stay on after the employer downsizes its workforce of employer’s good intentions.
Pay for Time Not Worked (cont’d)

Supplemental unemployment benefits (SUB)

- Payments that supplement the laid-off or furloughed employee’s unemployment compensation.
  - The employer makes contributions to a reserve fund from which SUB payments are made to employees for the time the employee is out of work due to layoffs, reduced workweeks, or relocations.
  - SUB payments are considered previously earned compensation for unemployment calculation purposes.
Insurance Benefits

Workers’ compensation

- Provides income and medical benefits to work-related accident victims or their dependents, regardless of fault.
  - Death or disability: a cash benefit based on earnings per week of employment.
  - Specific loss injuries: statutory list of losses

- Controlling worker compensation costs
  - Screen out accident-prone workers.
  - Make the workplace safer.
  - Thoroughly investigate accident claims.
  - Use case management to return injured employees to work as soon as possible.
Insurance Benefits (cont’d)

- Hospitalization, health, and disability insurance
  - Provide for loss of income protection and group-rate coverage of basic and major medical expenses for off-the-job accidents and illnesses.
    - Accidental death and dismemberment
    - Disability insurance
## Percent of Employers Offering Health Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Number Responding</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription drug program coverage</td>
<td>580</td>
<td>98%</td>
</tr>
<tr>
<td>Life insurance</td>
<td>582</td>
<td>97%</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>581</td>
<td>96%</td>
</tr>
<tr>
<td>PPO (preferred provider organization)</td>
<td>578</td>
<td>87%</td>
</tr>
<tr>
<td>Mental health insurance</td>
<td>578</td>
<td>76%</td>
</tr>
<tr>
<td>Vision insurance</td>
<td>580</td>
<td>71%</td>
</tr>
<tr>
<td>Employee assistance program</td>
<td>579</td>
<td>67%</td>
</tr>
<tr>
<td>Vaccinations on-site (example: flu shots)</td>
<td>581</td>
<td>60%</td>
</tr>
<tr>
<td>Chiropractic insurance</td>
<td>576</td>
<td>59%</td>
</tr>
<tr>
<td>Wellness program, resources, and information</td>
<td>578</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>581</td>
<td>55%</td>
</tr>
<tr>
<td>HMO (health maintenance organization)</td>
<td>576</td>
<td>54%</td>
</tr>
</tbody>
</table>

*Source: Adapted from SHRM/SHRM Foundation 2003 Benefits Survey.*

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Insurance Benefits (cont’d)

- **Health maintenance organization (HMO)**
  
  - A medical organization consisting of specialists operating out of a community-based health care center.
  
    - Provides routine medical services to employees who pay a nominal fee.
    
    - Receives a fixed annual contract fee per employee from the employer (or employer and employee), regardless of whether it provides that person with service.
Insurance Benefits (cont’d)

- **Preferred provider organizations (PPOs)**
  - Groups of health care providers that contract to provide medical care services at reduced fees.
    - Employees can select from a list of preferred individual health providers.
    - Preferred providers agree to discount services and to submit to certain utilization controls, such as on the number of diagnostic tests they can order.
    - Employees using non-PPO-listed providers may pay all of the service costs or the portion of the costs above the reduced fee structure for services.
Other Cost-Saving Strategies

1. Wellness programs
2. Disease management
3. Absence management
4. On-site primary care
5. Eliminating cost-inefficient plans
6. Moving toward PPO

Insurance Benefits (cont’d)

New trends in health care cost control:

– Use of cost-containment specialists
– Getting employees more involved and empowered
– Automating health care plan administration
  • Online selection software
– Using defined contribution health care plans
– Outsourcing health care benefits administration
– Reducing or eliminating retiree health care coverage
– Joining benefits purchasing alliances
Insurance Benefits (cont’d)

Other insurance issues

- Mental health benefits and the Mental Health Parity Act of 1996
- The Pregnancy Discrimination Act
- COBRA requirements
- Long-term care
- Group life insurance
- Provision of benefits for part-time and contingent workers
Retirement Benefits

- **Social Security (Federal Old Age and Survivor’s Insurance)**
  - A federal payroll tax (7.65%) paid by both the employee and the employer on the employee’s wages
    - Retirement benefits at the age of 62
    - Survivor’s or death benefits paid to the employee’s dependents
    - Disability payments to disabled employees and their dependents.
  - The Medicare program
Retirement Benefits (cont’d)

- **Types of pension plans**
  - Contributory: employees contribute to the plan.
  - Noncontributory plans: employer makes all contributions to the plan.
  - Qualified plans: plans that meet requirements for tax benefits for employer contributions.
  - Nonqualified plans: plans not meeting requirements for favorable tax treatment.
Retirement Benefits (cont’d)

- Defined contribution: contributions of employees and employers are specified; plan payouts are not.

- Defined benefit plans: plan payouts are specified; however, contributions must be sufficient to insure payouts.
Retirement Benefits (cont’d)

- **401(k) Plans**
  - Defined contribution plans based on section 401(k) of the Internal Revenue Code.
    - Plans are funded by pretax payroll deductions.
    - Contributions are invested in mutual stock funds and bond funds.
    - The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) raised limits on employee contributions.
Retirement Benefits (cont’d)

Other types of defined contribution plans

– Savings and thrift plans
  • Employees contribute a portion of their earnings to a fund; the employer usually matches this contribution in whole or in part.

– Deferred profit-sharing plans
  • Employers contribute a portion of profits to the pension fund, regardless of the level of employee contribution.

– Employee stock ownership plans (ESOPs)
  • Qualified, tax-deductible stock bonus plans in which employers contribute company stock to a trust for eventual use by employees.
Retirement Benefits (cont’d)

- **Employee Retirement Income Security Act (ERISA) of 1974**
  - Restricts what companies must do in regard to pension plans. In unionized companies, the union can participate in pension plan administration.
  - **Pension Benefits Guarantee Corporation (PBGC)**
    - Insures pensions of a qualified plan that terminates without sufficient funds to meet obligations.
    - Guarantees only defined benefit plans, not defined contribution plans.
    - Will only pay an individual a pension of up to about $27,000 per year.
Retirement Benefits (cont’d)

- Employees’ vesting rights under ERISA
  - Participants have a right to 100% of accrued benefits after five years of service.
    - Employers may phase in vesting over a period of three to seven years.
  - An employer can require that an employee complete a period of two years’ service before becoming eligible to participate in the plan.
    - If an employer requires more than one year of service before eligibility, the plan must grant employees full and immediate vesting rights at the end of that period.
Retirement Benefits (cont’d)

- **Key policy issues in pension planning**
  - **Membership requirements**
    - Setting the minimum age or minimum service at which employees become eligible for a pension.
  - **Benefit formula**
    - Determining pension payouts for individual employees.
  - **Plan funding**
    - Funding the plan (contributory or noncontributory).
  - **Vesting**
    - Meeting ERISA requirements for employer and employee contributions that cannot be forfeited for any reason by the vested employee.
Retirement Benefits (cont’d)

- **Pension alternatives**
  - **Early retirement windows**
    - Specific employees (often age 50-plus) are offered the opportunity to voluntarily retire earlier than usual.
    - The financial incentive is generally a combination of improved or liberalized pension benefits plus a cash payment.
  - **Older Workers’ Benefit Protection Act (OWBPA)**
    - Imposes limitations on waivers that purport to release a terminating employee’s potential claims against the employer based on age discrimination.
Retirement Benefits (cont’d)

➢ Pension alternatives (cont’d)

– Increasing portability
  • Defined benefit plans to defined contribution plans
  • Allows workers who leave the firm before retirement to receive initial benefits at a younger age.

– Cash balance pension plans
  • Defined benefit plan in which the employer contributes a percentage of employees’ pay to the plan every year, and employees earn interest on this amount.
  • Provide the portability of defined contribution plans with the employer funding of defined benefit plans.
  • Conversion to cash balance plans can have a disparate impact on older workers nearing retirement.
Personal Services

- **Credit unions**
  - Separate businesses established with the employer’s assistance to help employees with their borrowing and saving needs.

- **Employee assistance programs (EAPs)**
  - Provide counseling and advisory services:
    - Personal legal and financial services
    - Child and elder care referrals
    - Adoption assistance
    - Mental health counseling
    - Life event planning
Employee Assistance Programs

Key steps for launching a successful EAP program include:

- Develop a policy statement.
- Ensure professional staffing.
- Maintain confidential record-keeping systems.
- Be aware of legal issues.
Family-Friendly Benefits

- On-site or subsidized child care
- Elder care
- Fitness and medical facilities
- Food services
- Flexible work scheduling
- Telecommuting

- Educational subsidies
- Sabbaticals
- Loan programs for home office equipment
- Stock options
- Concierge services
- Trauma counseling
Executive Perquisites

- Management loans
- Golden parachutes
- Financial counseling
- Relocation benefits
- Sabbaticals
- Severance pay
- Outplacement assistance
- Company cars
- Chauffeured limousines
- Security systems

- Company planes and yachts
- Executive dining rooms
- Physical fitness programs
- Legal services
- Tax assistance
- Expense accounts
- Club memberships
- Season tickets
- Credit cards
- Children’s education
Flexible Benefits Programs

- **The cafeteria (flexible benefits) approach**
  - Each employee is given a benefits fund budget to spend on the benefits he or she prefers.
    - The fund limits the total cost for each benefits package.
    - *Core plus option plans* establish a core set of benefits which are mandatory for all employees.

- **Flexible spending accounts**
  - Enable employees to pay for medical and other expenses with pretax dollars by depositing funds in their accounts from payroll deductions.
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
Sample Survey of Employee Needs


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Flexible Work Arrangements

Flextime

- A plan whereby employees’ workdays are built around a core of mid-day hours when all workers are required to be present.

- Workers can arrange their own starting and stopping hours before and after the core period.

  - Positive effects on employee productivity, job satisfaction, satisfaction with work schedule, and employee absenteeism.

  - Positive effect on absenteeism was much greater than on productivity.
Flexible Work Arrangements (cont’d)

Compressed workweeks

- **Increase productivity**
  - Less disruption from shift changes
  - Longer time-off-work periods
  - Reduced absenteeism

- **Longer workdays; fewer workdays:**
  - Four-day workweeks, with four 10-hour days.
  - Two days on, two days off, three days on, then two days off, two days on, and so forth.
  - Three 12-hour shifts, and then off for the next four days.
Other Flexible Work Arrangements

- **Job sharing**
  - Allowing two or more people to share a single full-time job.

- **Work sharing**
  - A temporary reduction in work hours by a group of employees during economic downturns as a way to prevent layoffs.

- **Telecommuting**
  - Employees work at home using telephones and the Internet to transmit letters, data, and completed work to the home office.
<table>
<thead>
<tr>
<th>Key Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>benefits</td>
</tr>
<tr>
<td>supplemental pay benefits</td>
</tr>
<tr>
<td>unemployment insurance</td>
</tr>
<tr>
<td>sick leave</td>
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<tr>
<td>severance pay</td>
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<tr>
<td>supplemental unemployment benefits</td>
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<tr>
<td>workers’ compensation</td>
</tr>
<tr>
<td>health maintenance organization (HMO)</td>
</tr>
<tr>
<td>preferred provider organizations (PPOs)</td>
</tr>
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<td>group life insurance</td>
</tr>
<tr>
<td>Social Security</td>
</tr>
<tr>
<td>pension plans</td>
</tr>
<tr>
<td>defined benefit pension plan</td>
</tr>
<tr>
<td>defined contribution pension plan</td>
</tr>
<tr>
<td>401(k) plan</td>
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<td>savings and thrift plan</td>
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<tr>
<td>deferred profit-sharing plan</td>
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<td>employee stock ownership plan (ESOP)</td>
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<td>Employee Retirement Income Security Act (ERISA)</td>
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<td>vesting</td>
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<tr>
<td>Pension Benefits Guarantee Corporation (PBGC)</td>
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<td>early retirement window</td>
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<td>cash balance plans</td>
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<td>employee assistance program</td>
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<td>flexible benefits plan/cafeteria benefits plan</td>
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<tr>
<td>job sharing</td>
</tr>
<tr>
<td>work sharing</td>
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<tr>
<td>telecommuting</td>
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</tbody>
</table>
Chapter 14
Part 5 Employee Relations

Ethics, Justice, and Fair Treatment in HR Management
After studying this chapter, you should be able to:

1. Explain what is meant by ethical behavior at work.
2. Discuss important factors that shape ethical behavior at work.
3. Describe at least four specific ways in which HR management can influence ethical behavior at work.
4. Employ fair disciplinary practices.
5. List at least four important factors in managing dismissals effectively.
Ethics and Fair Treatment at Work

**Ethics**

- The principles of conduct governing an individual or a group; specifically, the standards you use to decide what your conduct should be.
- Ethical behavior depends on the person’s frame of reference.
### Office Technology

1. Is it wrong to use company e-mail for personal reasons?
   - [ ] Yes  [ ] No

2. Is it wrong to use office equipment to help your children or spouse do schoolwork?
   - [ ] Yes  [ ] No

3. Is it wrong to play computer games on office equipment during the workday?
   - [ ] Yes  [ ] No

4. Is it wrong to use office equipment to do Internet shopping?
   - [ ] Yes  [ ] No

5. Is it unethical to blame an error you made on a technological glitch?
   - [ ] Yes  [ ] No

6. Is it unethical to visit pornographic Web sites using office equipment?
   - [ ] Yes  [ ] No

### Gifts and Entertainment

7. What's the value at which a gift from a supplier or client becomes troubling?
   - [ ] $25  [ ] $50  [ ] $100

8. Is a $50 gift to a boss unacceptable?
   - [ ] Yes  [ ] No

9. Is a $50 gift from the boss unacceptable?
   - [ ] Yes  [ ] No

10. Of gifts from suppliers: Is it OK to take a $200 pair of football tickets?
    - [ ] Yes  [ ] No

11. Is it OK to take a $120 pair of theater tickets?
    - [ ] Yes  [ ] No

12. Is it OK to take a $100 holiday food basket?
    - [ ] Yes  [ ] No

13. Is it OK to take a $25 gift certificate?
    - [ ] Yes  [ ] No

14. Can you accept a $75 prize won at a raffle at a supplier’s conference?
    - [ ] Yes  [ ] No

### Truth and Lies

15. Due to on-the-job pressure, have you ever abused or lied about sick days?
    - [ ] Yes  [ ] No

16. Due to on-the-job pressure, have you ever taken credit for someone else’s work or idea?
    - [ ] Yes  [ ] No

---

**Source:** *Wall Street Journal*, October 21, 1999, pp. B1–B4; Ethics Officer Association, Belmont, MA; Ethics Leadership Group, Wilmette, IL; surveys sampled a cross-section of workers at large companies and nationwide.

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Factors affecting ethical decisions

➢ **Normative judgments**
  
  – Judging something as good or bad, right or wrong, better or worse.

➢ **Moral standards (Morality)**
  
  – Society’s accepted standards for behaviors that have serious consequences to its well-being.
    
    • Behaviors that cannot be established or changed by decisions of authoritative bodies.
    
    • Behaviors that override self-interest.
Ethics and Fair Treatment at Work (cont’d)

- Ethics and the law
  - An behavior may be legal but unethical.
  - An behavior may be illegal but ethical.
  - An behavior may be both legal and ethical.
  - An behavior may be both illegal and unethical.
Ethics, Fair Treatment, and Justice

- Distributive justice
  - The fairness and justice of a decision’s result.

- Procedural justice
  - The fairness of the process by which the decision was reached.

- Interactional (interpersonal) justice
  - The manner in which managers conduct their interpersonal dealings with employees.
Perceptions of Fair Interpersonal Treatment Scale

What is your organization like most of the time? Circle YES if the item describes your organization, NO if it does not describe your organization, and ? if you cannot decide.

IN THIS ORGANIZATION:

1. Employees are praised for good work .............................................. Yes ? No
2. Supervisors yell at employees (R) .................................................. Yes ? No
3. Supervisors play favorites (R) ......................................................... Yes ? No
4. Employees are trusted ................................................................. Yes ? No
5. Employees’ complaints are dealt with effectively ......................... Yes ? No
6. Employees are treated like children (R) ........................................ Yes ? No
7. Employees are treated with respect ............................................... Yes ? No
8. Employees’ questions and problems are responded to quickly .... Yes ? No
9. Employees are lied to (R) ............................................................... Yes ? No
10. Employees’ suggestions are ignored (R) ....................................... Yes ? No
11. Supervisors swear at employees (R) .............................................. Yes ? No
12. Employees’ hard work is appreciated ............................................ Yes ? No
13. Supervisors threaten to fire or lay off employees (R) ................ Yes ? No
14. Employees are treated fairly ......................................................... Yes ? No
15. Coworkers help each other out .................................................. Yes ? No
16. Coworkers argue with each other (R) ......................................... Yes ? No
17. Coworkers put each other down (R) ............................................. Yes ? No
18. Coworkers treat each other with respect ..................................... Yes ? No

Note: R = the item is reverse scored.

Sources: Michelle A. Donovan et al., “The Perceptions of Their Interpersonal Treatment Scale: Development and Validation of a Measure of Interpersonal Treatment in the Workplace,” Journal of Applied Psychology 83, no. 5 (1998), p. 692. Copyright © 1997 by Michelle A. Donovan, Fritz Drasgow, and Liberty J. Munson at the University of Illinois at Urbana-Champaign. All rights reserved.
What Shapes Ethical Behavior at Work?

- Individual factors
- Organizational factors
- The boss’s influence
- Ethics policies and codes
- The organization’s culture
Employees and Ethical Dilemmas

- Questions employees should ask when faced with ethical dilemmas:
  - Is the action legal?
  - Is it right?
  - Who will be affected?
  - Does it fit the company’s values?
  - How will it “feel” afterwards?
  - How will it look in the newspaper?
  - Will it reflect poorly on the company?
## Principal Causes of Ethical Compromises


<table>
<thead>
<tr>
<th></th>
<th>Senior Mgmt.</th>
<th>Middle Mgmt.</th>
<th>Front-Line Supv.</th>
<th>Prof. Non-Mgmt.</th>
<th>Admin. Salaried</th>
<th>Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting schedule pressure</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Meeting overly aggressive financial or business objectives</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Helping the company survive</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Advancing the career interests of my boss</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Feeling peer pressure</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Resisting competitive threats</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Saving jobs</td>
<td>9</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Advancing my own career or financial interests</td>
<td>8</td>
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<td>Other</td>
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<td>8</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: 1 is high, 9 is low.
What Is Organizational Culture?

- **Organization culture**
  - The characteristic values, traditions, and behaviors a company’s employees share.

- **How is culture is revealed?**
  - Ceremonial events
  - Written rules and spoken commands.
  - Office layout
  - Organizational structure
  - Dress codes
  - Cultural symbols and behaviors
  - Figureheads
The Manager’s Role in Creating Culture

➤ Clarify expectations for values to be followed.
➤ Use signs and symbols to signal the importance of values.
➤ Provide physical (the firm’s rewards) support for values.
➤ Use stories to illustrate values.
➤ Organize rites and ceremonies reinforcing values
HR’s Role in Fostering Ethics and Fair Treatment

Why treat employees fairly?

- “They’re not employees, they’re people”
  - Management guru Peter Drucker
- Avoidance of employee litigation
- Enhanced employee commitment
- Enhanced satisfaction with the organization, with jobs, and with leaders
- Increased organizational citizenship behaviors
About The Company

Overview | Media | Employment | Contact Us

Dedication. Integrity.

U.S. Data Trust is committed to attracting, developing and retaining talented, intelligent, highly motivated individuals. We expect our employees to be professional, well trained, and dedicated to the highest standards of performance, quality and integrity.

In turn, we provide an atmosphere where employees can excel, and we reward superior achievement. Our employees also participate in U.S. Data Trust’s success through a company profit sharing plan.

Our greatest asset is our people, and our objective is to build long-term relationships with them. They are essential to the accomplishment of our mission.

Employment opportunities are regularly available for recent college graduates, support staff and individuals seeking professional and managerial positions. Please see our open position listing.

Equal Opportunity Employer

U.S. Data Trust is firmly committed to a policy affording equal employment opportunity to every employee and job applicant in a manner wholly consistent with federal, state and city laws, and without regard to race, color, religion, religious affiliation, sex, sexual preference, national origin, marital status, disability or age.

This policy applies to recruitment, hiring terms and conditions of employment, the administration of compensation rates, opportunities for education and training, participation in social and recreational programs, benefit programs and opportunities for advancement at U.S. Data Trust.
HR Ethics Activities

- **Staffing and selection**
  - Fostering the perception of fairness in the processes of recruitment and hiring of people.
    - Formal procedures
    - Interpersonal treatment
    - Providing explanation

- **Training**
  - How to recognize ethical dilemmas.
  - How to use ethical frameworks (such as codes of conduct) to resolve problems.
  - How to use HR functions (such as interviews and disciplinary practices) in ethical ways.
HR Ethics Activities (cont’d)

- **Performance appraisal**
  - Appraisals that make it clear the company adheres to high ethical standards by measuring and rewarding employees who follow those standards.

- **Reward and disciplinary systems**
  - The organization swiftly and harshly punishes unethical conduct.

- **Workplace aggression and violence**
  - Taking care that HR actions do not foster perceptions of inequities that translate into dysfunctional behaviors by employees.
Company ethics officials say they convey ethics codes and programs to employees using these training programs:

- **New hire orientation**: 89%
- **Annual refresher training**: 45%
- **Annual training**: 32%
- **Occasional but not scheduled training**: 31%
- **New employee follow-up sessions**: 20%
- **No formal training**: 5%

The Role of Training in Ethics

Figure 14–5
Company ethics officials use these actual training tools to convey ethics training to employees:

- Copies of company policies: 78%
- Ethics handbooks: 76%
- Videotaped ethics programs: 59%
- Online assistance: 39%
- Ethics newsletters: 30%

The Role of Training in Ethics (cont’d)
Building Two-Way Communications

Perceptions of fair treatment depend on:

- **Engagement**—involving individuals in the decisions that affect them by asking for their input and allowing them to refute the merits of others’ ideas and assumptions

- **Explanation**—ensuring that everyone involved and affected understands why final decisions are made and the thinking that underlies the decisions

- **Expectation clarity**—making sure everyone knows up front by what standards they will be judged and the penalties for failure.
Employee Discipline and Privacy

- **Basis for a fair and just discipline process**
  - Clear rules and regulations
    - Define workplace issues
    - Inform employees
  - A system of progressive penalties
    - The range and severity of the penalty is a function of the offense and number of occurrences.
  - An appeals process
    - The right of the employee to grieve the decision helps to ensure that supervisors mete out discipline fairly and equitably.
Disciplining an Employee

- Does the facts support the charge of employee wrongdoing?
- Were the employee’s due process rights protected?
- Was the employee warned of disciplinary consequences?
- Was a rule violated and was it “reasonably related” to the efficient and safe operation of the work environment?
- Was the matter fairly and adequately investigated before administering discipline?
- Did the investigation produce substantial evidence of misconduct?
- Have rules, orders, or penalties been applied evenhandedly?
- Is the penalty reasonably related to the misconduct and to the employee’s past work history?
- Did the employee have the right to counsel?
- Did anger, hearsay, or personal impression affect the decision?
Disciplinary Action Form

Date: __________
Name: ____________________________
Dept.: ____________________________

Disciplinary Action:
☐ Verbal* ☐ Written ☐ Written & Suspension ☐ Discharge

To the employee:
Your performance has been found unsatisfactory for the reasons set forth below. Your failure to improve or avoid a recurrence will be cause for further disciplinary action.
Details: ____________________________________________________________

_____________________________________________________________

A copy of this warning was personally delivered to the above employee by:
Supervisor ____________________________
Date ____________________________

I have received and read this warning notice. I have been informed that a copy of this notice will be placed in my personnel file.
Employee ____________________________
Date ____________________________

*Completion of this form shall serve as documentation only and should not be filed in the employee’s personnel file.

Employee Grievance Form

Figure 14–6

Source: NC State University. Used with permission.
© 2005 Prentice Hall Inc. All rights reserved.
Formal Disciplinary Appeals Processes

FedEx’s guaranteed fair treatment multi-step program

- Step 1: Management review
- Step 2: Officer complaint
- Step 3: Executive appeals review
Discipline without Punishment (Nonpunitive Discipline)

1. Issue an oral reminder.

2. Should another incident arise within six weeks, issue a formal written reminder, a copy of which is placed in the employee’s personnel file.

3. Give a paid, one-day “decision-making leave.”

4. If no further incidents occur in the next year, the purge the one-day paid suspension from the person’s file.

   If the behavior is repeated, the next step is dismissal.
Employee Privacy

- Employee privacy violations upheld by courts:
  - Intrusion (locker room and bathroom surveillance)
  - Publication of private matters
  - Disclosure of medical records
  - Appropriation of an employee’s name or likeness

- Actions triggering privacy violations:
  - Background checks
  - Monitoring off-duty conduct and lifestyle
  - Drug testing
  - Workplace searches
  - Monitoring of workplace
Employee Privacy (cont’d)

- **What do employers monitor about employees:**
  - E-mail activity
  - Internet use
  - Telephone calls

- **Employers monitor employees to:**
  - Improve productivity.
  - Protect from computer viruses
  - Detect leaks of confidential information
  - Guard against liability for illegal acts and harassment suits caused by employee misuse
Restrictions on Workplace Monitoring

- **The Electronic Communications Privacy Act (ECPA)**
  - The “business purpose exception” permits employers to monitor communications if they can show a legitimate business reason for doing so.
  - The “consent exception” allows employers to monitor communications if they have their employees’ consent to do so.

- **Common-law provides protections against invasion of privacy.**
Sample Telephone Monitoring Acknowledgement Statement

I understand that my telephone and e-mail communications will be monitored periodically by my supervisor and other [company] management staff. I understand that the purpose of this monitoring is to improve:

- The quality of customer service provided to policyholders and prospective customers
- My product knowledge and presentation skills

______________________________  __________________________
Signature                        Date

______________________________  __________________________
Print Name                       Department
Managing Dismissals

- **Dismissal**
  - Involuntary termination of an employee’s employment with the firm.

- **Terminate-at-will rule**
  - Without a contract, the employee can resign for any reason, at will, and the employer can similarly dismiss the employee for any reason (or no reason), at will.
  - Limitations on “terminate-at-will”
    - Violation of public
    - Implied contract
    - Good faith
Managing Dismissals (cont’d)

➤ *Limitations on terminate-at-will*

- **Public policy exception**
  - Discharge is wrongful when it was against an explicit, well-established public policy: employee fired or refusing to break the law.

- **Implied contract exception**
  - Employer statements about future employment create a contractual obligation for the employer to continue to employ the employee.

- **Covenant of good faith exception**
  - Suggests that employers should not fire employees without good cause.
Grounds for Dismissal

- **Unsatisfactory performance**
  - Persistent failure to perform assigned duties or to meet prescribed standards on the job.

- **Misconduct in the workplace**
  - Deliberate and willful violation of the employer’s rules: stealing, rowdy behavior, and insubordination.

- **Lack of qualifications for the job**
  - An employee’s inability to do the assigned work although he or she is diligent.

- **Changed requirements or elimination of the job.**
  - An employee’s inability to do the work assigned, after the nature of the job has changed.
  - Elimination of the employee’s job.
Insubordination

1. Direct disregard of the boss’s authority.
2. Flat-out disobedience of, or refusal to obey, the boss’s orders—particularly in front of others.
3. Deliberate defiance of clearly stated company policies, rules, regulations, and procedures.
4. Public criticism of the boss. Contradicting or arguing with him or her is also negative and inappropriate.
5. Blatant disregard of reasonable instructions.
6. Contemptuous display of disrespect and, portraying these feelings while on the job.
7. Disregard for the chain of command, shown by going around the immediate supervisor or manager with a complaint, suggestion, or political maneuver.
8. Participation in (or leadership of) an effort to undermine and remove the boss from power.
Managing Dismissals (cont’d)

Foster a perception of fairness in the dismissal situation by:

– Instituting a formal multi-step procedure (including warning).

– Having a supervising manager give full explanations of why and how termination decisions were made.

– Establishing a neutral appeal process also fosters fairness.
Avoiding Wrongful Discharge Suits

**Bases for wrongful discharge suits:**
- Discharge does not comply with the law.
- Discharge does not comply with the contractual arrangement stated or implied by the firm via its employment application forms, employee manuals, or other promises.

**Avoiding wrongful discharge suits**
- Set up employment policies and dispute resolution procedures that make employees feel treated fairly.
- Do the preparatory work that helps to avoid such suits.
Typical Severance Pay

- Nonexempt employee—one week of pay for each year with a minimum of four weeks and maximum of two months.
- Exempt employee to $90,000—two weeks for each year with a minimum of two months and a maximum of six months.
- Exempt employee over $90,000 to director or VP level—two to three weeks for each year with a minimum of three months and maximum of nine months.
- Director or VP to company officer—three weeks for each year with a minimum of four months and maximum of a year.
- Officer—usually covered by an employment contract or Change of Control provisions and can be all the way from one year of pay to three or four years, with other perks that may be continued.

*Source: www.shrm.org, downloaded March 6, 2004.*
Steps in Avoiding Wrongful Discharge Suits

- Have applicants sign the employment application and make sure it contains a clearly worded statement that employment is for no fixed term and that the employer can terminate at any time.
- Review your employee manual to look for and delete statements that could prejudice your defense in a wrongful discharge case.
- Have clear written rules listing infractions that may require discipline and discharge, and then make sure to follow the rules.
- If a rule is broken, get the worker’s side of the story in front of witnesses, and preferably get it signed. Then make sure to check out the story, getting both sides of the issue.
- Be sure to appraise employees at least annually. If an employee shows evidence of incompetence, give that person a warning and provide an opportunity to improve. All evaluations should be in writing and signed by the employee.
- Keep careful confidential records of all actions such as employee appraisals, warnings or notices, memos outlining how improvement should be accomplished, and so on.
Steps in Avoiding Wrongful Discharge Suits (cont’d)

A final 10-step checklist would include:

1. Is employee covered by any type of written agreement, including a collective bargaining agreement?
2. Have any representations been made to form a contract?
3. Is a defamation claim likely?
4. Is there a possible discrimination allegation?
5. Is there any workers’ compensation involvement?
6. Have reasonable rules and regulations been communicated and enforced?
7. Has employee been given an opportunity to explain any rule violations or to correct poor performance?
8. Have all monies been paid within 24 hours after separation?
9. Has employee been advised of his or her rights under COBRA?
10. Has employee been advised of what the employer will tell a prospective employer in response to a reference inquiry?
TJP INC. EMPLOYEE HANDBOOK ACKNOWLEDGMENT FORM

This employee handbook has been given to ____________________________
on (date) ____________________________
by ____________________________ (title) ____________________________
Employee’s effective starting date ____________________________
Employee’s pay period ____________________________
Employee’s hours and workweek are ____________________________
Welcome to TJP Inc. Below are a list of your benefits with their effective date:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitalization</td>
<td></td>
</tr>
<tr>
<td>Life insurance</td>
<td></td>
</tr>
<tr>
<td>Retirement</td>
<td></td>
</tr>
<tr>
<td>Vacation</td>
<td></td>
</tr>
<tr>
<td>Sick leave</td>
<td></td>
</tr>
<tr>
<td>Holidays</td>
<td></td>
</tr>
<tr>
<td>Personal days</td>
<td></td>
</tr>
<tr>
<td>Bereavement</td>
<td></td>
</tr>
<tr>
<td>Worker’s compensation</td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td></td>
</tr>
<tr>
<td>Your first performance appraisal will be on</td>
<td></td>
</tr>
</tbody>
</table>

I understand that my employee handbook is for informational purposes only and that I am to read and refer to the employee handbook for information on employment work rules and company policies. TJP Inc. may modify, revoke, suspend or terminate any and all policies, rules, procedures and benefits at any time without prior notice to company employees. This handbook and its statements do not create a contract between TJP Inc. and its employees. This handbook and its statements do not affect in any way the employment-at-will relationship between TJP Inc. and its employees.

(Employee’s signature) ____________________________
(Date) ____________________________

Figure 14–10
Personal Supervisory Liability

Avoiding personal supervisory liability:

- Be familiar with federal, state, and local statutes and know how to uphold their requirements.
- Follow company policies and procedures
- Be consistent application of the rule or regulation is important.
- Don’t administer discipline in a manner that adds to the emotional hardship on the employee.
- Do not act in anger.
- Utilize the HR department for advice regarding how to handle difficult disciplinary matters.
The Termination Interview

- **Plan the interview carefully.**
  - Make sure the employee keeps the appointment time.
  - Never inform an employee over the phone.
  - Allow 10 minutes as sufficient time for the interview.
  - Use a neutral site, never your own office.
  - Have employee agreements, the human resource file, and a release announcement (internal and external) prepared in advance.
  - Be available at a time after the interview in case questions or problems arise.
  - Have phone numbers ready for medical or security emergencies.
The Termination Interview (cont’d)

➤ *Get to the point.*

- Do not beat around the bush by talking about the weather or making other small talk.
- As soon as the employee enters, give the person a moment to get comfortable and then inform him or her of your decision.

➤ *Describe the situation.*

- Briefly explain why the person is being let go.
- Remember to describe the situation rather than attack the employee personally.
- Emphasize that the decision is final and irrevocable.
The Termination Interview (cont’d)

- **Listen.**
  - Continue the interview until the person appears to be talking freely and reasonably calmly about the reasons for his or her termination and the support package (including severance pay).

- **Review all elements of the severance package.**
  - Describe severance payments, benefits, access to office support people, and the way references will be handled. However, under no conditions should any promises or benefits beyond those already in the support package be implied.
The Termination Interview (cont’d)

- **Identify the next step.**
  - The terminated employee may be disoriented and unsure what to do next.
  - Explain where the employee should go next, upon leaving the interview.
Termination Assistance

- **Outplacement Counseling**
  
  A systematic process by which a terminated employee is trained and counseled in the techniques of conducting a self-appraisal and securing a new job appropriate to his or her needs and talents.

  - Outplacement does not imply that the employer takes responsibility for placing the person in a new job.
  
  - Outplacement counseling is part of the terminated employee’s support or severance package and is often done by specialized outside firms.
Termination Assistance (cont’d)

- Outplacement firms
  - Can help the employer devise its dismissal plan regarding:
    - How to break the news to dismissed employees.
    - Deal with dismissed employees’ emotional reactions.
    - Institute the appropriate severance pay and equal opportunity employment plans.
Interviewing Departing Employees

Exit Interview

- Its aim is to elicit information about the job or related matters that might give the employer a better insight into what is right—or wrong—about the company.

  - The assumption is that because the employee is leaving, he or she will be candid.

  - The quality of information gained from exit interviews is questionable.
Exit Interview Questions

- How were you recruited?
- Why did you join the company?
- Was the job presented correctly and honestly?
- Were your expectations met?
- What was the workplace environment like?
- What was your supervisor’s management style like?
- What did you like most/least about the company?
- Were there any special problem areas?
- Why did you decide to leave, and how was the departure handled?
The Plant Closing Law

- **Worker Adjustment and Retraining Notification Act (1989)**
  - Requires employers of 100 or more employees to give 60 days’ notice before closing a facility or starting a layoff of 50 people or more.
  - The law does not prevent the employer from closing down, nor does it require saving jobs.
  - The law is intended to give employees time to seek other work or retraining by giving them advance notice of the shutdown.
Worker Adjustment and Retraining Notification Act (1989)

Employment losses covered by the law:

- Terminations other than discharges for cause, voluntary departures, or retirement
- Layoffs exceeding six months
- Reductions of more than 50% in employee’s work hours during each month of any six-month period.

Penalty for failing to give notice

- One day’s pay and benefits to each employee for each day’s notice that should have been given, up to 60 days.
Layoffs

- Layoff are not terminations.

- Temporary layoffs occur when:
  - There is no work available for employees.
  - Management expects the no-work situation to be temporary and probably short term.
  - Management intends to recall the employees when work is again available.
Bumping/Layoff Procedures

- Seniority is usually the ultimate determinant of who will work.
- Seniority can give way to merit or ability, but usually only when no senior employee is qualified for a particular job.
- Seniority is usually based on the date the employee joined the organization, not the date he or she took a particular job.
- Companywide seniority allows an employee in one job to bump or displace an employee in another job, provided the more senior person can do the job without further training.
Alternatives to Layoffs

- Voluntarily reducing employees’ pay to keep everyone working.
- Concentrating employees’ vacations during slow periods.
- Taking voluntary time off to reduce the employer’s payroll.
- Taking a “rings of defense approach” by hiring temporary workers that can be let go early.
- Offering buyout packages to find enough volunteers to avoid dismissing people.
Adjusting to Downsizings and Mergers

Guideline for implementing a reduction in force:

- Identify objectives and constraints.
- Form a downsizing team.
- Address legal issues.
- Plan post-reduction actions.
- Address security concerns.
Guidelines for treatment of departing employees during a merger:

- Avoid the appearance of power and domination.
- Avoid win–lose behavior.
- Remain businesslike and professional.
- Maintain a positive feeling about the acquired company.
- Remember that how the organization treats the acquired group will affect those who remain.
Employee Morale and Behavior Improves When Justice Prevails

HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*

Figure 14–12
Key Terms

ethics
distributive justice
procedural justice
interactional (interpersonal) justice
organizational culture
nonpunitive discipline
Discipline without punishment
Electronic Communications Privacy Act (ECPA)
dismissal

unsatisfactory performance
misconduct
insubordination
wrongful discharge
termination interview
outplacement counseling
exit interviews
bumping/layoff procedures
downsizing
Chapter 15

Part 5 Employee Relations

Labor Relations and Collective Bargaining
After studying this chapter, you should be able to:

1. Give a brief history of the American labor movement.
2. Discuss the main features of at least three major pieces of labor legislation.
3. Present examples of what to expect during the union drive and election.
4. Describe five ways to lose an NLRB election.
5. Illustrate with examples bargaining that is not in good faith.
6. Develop a grievance procedure.
The Labor Movement

- 1790–Skilled craftsmen organize into trade unions.
- 1869–The Knights of Labor seek social reform.
- 1886–American Federation of Labor pursues bread-and-butter and improved working conditions.
- 1935–National Labor Relations Act fosters organizing and the rapid growth of labor unions.
- 1955–AFL and CIO merge.
- 1970s–Union membership peaks and begins to steadily decline.
Why Do Workers Organize?

- **Solidarity**
  - To get their fair share of the pie.
    - Improved wages, hours, working conditions, and benefits
  - To protect themselves from management whims.

- **Conditions favoring employee organization**
  - Low morale
  - Fear of job loss
  - Arbitrary management actions
Union Security

Closed shop

- The company can hire only union members. Congress outlawed this in 1947, but it still exists in some industries (such as printing).

Union shop

- The company can hire nonunion people, but they must join the union after a prescribed period of time and pay dues. (If not, they can be fired.)

Agency shop

- Employees who do not belong to the union still must pay union dues on the assumption that the union’s efforts benefit all the workers.
Union Security (cont’d)

- **Open shop**
  - It is up to the workers whether or not they join the union—those who do not, do not pay dues.

- **Maintenance of membership arrangement**
  - Employees do not have to belong to the union. However, union members employed by the firm must maintain membership in the union for the contract period.
Union Security (cont’d)

- **Right-to-work laws**
  
  - 12 Section 14(b) of the Taft-Hartley Act permits states to pass statutes or constitutional provisions banning the requirement of union membership as a condition of employment and to forbid the negotiation of compulsory union membership provisions.
  
  - Twenty-one “right to work states,” from Florida to Mississippi to Wyoming, ban all forms of union security.
The AFL-CIO

➢ The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
  – A voluntary federation of about 100 national and international labor unions in the United States.

➢ Structure of the AFL-CIO
  – Local unions
  – National unions
  – National federation
Unions and the Law: Period of Strong Encouragement

The Norris-LaGuardia Act of 1932

- Guaranteed to each employee the right to bargain collectively “free from interference, restraint, or coercion.
- Declared yellow dog contracts unenforceable.
- Limited the courts’ abilities to issue injunctions (stop orders) for activities such as peaceful picketing and payment of strike benefits.
Unions and the Law: Period of Strong Encouragement (cont’d)

- **National Labor Relations (or Wagner) Act of 1935**
  - Banned certain unfair labor practices of employers
  - Provided for secret-ballot elections and majority rule for determining whether a firm’s employees would unionize.
  - Created the National Labor Relations Board (NLRB) to enforce the act’s provisions.
Unfair Employer Labor Practices

- To “interface with, restrain, or coerce employees” in exercising their legally sanctioned right of self-organization.

- To dominate or interfere with either the formation or the administration of labor unions.

- To discriminating in any way against employees for their legal union activities.

- To discharge or discriminate against employees who file unfair practice charges against the company.

- To refuse to bargain collectively with their employees’ duly chosen representatives.
NLRB Form 501:
Filing an Unfair Labor Practice

Figure 15–1
Unions and the Law: Period of Modified Encouragement and Regulation (cont’d)

- Taft-Hartley (Labor Management Relations) Act of 1947
  - Prohibited unfair union labor practices.
  - Enumerated the rights of employees as union members
  - Enumerated the rights of employers
  - Allows the president of the United States to seek an injunction that temporarily will bar a national emergency strike for 60 days.
Unfair Union Labor Practices

- To restrain or coerce employees from exercising their guaranteed bargaining rights.
- To cause an employer to discriminate against employees in order to encourage or discourage their membership in a union.
- To refuse to bargain in good faith with the employer about wages, hours, and other employment conditions. Certain strikes and boycotts are also unfair practices.
- To engage in “featherbedding” (requiring an employer to pay an employee for services not performed).
Taft-Hartley and Employers

- **Rights**
  - To express their views concerning union organization.
  - To set forth the union’s record concerning violence and corruption, if appropriate.

- **Restraints**
  - Must avoid threats, promises, coercion, and direct interference with workers who are trying to reach an organizing decision.
  - Cannot meet with employees on company time within 24 hours of an election.
  - Cannot suggest to employees that they vote against the union (in private, while they are out of their work area).
Unions and the Law: Period of Regulation of Union Internal Affairs (cont’d)

- **Landrum-Griffin Act (the Labor Management Reporting and Disclosure Act) of 1959**
  - Contains a bill of rights for union members.
    - Nomination of candidates for union office.
    - Protects a member’s right to sue his or her union.
    - Ensures that no member can be fined or suspended without due process.
  - Laid out rules regarding union elections.
    - Regulated union election cycles and who can serve as a union officers.
    - Expanded list of corrupt union and employer practices.
The Union Drive and Election

- **Step 1. Initial contact**
  - The union determines employees’ interest in organizing, and sets up an organizing committee.
  - Labor Relations Consultants
  - Union Salting

- **Step 2. Obtaining authorization cards**
  - 30% of eligible employees in an appropriate bargaining unit must sign cards authorizing the union to petition the NLRB for an election.
The Organizing Drive

Authorization cards

– Let the union seek a representation election.
– Designate the union as a bargaining representative in all employment matters.
– State that the employee has applied for membership in the union and will be subject to union rules and bylaws.
The Organizing Drive

**Employer responses to organizing**

- Can attack the union on ethical and moral grounds and cite the cost of union membership.
- Cannot make promises of benefits.
- Cannot make unilateral changes in terms and conditions of employment that were not planned to be implemented prior to the onset of union organizing activity.
- Can inform employees of their right to revoke their authorization cards.
The Organizing Drive (cont’d)

Union activities during organizing

– Unions can picket the company, subject to three constraints:
  - The union must file a petition for an election within 30 days after the start of picketing.
  - The firm cannot already be lawfully recognizing another union.
  - There cannot have been a valid NLRB election during the past 12 months.
The Union Drive and Election (cont’d)

➤ Step 3. Hold a hearing

– Consent election
  • Employer chooses not to contest union recognition at all.

– Stipulated election
  • The employer chooses not to contest the union’s right to an election, and/or the scope of the bargaining unit, and/or which employees are eligible to vote in the election.

– Contest of the union’s right to an election
  • An employer can insist on an NLRB hearing to determine if employees wish to elect a union to represent them.
NLRB Hearing Officer’s Duties

- **Determining if the record indicates there is enough evidence to hold an election.**
  - Did 30% of the employees in an appropriate bargaining unit sign the authorization cards?

- **Deciding what the bargaining unit will be.**
  - The bargaining unit is the group of employees that the union will be authorized to represent and bargain for collectively.
NLRB Form 852: Notice of Representation Hearing
The Union Drive and Election (cont’d)

- **Step 4. The campaign**
  - Both sides present their platforms.

- **Step 5. The election**
  - Held within 30 to 60 days after the NLRB issues its Decision and Direction of Election.
  - The election is by secret ballot; the NLRB provides and counts the ballots.
  - The union becomes the employees’ representative by getting a majority of the votes cast in the election.
Sample NLRB Ballot

UNIVERSITY STATES OF AMERICA
National Labor Relations Board
OFFICIAL SECRET BALLOT
FOR CERTAIN EMPLOYEES OF

Do you wish to be represented for purposes of collective bargaining by —

MARK AN “S” IN THE SQUARE OF YOUR CHOICE

YES

NO

DO NOT SIGN THIS BALLOT. Fold and drop in ballot box. If you spoil this ballot return it to the Board Agent for a new one.
How to Lose an NLRB Election

- Reason 1. Asleep at the switch
- Reason 2. Appointing a committee
- Reason 3. Concentrating on money and benefits
- Reason 4. Industry blind spots
- Reason 5. Delegating too much to divisions
The Supervisor’s Role

- Unfair labor practices by supervisors
  - Could cause the NLRB to hold a new election after the company has won a previous election.
  - Could cause the company to forfeit the second election and go directly to contract negotiation.
Union Avoidance: What Not to Do

- Human resources professionals must be very careful to do the following during union activities at their companies:
  - Watch what you say. Angry feelings of the moment may get you in trouble.
  - Never threaten workers with what you will do or what will happen if a union comes in.
  - Don’t tell union sympathizers that they will suffer in any way for their support. Don’t terminate or discipline workers for engaging in union activities.
  - Don’t interrogate workers about union sympathizers or organizers.
  - Don’t ask workers to remove union screensavers or campaign buttons if you allow these things for other organizations.
  - Don’t treat pro-union or anti-union workers any differently.

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Union Avoidance: What Not to Do (cont’d)

– Don’t transfer workers on the basis of union affiliation or sympathies.
– Don’t ask workers how they or others intend to vote.
– Don’t ask employees about union meetings or any matters related to unions. You can listen, but don’t ask for any details.
– Don’t promise workers benefits, promotions, or anything else if they vote against the union.
– Avoid becoming involved in the details of the union’s election or campaign, and don’t participate in any petition movement against the union.
– Don’t give financial aid or any support to any unions.

Any one of these practices may result in a finding of “unfair labor practices,” which may in turn result in recognition of a union without an election, as well as fines for your company.

Rules Regarding Literature and Solicitation

- Nonemployees can be barred from soliciting employees during their work time.
- Employees can be stopped from soliciting other employees if one or both employees are on paid-duty time and not on a break.
- Employers can bar nonemployees from the building’s interiors and work areas as a right of private property owners.
- On- or off-duty employees can be denied access to interior or exterior areas for reasons of production, safety, or discipline.
The Collective Bargaining Process

- **What Is collective bargaining?**
  - Both management and labor are required by law to negotiate wage, hours, and terms and conditions of employment “in good faith.”

- **What Is good faith bargaining?**
  - Both parties communicate and negotiate.
  - They match proposals with counterproposals in a reasonable effort to arrive at an agreement.
  - It does not mean that one party compels another to agree to a proposal or make any specific concessions.
Violations of Good Faith Bargaining

- Surface bargaining
- Inadequate concessions
- Inadequate proposals and demands
- Dilatory tactics
- Imposing conditions.
- Making unilateral changes in conditions.
- Bypassing the representative.
- Committing unfair labor practices during negotiations.
- Withholding information
- Ignoring bargaining items
Preparing for Negotiations

- Sources of negotiating information
  - Local and industry pay and benefits comparisons
  - Distribution demographics of the workforce
  - Benefit costs, overall earnings levels, and the amount and cost of overtime
  - Cost of the current labor contract and the increased cost—total, per employee, and per hour—of the union’s demands.
  - Grievances and feedback from supervisors
  - Counteroffers and arguments.
Preparing for Negotiations (cont’d)

- Sources of negotiating information (cont’d)
  - Attitude surveys to test employee reactions to sections of the contract that management may feel require change
  - Informal conferences with local union leaders to discuss the operational effectiveness of the contract and to send up trial balloons on management ideas for change.
Classes of Bargaining Items

- **Voluntary (permissible) bargaining items**
  - Items in collective bargaining over which bargaining is neither illegal nor mandatory—neither party can be compelled against its wishes to negotiate over those items.

- **Illegal bargaining items**
  - Items in collective bargaining that are forbidden by law; for example, a clause agreeing to hire “union members exclusively” would be illegal in a right-to-work state.

- **Mandatory bargaining items**
  - Items in collective bargaining that a party must bargain over if they are introduced by the other party—for example, pay.
## Bargaining Items

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Permissible</th>
<th>Illegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates of pay</td>
<td>Indemnity bonds</td>
<td>Closed shop</td>
</tr>
<tr>
<td>Wages</td>
<td>Management rights as to union affairs</td>
<td>Separation of employees based on race</td>
</tr>
<tr>
<td>Hours of employment</td>
<td>Pension benefits of retired employees</td>
<td>Discriminatory treatment</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>Scope of the bargaining unit</td>
<td></td>
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<tr>
<td>Shift differentials</td>
<td>Including supervisors in the contract</td>
<td></td>
</tr>
<tr>
<td>Holidays</td>
<td>Additional parties to the contract such as the international union</td>
<td></td>
</tr>
<tr>
<td>Vacations</td>
<td>Use of union label</td>
<td></td>
</tr>
<tr>
<td>Severance pay</td>
<td>Settlement of unfair labor changes</td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>Prices in cafeteria</td>
<td></td>
</tr>
<tr>
<td>Insurance benefits</td>
<td>Continuance of past contract</td>
<td></td>
</tr>
<tr>
<td>Profit-sharing plans</td>
<td>Membership of bargaining team</td>
<td></td>
</tr>
<tr>
<td>Christmas bonuses</td>
<td>Employment of strike breakers</td>
<td></td>
</tr>
<tr>
<td>Company housing, meals, and discounts</td>
<td>Drug testing of employees</td>
<td></td>
</tr>
<tr>
<td>Employee security</td>
<td>Management–union relationship</td>
<td></td>
</tr>
<tr>
<td>Job performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union security</td>
<td></td>
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<tr>
<td>Management–union relationship</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drug testing of employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


*Table 15–1*
Bargaining Stages

- **Presentation of initial demands**
  - Both parties are usually quite far apart on some issues.

- **Reduction of demands**
  - Each side trades off some of its demands to gain others.

- **Subcommittee studies**
  - The parties form joint subcommittees to try to work out reasonable alternatives.

- **An informal settlement**
  - Each group goes back to its sponsor. Union seeks to have members vote to ratify the agreement.

- **Signing the formal agreement**
Bargaining Hints

- Be sure to set clear objectives for every bargaining item, and be sure you understand the reason for each.
- Do not hurry.
- When in doubt, caucus with your associates.
- Be well prepared with firm data supporting your position.
- Always strive to keep some flexibility in your position.
- Don’t concern yourself just with what the other party says and does; find out why.
- Respect the importance of face saving for the other party.
- Be alert to the real intentions of the other party—not only for goals, but also for priorities.
- Be a good listener.
Bargaining Hints (cont’d)

- Build a reputation for being fair but firm.
- Learn to control your emotions and use them as a tool.
- As you make each bargaining move, be sure you know its relationship to all other moves.
- Measure each move against your objectives.
- Pay close attention to the wording of every clause negotiated; they are often a source of grievances.
- Remember that collective bargaining is a compromise process. There is no such thing as having all the pie.
- Try to understand people and their personalities.
- Consider the impact of present negotiations on those in future years.
Impasses, Mediation, and Strikes

An impasse

- Usually occurs because one party is demanding more than the other will offer.

- Sometimes an impasse can be resolved through a third party—a disinterested person such as a mediator or arbitrator.

- If the impasse is not resolved in this way, the union may call a work stoppage, or strike, to put pressure on management.
Third-Party Involvement

**Mediation**

- A neutral third party (mediator) tries to assist the principals in reaching agreement by holding meetings with each party to find common ground for further bargaining.

- The mediator is a go-between and has no authority to dictate terms or make concessions.

- The mediator communicates assessments of the likelihood of a strike, the possible settlement packages available, and the like.
Third-Party Involvement (cont’d)

- **Fact finder**
  - A neutral party who studies the issues in a dispute and makes a public recommendation for a reasonable settlement.

- **Arbitration**
  - An arbitrator often has the power to determine and dictate the settlement terms.
  - Arbitration can guarantee a solution to an impasse.
    - Interest arbitration
    - Rights arbitration
Strikes

- **Economic strike**
  - Results from a failure to agree on the terms of a contract.

- **Unfair labor practice strikes**
  - Called to protest illegal conduct by the employer.

- **Wildcat strike**
  - An unauthorized strike occurring during the term of a contract.

- **Sympathy strike**
  - Occurs when one union strikes in support of the strike of another union.
Main Sections of a Contract Agreement

- Management rights
- Union security and automatic payroll dues deduction
- Grievance procedures
- Arbitration of grievances
- Disciplinary procedures
- Compensation rates
- Hours of work and overtime
- Benefits: vacations, holidays, insurance, pensions
- Health and safety provisions
- Employee security seniority provisions, and
- Contract expiration date.
Grievances

**Grievance**

– Any factor involving wages, hours, or conditions of employment that is used as a complaint against the employer.

**Sources of grievances**

– Absenteeism
– Insubordination
– Overtime
– Plant rules
Grievance Procedure

- Grievant and shop steward meet with supervisor. If not resolved,
- Employee files formal grievance
- Grievant and shop steward meet with supervisor’s boss. If not resolved,
- Meeting with higher-level managers.
- If not resolved, matter goes to arbitration.
Handling Grievances: Do

- Investigate and handle each case as though it may eventually result in arbitration.
- Talk with the employee about his or her grievance; give the person a full hearing.
- Require the union to identify specific contractual provisions allegedly violated.
- Comply with the contractual time limits for handling the grievance.
- Visit the work area of the grievance.
- Determine whether there were any witnesses.
- Examine the grievant’s personnel record.
- Fully examine prior grievance records.
- Treat the union representative as your equal.
- Hold your grievance discussions privately.
- Fully inform your own supervisor of grievance matters.
Handling Grievances: Don’t

- Discuss the case with the union steward alone—the grievant should be there.
- Make arrangements with individual employees that are inconsistent with the labor agreement.
- Hold back the remedy if the company is wrong.
- Admit to the binding effect of a past practice.
- Relinquish to the union your rights as a manager.
- Settle grievances based on what is “fair.” Instead, stick to the labor agreement.
- Bargain over items not covered by the contract.
- Treat as subject to arbitration claims demanding the discipline or discharge of managers.
- Give long written grievance answers.
- Trade a grievance settlement for a grievance withdrawal.
- Deny grievances because “your hands have been tied by management.”
- Agree to informal amendments in the contract.
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
The Union Movement Today and Tomorrow

Declining membership

- Laws have taken over much of the union’s traditional role as the workers’ protector.
- Automation, globalization and technology have reduced jobs in unionized manufacturing sectors.
- Unions have fail to organize new plants.
- Unions have been more successful in organizing workers in the public sector.
- Management has become better at resisting union organizing efforts.
Public Employees and Unions

- 7 million public-sector union members represent 44% of total U.S. union membership.

- The public sector is union movement’s biggest potential growth area.

- Civil Service Reform Act of 1978 (known as the Federal Labor Relations Act)
Employee Participation Programs and Unions

Permissibility under NLRA by the courts of participation programs is determined by:

- **Dominance**: the degree to which management maintains control of the program’s functions.

- **Role of the program**: if the activities of the program are concerned with union-type matters related to wages, hours, and working conditions.
Employee Participation Programs and Unions

To avoid having participation programs viewed as sham unions:

– Involve employees in the formation of these programs to the greatest extent practical.
– Emphasize that the committees exist only to address issues such as quality and productivity.
– Don’t try to establish committees when union organizing activities are beginning in your facility.
– Use volunteers and rotate membership to ensure broad employee participation.
– Minimize management participation in the committees’ day-to-day activities to avoid interference or the perception of domination.
Key Terms

closed shop  illegal bargaining items
union shop  mandatory bargaining items
agency shop  impasse
open shop  mediation
right to work  fact finder
Norris-LaGuardia Act (1932)  arbitration
National Labor Relations (or Wagner) Act  strike
National Labor Relations Board (NLRB)  economic strike
Taft-Hartley Act (1947)  unfair labor practice strike
national emergency strikes  wildcat strike
Landrum-Griffin Act (1959)  sympathy strike
union salting  picketing
authorization cards  corporate campaign
bargaining unit  boycott
decertification  inside games
collective bargaining  lockout
good faith bargaining  injunction
voluntary bargaining items  grievance
After studying this chapter, you should be able to:

1. Explain the basic facts about OSHA.
2. Explain the supervisor’s role in safety.
3. Minimize unsafe acts by employees.
4. Explain how to deal with important occupational health problems.
Occupational Safety Law

- **Occupational Safety and Health Act**
  - The law passed by Congress in 1970 “to assure so far as possible every working man and woman in the nation safe and healthful working conditions and to preserve our human resources.”

- **Occupational Safety and Health Administration (OSHA)**
  - The agency created within the Department of Labor to set safety and health standards for almost all workers in the United States.
OSHA Standards and Record Keeping

- **OSHA standards**
  - General industry standards, maritime standards, construction standards, other regulations and procedures, and a field operations manual.

- **Record keeping**
  - Employers with 11 or more employees must maintain records of, and report, occupational injuries and occupational illnesses.
  - **Occupational illness**
    - Any abnormal condition or disorder caused by exposure to environmental factors associated with employment.
Guardrails not less than 2” × 4” or the equivalent and not less than 36” or more than 42” high, with a midrail, when required, of a 1” × 4” lumber or equivalent, and toeboards, shall be installed at all open sides on all scaffolds more than 10 feet above the ground or floor.

Toeboards shall be a minimum of 4” in height.

Wire mesh shall be installed in accordance with paragraph [a] (17) of this section.

Source: General Industry Standards and Interpretations, U.S. Department of Labor, OSHA (Volume 1: Revised 1989, Section 1910.28(b) (15)), p. 67.
What Accidents Must Be Reported Under the Occupational Safety and Health Act (OSHA)
Form Used to Record Occupational Injuries and Illnesses

Source: U.S. Department of Labor.

Figure 16–3

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name (First, middle, last)</td>
<td></td>
</tr>
<tr>
<td>Home address (No. and street, city or town, State, and zip code)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>Occupation (Enter regular job title, not the specific activity he was performing at the time of injury)</td>
<td></td>
</tr>
<tr>
<td>Department (Enter name of department or division in which the injured person is regularly employed, even though he may have been temporarily working in another department at the time of injury)</td>
<td></td>
</tr>
<tr>
<td>The Accident or Exposure to Occupational Illness</td>
<td></td>
</tr>
<tr>
<td>Was the accident or exposure on employee's premises?</td>
<td>Yes [ ] No [ ]</td>
</tr>
<tr>
<td>What was the employee doing when injured? (Be specific. If he was using tools or equipment or handling material, name them and tell what he was doing with them.)</td>
<td></td>
</tr>
<tr>
<td>How did the accident occur? Describe fully the events which resulted in the injury or occupational illness. Tell what happened and how it happened. Name any objects or substances involved and tell how they were involved. Give full details on all factors which led or contributed to the accident. Use separate sheet for additional space.</td>
<td></td>
</tr>
<tr>
<td>Occupational Injury or Occupational Illness</td>
<td></td>
</tr>
<tr>
<td>Describe the injury or illness in detail and indicate the part of body affected. (e.g., impalement of right index finger at second joint; fracture of rib, nose, perforation of abdomen, etc.)</td>
<td></td>
</tr>
<tr>
<td>Name the object or substance which directly injured the employee. (For example, the machine or thing it struck against or which struck him; the vapor or poison he inhaled or swallowed; the chemical or radiation which injured his skin; or his use of bones, horses, etc., the thing he was lifting, pulling, etc.)</td>
<td></td>
</tr>
<tr>
<td>Date of injury or initial diagnosis of occupational illness</td>
<td></td>
</tr>
<tr>
<td>Died employee at work? (Check one)</td>
<td>Yes [ ] No [ ]</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Name and address of physician</td>
<td></td>
</tr>
<tr>
<td>Hospitalized, name and address of hospital</td>
<td></td>
</tr>
</tbody>
</table>

OSHA No. 101 (Feb. 1981) (See Next Page/Reverse)
OSHA Inspection Priorities

- Inspections of imminent danger situations
- Inspections of catastrophes, fatalities, and accidents that have already occurred
- Inspections related to valid employee complaints of alleged violation standards.
- Periodic, special-emphasis inspections aimed at high-hazard industries, occupations, or substances.
- Random inspections and reinspections.
Conduct of OSHA Inspections

- OSHA officer arrives at the workplace.
- He or she displays official credentials and asks to meet an employer representative.
- The officer explains the visit’s purpose, the scope of the inspection, and the standards that apply.
- An authorized employee representative accompanies the officer during the inspection.
- The inspector can also stop and question workers (in private, if necessary) about safety and health conditions.
- The inspector holds a closing conference with the employer’s representative to discuss apparent violations which may result in a **citation** and penalty.
- At this point, the employer can produce records to show compliance efforts.
Citations and Penalties

- **Citation**
  - A summons informing employers and employees of the regulations and standards that have been violated in the workplace.

- **Penalties**
  - Are calculated based on the gravity of the violation and usually take into consideration factors like the size of the business, the firm’s compliance history, and the employer’s good faith.
Most Frequently Cited OSHA Standards: The Top 10 for 2002

<table>
<thead>
<tr>
<th>Standard</th>
<th>Subject</th>
<th>No. of Citations</th>
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<tbody>
<tr>
<td>1926.451</td>
<td>Scaffolding, General Requirements</td>
<td>8,423</td>
</tr>
<tr>
<td>1910.120</td>
<td>Hazard Communication</td>
<td>6,951</td>
</tr>
<tr>
<td>1926.501</td>
<td>Fall Protection</td>
<td>5,461</td>
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<tr>
<td>1910.134</td>
<td>Respiratory Protection</td>
<td>4,250</td>
</tr>
<tr>
<td>1910.147</td>
<td>Lockout/Tagout</td>
<td>3,973</td>
</tr>
<tr>
<td>1910.305</td>
<td>Electrical, Wiring Methods</td>
<td>3,202</td>
</tr>
<tr>
<td>1910.212</td>
<td>Machines, General Requirements</td>
<td>2,878</td>
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<tr>
<td>1910.178</td>
<td>Powered Industrial Trucks</td>
<td>2,574</td>
</tr>
<tr>
<td>1910.303</td>
<td>Electrical Systems Design</td>
<td>2,291</td>
</tr>
<tr>
<td>1910.219</td>
<td>Mechanical Power-Transmission Apparatus</td>
<td>2,088</td>
</tr>
</tbody>
</table>

*Note:* Data shown reflect Federal OSHA citations issued during the period October 2001 through September 2002. Penalty amounts represent the assessment for the specified citation as of November 2002, taking into consideration all settlement adjustments.

Inspection Guidelines

- **Initial Contact**
  - Refer the inspector to the company’s OSHA coordinator.
  - Check the inspector’s credentials.
  - Ask the inspector why he or she is inspecting the workplace: Complaint? Regular scheduled visit? Fatality or accident follow-up? Imminent danger?
  - If the inspection stems from a complaint, you are entitled to know whether the person is a current employee, though not the person’s name.
  - Notify your counsel, who should review all requests for documents and information, as well as documents and information you provide.
Inspection Guidelines (cont’d)

- **Opening Conference**
  - Establish the focus and scope of the planned inspection.
  - Discuss the procedures for protecting trade secret areas.
  - Show the inspector you have safety programs in place. He or she may not go to the work floor if paperwork is complete and up to date.
Inspection Guidelines (cont’d)

- **Walk-around inspection**
  - Accompany the inspector and take detailed notes.
  - If the inspector takes a photo or video, you should, too.
  - Ask for duplicates of all physical samples and copies of all test results.
  - Be helpful and cooperative, but don’t volunteer information.
  - To the extent possible, immediately correct any violation the inspector identifies.
Responsibilities and Rights of Employers

**Employer responsibilities**
- To meet the duty to provide “a workplace free from recognized hazards.”
- To be familiar with mandatory OSHA standards.
- To examine workplace conditions to make sure they conform to applicable standards.

**Employer rights**
- To seek advice and off-site consultation from OSHA.
- To request and receive proper identification of the OSHA compliance officer before inspection.
- To be advised by the compliance officer of the reason for an inspection.
Responsibilities and Rights of Employees

**Employee responsibilities**

- To comply with all applicable OSHA standards
- To follow all employer safety and health rules and regulations.
- To report hazardous conditions to the supervisor.

**Employee rights**

- The right to demand safety and health on the job without fear of punishment.

**OSHA cannot cite employees for violations of their responsibilities.**
Dealing with Employee Resistance

- The employer is liable for any penalties that result from employees’ noncompliance with OSHA standards.

  - Ways to gain compliance
    - Bargain with the union for the right to discharge or discipline an employee who disobeys an OSHA standard.
    - Establish a formal employer-employee arbitration process for resolving OSHA-related disputes.
    - Use positive reinforcement and training for gaining employee compliance.
You Have a Right to a Safe and Healthful Workplace.

IT’S THE LAW!

- You have the right to notify your employer or OSHA about workplace hazards. You may ask OSHA to keep your name confidential.
- You have the right to request an OSHA inspection if you believe that there are unsafe and unhealthful conditions in your workplace. You or your representative may participate in the inspection.
- You can file a complaint with OSHA within 30 days of discrimination by your employer for making safety and health complaints or for exercising your rights under the OSH Act.
- You have a right to see OSHA citations issued to your employer. Your employer must post the citations at or near the place of the alleged violation.
- Your employer must correct workplace hazards by the date indicated on the citation and must certify that these hazards have been reduced or eliminated.
- You have the right to copies of your medical records or records of your exposure to toxic and harmful substances or conditions.
- Your employer must post this notice in your workplace.

The Occupational Safety and Health Act of 1970 (OSHA Act), P.L. 91-596, assures safe and healthful working conditions for working men and women throughout the Nation. The Occupational Safety and Health Administration, in the U.S. Department of Labor, has the primary responsibility for administering the OSH Act. The rights listed here may vary depending on the particular circumstances. To file a complaint, report an emergency, or seek OSHA advice, assistance, or products, call 1-800-321-OSHA or your nearest OSHA office: • Atlanta (404) 562-3300 • Boston (617) 565-0960 • Chicago (312) 353-2220 • Dallas (214) 367-4721 • Denver (303) 841-1060 • Kansas City (816) 425-5800 • New York (212) 537-4724 • Philadelphia (215) 861-4900 • San Francisco (415) 975-4310 • Seattle (206) 553-7300. Telephoned (TTT) number is 1-877-889-5627. To file a complaint online or obtain more information on OSHA federal and state programs, visit OSHA’s website at www.osha.gov. If your workplace is in a state operating under an OSHA-approved plan, your employer must post the required state equivalent of this poster.

1-800-321-OSHA
www.osha.gov

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OSHA Safety Poster

Figure 16–5
10 Ways To Get into Trouble with OSHA

- Ignore or retaliate against employees who raise safety issues.
- Antagonize or lie to OSHA during an inspection.
- Keep inaccurate OSHA logs and have disorganized safety files.
- Do not correct hazards OSHA has cited you for and ignore commonly cited hazards.
- Fail to control the flow of information during and after an inspection.
- Do not conduct a safety audit, or identify a serious hazard and do nothing about it.
- Do not use appropriate engineering controls.
- Do not take a systemic approach toward safety.
- Do not enforce safety rules.
- Ignore industrial hygiene issues.
What Causes Accidents?

➢ **Unsafe conditions**
  - Improperly guarded equipment
  - Defective equipment
  - Hazardous procedures in, on, or around machines or equipment
  - Unsafe storage—congestion, overloading
  - Improper illumination—glare, insufficient light
  - Improper ventilation—insufficient air change, impure air source

➢ **Unsafe acts**
Checklist of Mechanical or Physical Accident-Causing Conditions

I. GENERAL HOUSEKEEPING

Adequate and wide aisles—no materials protruding into aisles
Parts and tools stored safely after use—not left in hazardous positions that could cause them to fall
Even and solid flooring—no defective floors or ramps that could cause falling or tripping accidents
Waste cans and sand pails—safely located and properly used

Material piled in safe manner—not too high or too close to sprinkler heads
Floors—clean and dry
Firefighting equipment—unobstructed
Work benches orderly
Stockcarts and skids safely located, not left in aisles or passageways
Aisles kept clear and properly marked; no air lines or electric cords across aisles

II. MATERIAL HANDLING EQUIPMENT AND CONVEYANCES

On all conveyances, electric or hand, check to see that the following items are all in sound working conditions:
Brakes—properly adjusted
Not too much play in steering wheel
Warning device—in place and working
Wheels—securely in place; properly inflated
Fuel and oil—enough and right kind

No loose parts
Cables, hooks, or chains—not worn or otherwise defective
Suspension chains or hooks conspicuous
Safely loaded
Properly stored

III. LADDERS, SCAFFOLD, BENCHES, STAIRWAYS, ETC.

The following items of major interest to be checked:
Safety feet on straight ladders
Guardrails or handrails
Treads, not slippery
No cracked, or rickety

Properly stored
Extension ladder ropes in good condition
Toeboards

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Safety Checklist

Safety

1. Review hazardous elements specific to job (chemicals; discuss routes of entry and effects of overexposure, extreme heat; machinery; etc.)
2. Review hazardous elements specific to job (chemicals; discuss routes of entry and effects of overexposure, extreme heat; machinery; etc.)
3. Review administrative controls in effect (limited exposure time, rotating jobs, distance from operation, etc.)
4. Review applicable safe work procedures (proper lifting techniques, two-man jobs, etc.)
5. Distribute and review use of personal protective equipment required (explain why equipment is needed)
6. Review Health and Safety manual
7. Review written Hazard Communication program and MSDS for chemicals specific to the operation
8. Review Lockout/Tagout program
9. Review Safe Operating Procedures (SOPs) for equipment employee will be expected to use

Health

1. Identify first-aid stations and services/equipment available
2. Inform employee of person(s) to contact in case of emergency
3. Identify emergency response personnel
4. Review employee rights—access exposure and medical records

Accident Reporting

1. Review accident/incident reporting procedure (encourage employee to bring to your attention any unsafe conditions or unsafe work practices)
2. Review rights and internal assistance available with regard to workers’ compensation

---

Employee’s Signature: ___________________________ Date: __________

Supervisor’s Signature: ___________________________ Supervisor Print Name: ___________________________ Date: __________

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How to Prevent Accidents

- Remedy unsafe conditions
- Emphasize safety
- Select safety-minded employees
- Provide safety training
- Use posters, incentive programs, and positive reinforcement to motivate employees
- Use behavior-based safety
- Use employee participation
- Conduct safety and health audits and inspections
Cut-Resistant Gloves Ad

Figure 16–8
Employee Safety Responsibilities Checklist

- Know what constitutes a safety hazard.
- Be constantly on the lookout for safety hazards.
- Correct or report safety hazards immediately.
- Know and use safe work procedures.
- Avoid unsafe acts.
- Keep the work area clean and uncluttered.
- Report accidents, injuries, illnesses, exposures to hazardous substances, and near misses immediately.
- Report acts and conditions that don’t seem right even if you aren’t sure if they’re hazards.
- Cooperate with internal inspections and job hazard analyses.
- Follow company safety rules.
- Look for ways to make the job safer.
- Participate actively in safety training.
- Treat safety as one of your most important job responsibilities.

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Reduce Unsafe Conditions

Identify and eliminate unsafe conditions.
Use administrative means, such as job rotation.
Use personal protective equipment.

Reduce Unsafe Acts

Emphasize top management commitment.
Emphasize safety.
Establish a safety policy.
Reduce unsafe acts through selection.
Provide safety training.
Use posters and other propaganda.
Use positive reinforcement.
Use behavior-based safety programs.
Encourage worker participation.
Conduct safety and health inspections regularly.
Controlling Workers’ Compensation Costs

Before the accident

- Communicate written safety and substance abuse policies to workers and then strictly enforce those policies.

After the accident

- Be proactive in providing first aid, and make sure the worker gets quick medical attention.
- Make it clear that you are interested in the injured worker and his or her fears and questions.
- Document the accident; file required accident reports.
- Encourage a speedy return to work.
Workplace Health Hazards: Remedies

The Basic Industrial Hygiene Program
- Recognition: identification of a possible hazard
- Evaluation: assessing the severity of the hazard
- Control: elimination or reduction of the hazard

Workplace hazards
- Asbestos Exposure
- Infectious Diseases
- Alcoholism and Substance Abuse
Workplace Exposure Hazards

- Chemicals and other hazardous materials.
- Excessive noise and vibrations.
- Temperature extremes.
- Biohazards including those that are normally occurring (such as mold) and manmade (such as anthrax).
- Ergonomic hazards (such as poorly designed equipment that forces workers to do their jobs while contorted in unnatural positions).
- Slippery floors and blocked passageways.
## OSHA Substance- Specific Health Standards

<table>
<thead>
<tr>
<th>Substance</th>
<th>29 CFR 1910</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asbestos</td>
<td>.1001</td>
</tr>
<tr>
<td>Vinyl chloride</td>
<td>.1017</td>
</tr>
<tr>
<td>Inorganic arsenic</td>
<td>.1018</td>
</tr>
<tr>
<td>Lead</td>
<td>.1025</td>
</tr>
<tr>
<td>Cadmium</td>
<td>.1027</td>
</tr>
<tr>
<td>Benzene</td>
<td>.1028</td>
</tr>
<tr>
<td>Coke oven emissions</td>
<td>.1029</td>
</tr>
<tr>
<td>Cotton dust</td>
<td>.1043</td>
</tr>
<tr>
<td>1,2-Dibromo-3-chloropropane</td>
<td>.1044</td>
</tr>
<tr>
<td>Acrylonitrile</td>
<td>.1045</td>
</tr>
<tr>
<td>Ethylene oxide</td>
<td>.1047</td>
</tr>
<tr>
<td>Formaldehyde</td>
<td>.1048</td>
</tr>
<tr>
<td>4,4′-Methylene-dianaline</td>
<td>.1050</td>
</tr>
<tr>
<td>Methylene chloride</td>
<td>.1051</td>
</tr>
</tbody>
</table>

*Source: John F. Rekus, “If You Thought Air Sampling Was Too Difficult to Handle, This Guide Can Help You Tackle Routine Sampling with Confidence, Part I,” *Occupational Hazards*, May 2003, p. 43*
Dealing with Workplace Drug Abuse

If an employee appears to be under the influence of drugs or alcohol:

- Ask how the employee feels and look for signs of impairment such as slurred speech.
- Send an employee judged unfit for duty home.
- Make a written record of your observations and follow up each incident.
- Inform workers of the number of warnings the company will tolerate before requiring termination.
- Refer troubled employees to the company’s employee assistance program.
### Observable Behavior Patterns Indicating Possible Alcohol-Related Problems

<table>
<thead>
<tr>
<th>Stage</th>
<th>Absenteeism</th>
<th>General Behavior</th>
<th>Job Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Early</td>
<td>Tardiness</td>
<td>Complaints from fellow employees for not doing his or her share</td>
<td>Misses deadlines</td>
</tr>
<tr>
<td></td>
<td>Quits early</td>
<td>Overreaction</td>
<td>Commits errors (frequently)</td>
</tr>
<tr>
<td></td>
<td>Absence from work situations</td>
<td>Complaints of not “feeling well”</td>
<td>Lower job efficiency</td>
</tr>
<tr>
<td></td>
<td>(“I drink to relieve tension”)</td>
<td>Makes untrue statements</td>
<td>Criticism from the boss</td>
</tr>
<tr>
<td>II Middle</td>
<td>Frequent days off for vague or implausible reasons</td>
<td>Marked changes</td>
<td>General deterioration</td>
</tr>
<tr>
<td></td>
<td>(“I feel guilty about sneaking drinks’; “I have tremors”)</td>
<td>Undependable statements</td>
<td>Cannot concentrate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Avoids fellow employees</td>
<td>Occasional lapses of memory</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Borrows money from fellow employees</td>
<td>Warning from boss</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exaggerates work accomplishments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Frequent hospitalization</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minor injuries on the job</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(repeatedly)</td>
<td></td>
</tr>
</tbody>
</table>


### Observable Behavior Patterns Indicating Possible Alcohol-Related Problems

<table>
<thead>
<tr>
<th>Stage</th>
<th>Absenteeism</th>
<th>General Behavior</th>
<th>Job Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>III Late</td>
<td>Frequent days off; several days at a time</td>
<td>Aggressive and belligerent behavior</td>
<td>Far below expectation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Domestic problems interfere with work</td>
<td>Punitive disciplinary action</td>
</tr>
<tr>
<td>Middle</td>
<td>Does not return from lunch</td>
<td>Financial difficulties (garnishments, and so on)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(&quot;I don’t feel like eating’; “I don’t want to talk about it’; “I like to drink alone”)</td>
<td>More frequent hospitalization</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resignation: Does not want to discuss problems</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Problems with the laws in the community</td>
<td></td>
</tr>
<tr>
<td>IV Approaching</td>
<td>Prolonged unpredictable absences</td>
<td>Drinking on the job (probably)</td>
<td>Uneven</td>
</tr>
<tr>
<td>Terminal Stage</td>
<td>(&quot;My job interferes with my drinking&quot;)</td>
<td>Completely undependable</td>
<td>Generally incompetent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repeated hospitalization</td>
<td>Faces termination or hospitalization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serious financial problems</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serious family problems: divorce</td>
<td></td>
</tr>
</tbody>
</table>


Workplace Substance Abuse and the Law

- **The Drug-Free Workplace Act**
  - Requires employers with federal government contracts or grants to ensure a drug-free workplace by taking (and certifying that they have taken) a number of steps.

- **Types of drug tests**
  - Pre-employment tests
  - Random tests
  - Post-accident
  - Reasonable suspicion
  - Return-to-duty testing
Reducing Job Stress: Personal

- Build rewarding, pleasant, cooperative relationships
- Don’t bite off more than you can chew.
- Build an effective and supportive relationship with your boss.
- Negotiate with your boss for realistic deadlines on projects.
- Learn as much as you can about upcoming events and get as much lead time as you can to prepare for them.
- Find time every day for detachment and relaxation.
- Take a walk to keep your body refreshed and alert.
- Find ways to reduce unnecessary noise.
- Reduce trivia in your job; delegate routine work.
- Limit interruptions.
- Don’t put off dealing with distasteful problems.
- Make a “worry list” that includes solutions for each problem.
Reducing Job Stress: Organizational

- Provide supportive supervisors
- Ensure fair treatment for all employees
- Reduce personal conflicts on the job.
- Have open communication between management and employees.
- Support employees’ efforts, for instance, by regularly asking how they are doing.
- Ensure effective job–person fit, since a mistake can trigger stress.
- Give employees more control over their jobs.
- Provide employee assistance programs including professional counseling.
Burnout

- The total depletion of physical and mental resources caused by excessive striving to reach an unrealistic work-related goal.

Recovering from burnout:

- Break the usual patterns to achieve a more well-rounded life.
- Get away from it all periodically to think alone.
- Reassess goals in terms of their intrinsic worth and attainability.
- Think about work: could the job be done without being so intense.
Other Workplace Safety and Health Issues

- *Computer-Related Health Problems*
- *AIDS and the Workplace*
- *Workplace Smoking*
Violence at Work

*Steps to reduce workplace violence:*

- Institute heightened security measures
- Improve employee screening
- Provide workplace violence training
- Provide organizational justice
- Pay enhanced attention to employee retention/dismissal
- Take care when dismissing violent employees
- Promptly dealing with angry employees
- Understand the legal constraints on reducing workplace violence
Occupational Security, Safety, and Health in a Post-9/11 World

- **Basic prerequisites for a security plan**
  - Company philosophy and policy on crime
  - Investigations of job applicants
  - Security awareness training
  - Crisis management

- **Setting up a basic security program**
  - Analyzing the current level of risk
  - Installing mechanical, natural, and organizational security systems
Safety, Security, and Emergency Planning Initiatives Following Terrorist Incidents

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Percent of Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and Security</td>
<td></td>
</tr>
<tr>
<td>Personal protective equipment</td>
<td>46%</td>
</tr>
<tr>
<td>New/more stringent building entry procedures</td>
<td>43%</td>
</tr>
<tr>
<td>Restricted access to some areas</td>
<td>19%</td>
</tr>
<tr>
<td>Closed entrances/areas</td>
<td>17%</td>
</tr>
<tr>
<td>New/additional security personnel</td>
<td>12%</td>
</tr>
<tr>
<td>Extended work hours for security personnel</td>
<td>10%</td>
</tr>
<tr>
<td>New security devices (e.g., metal detectors)</td>
<td>10%</td>
</tr>
<tr>
<td>New/more stringent applicant screening</td>
<td>7%</td>
</tr>
<tr>
<td>Physical barriers to building entry</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Emergency Planning and Disaster Recovery</strong></td>
<td></td>
</tr>
<tr>
<td>Review emergency/disaster recovery plan(s)</td>
<td>46%</td>
</tr>
<tr>
<td>Revise emergency/disaster recovery plan(s)</td>
<td>32%</td>
</tr>
<tr>
<td>New/revised evacuation drills</td>
<td>23%</td>
</tr>
<tr>
<td>Form committee or task force to address emergency planning/disaster recovery</td>
<td>15%</td>
</tr>
<tr>
<td>Develop emergency/disaster recovery plan(s)</td>
<td>14%</td>
</tr>
<tr>
<td>Develop/revise procedures for data backup</td>
<td>14%</td>
</tr>
<tr>
<td>Develop/revise procedures for tracking employee whereabouts</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Note:* Due to nonresponse to demographic questions, the number of employers shown within industry any size classifications do not add to the total.

Basic Sources of Facility Security

➢ **Natural security**
  – Taking advantage of the facility’s natural or architectural features in order to minimize security problems.

➢ **Mechanical security**
  – The utilization of security systems such as locks, intrusion alarms, access control systems, and surveillance systems.

➢ **Organizational security**
  – Using good management to improve security.
Evacuation Plans

Evacuation contingency plans should contain:

- Methods for early detection of a problem.
- Methods for communicating the emergency externally.
- Communications plans for initiating an evacuation.
- Communications plans for those the employer wants to evacuate that provide specific information about the emergency, and let them know what action they should take next.
Security for Other Sources of Property Loss

Conducting a security audit involves:

- Identifying all major assets, including intellectual property.
- Tracing the work processes that control each asset.
- Identifying where opportunities for crime exist, and identify areas where protective measures are needed.
- Testing security controls periodically to ensure sufficient protection.
Company Security and Employee Privacy

The Federal Wire Act

- Prohibits the interception oral, wire, or electronic communication.

- The act does permit employees to consent to the monitoring of business communications.

- Monitoring on company phones invades employees’ privacy once it becomes apparent that the conversation is personal.
Investigating a Potential Security Breach

To investigate employees for potential security breaches:

- Distribute a policy that says the firm reserves the right to inspect and search employees, their personal property, and all company property.
- Train investigators to focus on the facts and avoid making accusations.
- Make sure investigators know that employees can request that an employee representative be present during the interview.
- Make sure all investigations and searches are evenhanded and nondiscriminatory.
Figure 16–11

**HR Scorecard for Hotel Paris International Corporation***

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*
Key Terms

Occupational Safety and Health Act
Occupational Safety and Health Administration (OSHA)
occupational illness
citation
unsafe conditions
behavior-based safety
burnout
material safety data sheets
(MSDS)
natural security
mechanical security
organizational security
Chapter 17

Part 5  Employee Relations

Managing Global Human Resources
After studying this chapter, you should be able to:

1. List the HR challenges of international business.
2. Illustrate how intercountry differences affect HRM.
3. Discuss the global differences and similarities in HR practices.
4. Explain five ways to improve international assignments through selection.
5. Discuss how to train and maintain international employees.
The Management Challenges of International Business

- Coordinating market, product, and production plans on a worldwide basis

- Creating organization structures capable of balancing centralized home-office control with adequate local autonomy.

- Extending its HR policies and systems to service its staffing needs abroad:
The HR Challenges of International Business

- **Deployment**
  - Easily getting the right skills to where we need them, regardless of geographic location.

- **Knowledge and innovation dissemination**
  - Spreading state-of-the-art knowledge and practices throughout the organization regardless of where they originate.

- **Identifying and developing talent on a global basis**
  - Identifying can function effectively in a global organization and developing his or her abilities.
Global Staffing Issues

- Selecting candidates for overseas assignment
- Assignment terms and documentation
- Relocation processing and vendor management
- Immigration processing
- Cultural and language orientation and training
- Compensation administration and payroll processing
- Tax administration
- Career planning and development
- Handling of spouse and dependent matters
Intercountry Differences Affecting HRM

- **Cultural Factors**
- **Economic Systems**
- **Legal and Industrial Relations Factors**
- **The European Union**
Global Differences and Similarities in HR Practices

- Personnel Selection Procedure
- The Purpose of the Performance Appraisal
- Training and Development Practices
- The Use of Pay Incentives
A Global HR System

- **Making the global HR system more acceptable**
  - Remember that global systems are more accepted in truly global organizations.
  - Investigate pressures to differentiate and determine their legitimacy.
  - Try to work within the context of a strong corporate culture.
A Global HR System (cont’d)

- Developing a more effective global HR system
  - Form global HR networks.
  - Remember that it’s more important to standardize ends and competencies than specific methods.

- Implementing the global HR system
  - Remember, “You can’t communicate enough.”
  - Dedicate adequate resources for the global HR effort.
## Summary of Best Practices

<table>
<thead>
<tr>
<th>Do . . .</th>
<th>Don’t . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Work within existing local systems—</td>
<td>• Try to do everything the same way everywhere</td>
</tr>
<tr>
<td>integrate global tools into local systems</td>
<td></td>
</tr>
<tr>
<td>• Create a strong corporate culture</td>
<td>• Yield to every claim that “we’re different”—make them prove it</td>
</tr>
<tr>
<td>• Create a global network for system development—global input is critical</td>
<td>• Force a global system on local people</td>
</tr>
<tr>
<td>• Treat local people as equal partners in system development</td>
<td>• Use local people just for implementation</td>
</tr>
<tr>
<td>• Assess common elements across geographies</td>
<td>• Use the same tools globally, unless you can show that they really work and are culturally appropriate</td>
</tr>
<tr>
<td>• Focus on what to measure and allow flexibility in how to measure</td>
<td>• Ignore cultural differences</td>
</tr>
<tr>
<td>• Allow for local additions beyond core elements</td>
<td>• Let technology drive your system design—you can’t assume every location has the same level of technology investment and access</td>
</tr>
</tbody>
</table>

# Summary of Best Practices

<table>
<thead>
<tr>
<th>Do . . .</th>
<th>Don’t . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiate when necessary</td>
<td>Assume that “if we build it they will come”—you need to market your tools or system and put change management strategies in place</td>
</tr>
<tr>
<td>Train local people to make good decisions about which tools to use and how to do so</td>
<td></td>
</tr>
<tr>
<td>Communicate, communicate, communicate!</td>
<td></td>
</tr>
<tr>
<td>Dedicate resources for global HR efforts</td>
<td></td>
</tr>
<tr>
<td>Know, or have access to someone who knows, the legal requirements in each country</td>
<td></td>
</tr>
</tbody>
</table>

Staffing the Global Organization

- **International staffing: Home or local?**
  - **Expatriates (expats):** Noncitizens of the countries in which they are working.
  - **Home-country nationals:** Citizens of the country in which the multinational company has its headquarters.
  - **Third-country nationals:** Citizens of a country other than the parent or the host country.

- **Offshoring**
  - Having local employees abroad do jobs that the firm’s domestic employees previously did in-house.
Staffing the Global Organization (cont’d)

- **Offshoring**
  - Having local employees abroad do jobs that the firm’s domestic employees previously did in-house.

- **Issues in offshoring**
  - Having an effective supervisory and management structure in place to manage the workers.
  - Screening and required training for the employees receive the that they require.
  - Ensuring that compensation policies and working conditions are satisfactory.
Values and International Staffing Policy

- **Ethnocentric**
  - The notion that home-country attitudes, management style, knowledge, evaluation criteria, and managers are superior to anything the host country has to offer.

- **Polycentric**
  - A conscious belief that only the host-country managers can ever really understand the culture and behavior of the host-country market.

- **Geocentric**
  - The belief that the firm’s whole management staff must be scoured on a global basis, on the assumption that the best manager of a specific position anywhere may be in any of the countries in which the firm operates.
Why Expatriate Assignments Fail

- Personality
- Personal intentions
- Family pressures
- Inability of the spouse to adjust
- Inability to cope with larger overseas responsibility.
- Lack of cultural skills
Helping Expatriate Assignment Succeed

- Providing realistic previews of what to expect
- Careful screening
- Improved orientation
- Cultural and language training
- Improved benefits packages
Selecting Expatriate Managers

- **Adaptability screening**
  - Assessing the assignee’s (and spouse’s) probable success in handling the foreign transfer.
  - *Overseas Assignment Inventory*
    - A test that identifies the characteristics and attitudes international assignment candidates should have.

- **Realistic previews**
  - The problems to expect in the new job as well as about the cultural benefits, problems, and idiosyncrasies of the country.
I. Job Knowledge and Motivation
Managerial ability
Organizational ability
Imagination
Creativity
Administrative skills
Alertness
Responsibility
Industriousness
Initiative and energy
High motivation
Frankness
Belief in mission and job
Perseverance

II. Relational Skills
Respect
Courtesy and fact
Display of respect
Kindness
Empathy
Non-judgmentalness
Integrity
Confidence

III. Flexibility/Adaptability
Resourcefulness
Ability to deal with stress
Flexibility
Emotional stability
Willingness to change
Tolerance for ambiguity
Adaptability
Independence
Dependability
Political sensitivity
Positive self-image

IV. Extracultural Openness
Variety of outside interests
Interest in foreign cultures
Openness
Knowledge of local language[s]
Outgoingness and extroversion
Overseas experience

V. Family Situation
Adaptability of spouse and family
Spouse’s positive opinion
Willingness of spouse to live abroad
Stable marriage

Five Factors Important in International Assignee Success, and Their Components

Orienting and Training for International Assignment

- There is little or no systematic selection and training for assignments overseas.

- Training is needed on:
  - The impact of cultural differences on business outcomes.
  - How attitudes (both negative and positive) are formed and how they influence behavior.
  - Factual knowledge about the target country.
  - Language and adjustment and adaptation skills.
Trends in Expatriate Training

- Rotating assignments that permit overseas managers to grow professionally.
- Management development centers around the world where executives hone their skills.
- Classroom programs provide overseas executives with educational opportunities similar to stateside programs.
- Continuing, in-country cross-cultural training
- Use of returning managers as resources to cultivate the “global mind-sets” of their home-office staff.
- Use of software and the Internet for cross-cultural training.
Compensating Expatriates

The “Balance Sheet Approach”

- Home-country groups of expenses—income taxes, housing, goods and services, and discretionary expenses—are the focus of attention.

- The employer estimates what each of these four expenses is in the expatriate’s home country, and what each will be in the host country.

- The employer then pays any differences such as additional income taxes or housing expenses.
The Balance Sheet Approach  
(Assumes Base Salary of $80,000)

<table>
<thead>
<tr>
<th>Annual Expense</th>
<th>Chicago, U.S.</th>
<th>Brussels, Belgium (U.S.$ equivalent)</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing &amp; utilities</td>
<td>$35,000</td>
<td>$67,600</td>
<td>$32,600</td>
</tr>
<tr>
<td>Goods &amp; services</td>
<td>6,000</td>
<td>9,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Taxes</td>
<td>22,400</td>
<td>56,000</td>
<td>33,600</td>
</tr>
<tr>
<td>Discretionary income</td>
<td>10,000</td>
<td>10,000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$73,400</td>
<td>$143,100</td>
<td>$69,700</td>
</tr>
</tbody>
</table>

Table 17–2
Incentives

- **Foreign service premiums**
  - Financial payments over and above regular base pay, and typically range between 10% and 30% of base pay.

- **Hardship allowances**
  - Payments to compensate expatriates for exceptionally hard living and working conditions at certain foreign locations.

- **Mobility premiums**
  - Lump-sum payments to reward employees for moving from one assignment to another.
Appraising Expatriate Managers

- **Challenges in appraising overseas managers**
  - Determining who should appraise the manager.
  - Deciding on which factors to base the appraisal.

- **Improving the expatriate appraisal process**
  - Stipulate the assignment’s difficulty level, and adapt the performance criteria to the situation.
  - Weigh the evaluation more toward the on-site manager’s appraisal than toward the home-site manager’s.
  - If the home-office manager does the actual written appraisal, use a former expatriate from the same overseas location for advice.
Differences in International Labor Relations

- Centralization
- Union structure
- Employer organization
- Union recognition
- Union security
- Content and scope of bargaining
- Grievance handling
- Strikes
- Worker participation
Terrorism, Safety, and Global HR

- **Taking protective measures**
  - Crisis management teams

- **Kidnapping and ransom (K&R) insurance**
  - Crisis situations
    - Kidnapping: the employee is a hostage until the employer pays a ransom.
    - Extortion: threatening bodily harm.
    - Detention: holding an employee without any ransom demand.
    - Threats to property or products unless the employer makes a payment.
Repatriation: Problems and Solutions

**Problem**
- Making sure that the expatriate and his or her family don’t feel that the company has left them adrift.

**Solutions**
- Match the expat and his or her family with a psychologist trained in repatriation issues.
- Make sure that the employee always feels that he or she is still “in the loop” with what’s happening back at the home office.
- Provide formal repatriation services.
Auditing the HR Function

1. What should HR’s functions be?

2. Participants then rate each of these functions to answer the question, “How important are each of these functions?”

3. Next, they answer the question, “How well are each of the functions performed?”

4. Next, compare (2) and (3) to focus on “What needs improvement?”

5. Then, top management needs to answer the question, “Overall, how effectively does the HR function allocate its resources?”
HR Scorecard for Hotel Paris International Corporation*

Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, “To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability”)*

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Key Terms

codetermination
expatriates (expats)
homeland nationals
third-country nationals
offshoring
ethnocentric
polycentric
geocentric
adaptability screening
foreign service premiums
hardship allowances
mobility premiums