

# The Nature and Scope of Human Resource Management

## CHAPTER

# 1

### Chapter Outline

The Meaning of Human Resource Management  
Major Specialties within Human Resource Management  
The Strategic Role of Human Resource Management  
Operational Roles Carried Out by HRM Professionals  
Legal and Ethical Issues in Human Resource Management  
A Model for Human Resource Management  
Six Current Trends Creating Challenges for HRM



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### Learning Objectives

After reading and studying this chapter and doing the exercises, you should be able to:

1. Explain the meaning of human resource management (HRM).
2. Identify the major specialties within human resource management.
3. Describe the strategic role of human resource management.
4. Identify several of the operational roles carried out by HRM professionals.
5. Identify several of the legal and ethical issues in human resource management.
6. Describe several of the new trends and challenges facing human resource management.

In 2019 Southwest Airlines was rated the top-ranking company by *Workforce 100*, which recognizes companies that have excelled in human resource management for the previous year. To rank employers, *Workforce* reviews publicly available data on human resources (HR) performance, as well as Glassdoor data on employee feedback about their employers. Top human resource management concerns on which companies were judged in 2019 included employee recruitment, how artificial intelligence (AI) fits into HR, how to use data-driven insights, and an increased emphasis on agility (organizational flexibility). The more traditional topics of HR, including compliance with laws, organizational culture, and diversity, were also included in the evaluation of companies.



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Southwest Airlines has been recognized as a company that excels in human resource management.

Julie Weber is the Vice President of People (HR) at Southwest. The responsibilities of the People department include hiring the right people at the right time with the right attitude, and providing employees equal opportunity for learning and personal growth. In addition, the people department provides employees competitive and attractive benefits packages and assures quality and depth of leadership throughout Southwest. Weber's broad responsibility is to ensure that the 61,000 Southwest employees have a fulfilling experience during their employment with the company. She says, "Our belief is that happy employees make for happy customers, which make for happy shareholders."



Source: Emilia Ungur/Shutterstock

A key Southwestern recruiting strategy is to search for candidates who have a positive attitude and who also match the company culture.

A key Southwest recruiting strategy is to search for candidates who have a positive attitude and who match the company culture. “We look for entry-level employees who are highly motivated to work with us,” Weber said. Southwest also promotes a fun-filled work environment including Halloween parties. Employees are invited to wear their best costumes to work and to bring family members with them for trick-or-treating at the office. To add to the joyful environment, company leaders host meals with employees going through leadership development programs.

Southwest has been updating its HR operating model so that employees are able to access one-stop shopping. This term refers to employees having easy access to the HR services available to them, even from their phones.

Part of Southwest’s process for transforming its HR operating model has been to keep its leaders and employees enthused. Weber’s approach has been to maintain persistent and strong communication about the company’s mission and initiatives. Changes in HR methods are intended to impact the entire company, not just the HR department.

Greg Muccio is the director of talent acquisition at Southwest, and his group faces an overwhelming task. The company hires up to 7,000 people per year and receives more than 300,000 job applications annually. To help manage this mammoth acquisition task, Southwest relies on the latest in technology, working with Phenom People, the talent technology company. When new technology was introduced at Southwest in 2019, Muccio came up with a “training champion program.” He selected 18 recruiters from across the different customer groups for advanced training on the platform. The recruiters were challenged to build cases based on their own acquisition experiences. “When we launched the in-person training,” he said, “instead of seeing hypothetical searches and campaigns, our recruiters could see how to use the platform to specifically attract mechanics, flight attendants, accountants, etc.”

A Southwest customer service worker post on the job site Indeed suggests that the Southwest approach to human resource management is effective: “This has by far and away been the best company I have ever worked for in terms of benefits and job security and overall treatment of employees. The sky is literally your limit as you have the ability to move around the company endlessly so long as you’re in good standing.” At the time of the company’s award, Weber had over 20 years of HRM experience. She has a bachelor’s degree in psychology from the University of Dallas and a master’s degree in counseling psychology from Our Lady of the Lake University in San Antonio, Texas.<sup>1</sup>

This story about the popular airline carrier Southwest highlights two realities about human resource management. The field is complex, and it has a major impact on the effectiveness of an organization. In this chapter we take a preliminary look at the nature and scope of *human resource management*, with several of the topics given more coverage in later chapters. The field of human resource management is also referred to as *human resources*. For many years the field was referred to as *personnel* or the *personnel department*.

## The Meaning of Human Resource Management

Human resource management has a more specific meaning than simply managing people. If HRM simply refers to the effective utilization of human resources, every manager is a human resource manager, and every organizational unit is an HR department. **Human resource management** is the process of recruiting, selecting, compensating, training, and developing employees; evaluating their performance; retaining them; and developing policies related to these activities. A definition of human resource management might also include other HRM activities such as assuring the cultural diversity of the workforce, shaping the organizational culture, and helping the organization manage crises. But an entire field of activity cannot be crammed into one definition.

**human resource management** The process of recruiting, selecting, compensating, training, and developing employees, evaluating their performance, retaining them, and developing policies related to these activities.



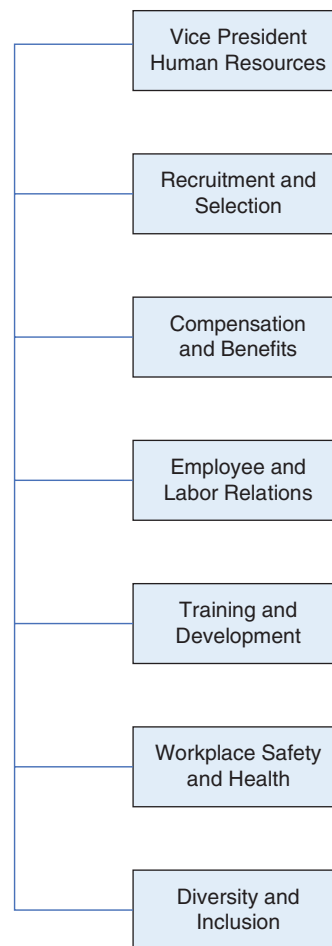
Human resource management is the process of recruiting, selecting, compensating, training, and developing employees; evaluating their performance; retaining them; and developing policies related to their activity.

The preceding definition of human resource management is representative and points toward specific functions performed by HRM specialists. The field can also be defined in a more abstract, general way, as follows: “The policies, practices, and systems that influence employees’ behavior, attitudes, and performance.”<sup>2</sup>

As a field, HRM has evolved extensively since the 1990s, playing an enlarged role in modern organizations. In its early days, HRM concentrated on payroll, employee compensation, job description, and basic training. Today human resource management plays a broader, strategic role, as will be described later.

Understanding who practices human resource management and where it is practiced also helps in our understanding its meaning. Large- and medium-size organizations usually contain an HR department, as illustrated in Figure 1-1. In small organizations, the HR function might be

carried out by a department of administration. In all sizes of organizations, some of the human resource management activity is carried out by line managers. For example, the marketing and sales group might conduct much of its own recruitment and selection of employees, perhaps with some guidance from the HR department.



**FIGURE 1-1** The HRM Organization Chart at a Large Company



By far the biggest growth in the human resource management field has taken place in firms that provide human resource management services to firms of all sizes. Usually referred to as *human resource outsourcing firms*, these companies often take over the entire HR function for small firms. Small firms in particular outsource their payroll function. Large- and medium-size firms also make extensive use of these outsourcing providers. For example, a company of 500 employees might maintain an HR department of four people and outsource the HRM function to specialty firms. An implication for HR professionals is that even as many HR departments are shrinking in size, the HR function is expanding rapidly in size and impact. A sampling of seven different HR outsourcing firms follows:

- *Express Employment Professionals*. Provides staffing HR solutions, including recruiting and selection.
- *Fortune Personnel Consultants (FPC)*. Specializes in executive recruiting, sometimes referred to as *headhunting*.
- *IBM Recruitment Services*. Offers a full range of employee recruitment and selection, and has 1,500 recruitment professionals on staff.
- *ManpowerGroup Solutions*. Offers a full range of employee recruitment and selection, and has 3,200 recruitment professionals on staff.
- *Ultimate Software*. Provides cloud-based HR management systems.
- *Workday*. Provides cloud-based HR management systems.
- *Corporate Wellness Partners*. Provides corporate wellness solutions including exercise, diet, blood pressure, and stress management.

This sampling of HR outsourcing firms points toward an important understanding of the human resource management function. When an HR department exists in a firm with a major purpose other than providing human resources, HR is a staff, or advisory and support, function. If you were a manager in the People department at Southwest Airlines, you would be a staff manager. The reason is that the primary purpose of Southwest is to provide air transportation services to the public. However, if you left Southwest and became a franchise operator of Express Employment Professionals, you would become a line manager. The reason is that the primary purpose of Express is to provide staffing functions to other organizations.

## Major Specialties within Human Resource Management

The major specialties within the human resource management field can be inferred from Figure 1-1, which depicts the HR organization structure of a large organization. Describing these specialties provides insights into the responsibilities, skills, and roles of human resource managers and specialists. The following list is dynamic because new specialties emerge from traditional specialties.<sup>3</sup> For example, career development was at one time part of the training and development function. Employee career development has become a specialty of its own in some large firms and also a service provided by a few human resource outsourcing firms. The list of specialties changes also in response to changes in the field. For example, as a result of the coronavirus (COVID-19) pandemic, some HR workers became specialists in helping organizations survive a crisis and manage the remote workforce.

1. *Employment and recruiting*. Work with a hiring manager to develop ideal candidate criteria; collaborate with private employment recruiters; and



The COVID-19 virus pandemic triggered a surge in people working from home.

Source: fizkes/Shutterstock

peruse job boards and social media websites to find employees, attract qualified candidates, match them to jobs, and coordinate relocation of selected candidates if necessary.

2. *Labor and employee relations.* Serve as liaisons between employees and management, negotiate with unions over contracts and grievances, resolve disputes, and direct employee health and safety programs.
3. *Training and development.* Organize and conduct new employee orientation (onboarding), provide ongoing education for staff, determine what training is necessary, and design materials and workshops for presentations.
4. *Job analysis.* Identify and document job duties and requirements and their relative importance, use data to develop training materials and methods, determine compensation, and develop job titles and descriptions and job application materials.
5. *Benefits and compensation.* Prepare benefits and salary packages, ensure benefits fit the needs of employees, design performance reviews, establish bonus and stock options plans, develop pay structure, and serve as liaison with insurance carriers.
6. *Human resources information system (HRIS).* Coordinate, communicate, and implement changes to HR information systems. Apply the latest developments in HR technology to refine many human resource management processes including staffing and reduction in turnover.
7. *Diversity and inclusion.* Measure and monitor diversity and inclusion within the organization, develop new programs and practices that increase diversity, and supply support to affinity groups within the organization. (Inclusion is about making diverse members feel as if they are part of the organization. Affinity groups are people who form a network based on a group status such as Native American or physically disabled.) Develop and execute programs that will create an environment of diversity and inclusion in the organization.
8. *Employee assistance plans (EAP).* Help develop and implement plans and programs to help treat and prevent problems that could negatively impact job performance. Also work with health and fitness plans, medical examinations, flexible working hours, onsite recreational activities, childcare and eldercare programs, and personal and financial counseling services.
9. *Career development.* Develop career-path plans that help guide workers toward increasingly responsible positions in the organization as well as lateral assignments that enhance professional development. Evaluate career or job readiness. Match people who want to be mentored with available mentors. Help workers develop internal job-finding strategies. Develop outplacement programs during substantial company downsizings.

## An Overview of the HRM Profession

A listing of the major specialties within the human resource management profession is useful in explaining what HR people do. The Society for Human Resource Management (SHRM) provides an overview of the profession that helps integrate these various specialties. The society regards HRM as a set of tasks aimed at effectively managing an organization's employees, known as *human resources* or *human capital*. HRM professionals oversee the business and administrative aspects of managing people in an organization. These aspects include compensation, benefits, training and development, staffing, and assistance for substandard performers.

HR professionals structure staffing programs to recruit, hire, and retain the best employees by making the company competitive in terms of attracting employees. In turn, the potential recruits will choose to accept a position with the firm and then stay with the firm for at least a reasonable period of time. HR specialists help guide employees through the complexity of human resource procedures and answer questions about policies such

as sick leave, tuition assistance, parental leave, and medical leave. Human resource specialists sometimes administer benefits and process payroll. In addition to these basic functions, HR specialists and managers sometimes help with strategic (high-level and long-term) planning about fitting the workforce to the present and future needs of the firm.

In today's competitive environment, human resource management is essential to remain viable in the global marketplace. As a result, HRM plays a pivotal role in the world because people are the main factor that differentiates one company from another. Having exceptional products, services, inventions, and technology can make a company great, but it is human capital that creates them. Organizations may replicate the processes, products, and services of successful enterprises, but the talent within an organization makes it unique among competitors.

Another way of overviewing the HR profession is to list a sampling of the specific, day-by-day activities and tasks of human resource specialists, as follows:

- Consult with employers to identify needs for employee recruitment.
- Interview job applicants about their experience, education, skills, and aspirations.
- Contact references and conduct background checks on job applicants.
- Inform applicants about job details, such as duties, benefits, and working conditions.
- Carry out the details of hiring candidates who have accepted a job offer.
- Assist in employee onboarding (orientation), including explaining the organizational culture to new employees.
- Enter a wide variety of data about employees into the HRIS.
- Ensure that all human resource activities comply with federal, state, and local regulations.
- Coordinate with HR outsourcing firms to supply needed outside expertise to the firm, such as diversity and antibias training.



Source: mavo/Shutterstock

Job applicants are interviewed about their experience, education, skills, and aspirations.

## Career Advancement in HRM

All human resource management specialties can lead to higher-level positions, such as HR manager, vice president of human resources, and chief human resources officer (CHRO). A human resources specialist career path might resemble the following:<sup>4</sup>

1. *Entry-level.* The roles include benefits specialist, job analysis specialist, labor-relations negotiation specialist, recruitment specialist, and manufacturing training specialist.
2. *Mid-level.* The roles include compensation manager, hiring manager, recruiting manager, labor relations manager, diversity and inclusion manager, and human resources information systems manager.
3. *Senior-level.* The roles include director of employee benefits, vice president of diversity and inclusion, vice president of employee relations, director of human resource development, and manager of organization development.

A specialist in a senior-level position might be promoted to the highest-level HR generalist position of vice president of human resources or CHRO. A surprise to many people is that human resource experience can also facilitate a person becoming a chief executive officer (CEO). A study by an executive search firm found that the most desirable CEO traits





Mary Barra, GM CEO.

match up well with the traits of an effective CHRO. Two of the major traits and skills were high-level leadership ability and the implementation of strategy. Another factor that helps a CHRO qualify for a CEO position is that the head of human resources has an opportunity to work with the heads of other business functions. Here are five HRM professionals who became CEOs of major companies:<sup>5</sup>

- Anne Mulcahy, CEO of Xerox Corporation (2001–2009)
- Bernard Fontana, CEO of Areva (2015–present)
- Lisa M. Weber, President of MetLife (2004–2010)
- Mary Barra, CEO of General Motors (2014–present)
- Nigel Travis, CEO of Dunkin' Brands Group (2009–2018, now Non-Executive Chairman of the Board)

Barra might be considered the best example of a human resource management professional becoming a CEO because she had 20 years of experience in HR. Under Barra's leadership, GM has upgraded the quality of its vehicles and weathered a major ignition switch scandal and the pandemic.

Although the field of human resource management has become specialized, generalist positions still exist, particularly in small- and medium-size organizations where much of HR is not outsourced. HR generalists have a wide range of responsibilities including staffing, training and development, implementing cultural diversity initiatives, developing personnel policies and procedures, and ensuring that internal policies and programs conform to workplace legislation. An entry-level generalist position might have the job title HR assistant and support the work of an entire department. Examples of generalist HR job titles include HR business partner, HR branch manager, and chief HR officer.

## Educational Requirements for a Career in HRM

As the HRM field has become professionalized, more employers have established specific educational requirements to obtain a position in human resource management. SHRM suggests that undergraduates pursue a balanced curriculum that includes behavioral sciences, social sciences, and liberal arts. (A course in HR or HRM would also be useful!) Majoring in or studying business is quite helpful for obtaining an HR position. Relevant courses include economics, introduction to business, organizational behavior, management, marketing, business and labor law, business strategy, and quantitative methods. Specialty courses within HRM, such as compensation and benefits or labor law, would also be helpful.

A graduate degree can be useful for obtaining a position in HRM, as well as for career advancement within the field. One recommended approach is to obtain a master's degree in human resource management, such as a master of science in HR. The program will include coursework in industrial relations, organizational behavior, and organization development. Another recommended degree is a master of business administration (MBA) with a concentration in HR.<sup>6</sup>

Although a formal undergraduate or graduate degree in HR facilitates career advancement in the field, other educational majors can still lead to a fine career in human resource management. You may recall from the chapter introduction that the head of people at Southwest Airlines has two degrees in psychology. Furthermore, many managers with degrees other than in HR are given high-level HR assignments, or “rotated” into an HR position to broaden their experience. An example would be giving a division finance vice president the opportunity to become the division head of HR.



# The Strategic Role of Human Resource Management

The modern role for human resource professionals is that of partner in helping the organization implement its business strategy. In the words of many HR professionals “We finally have a seat at the executive table.” The implication is that human resource management is an integral part of business strategy. Ram Charan, an advisor to executives, contends that the CHRO should work alongside the CEO and chief financial advisor (CFO) to manage human capital with the same rigor that is applied to financial capital.<sup>7</sup>

Without effective human resource management, a company cannot accomplish high-level goals such as competing globally, grabbing market share, and being innovative.<sup>8</sup> For example, unless talented and imaginative employees are recruited (even through outsourcing recruitment), innovation cannot be sustained. (This helps explain the emergence of the term *talent management*.)

A major purpose of HRM is to maximize human capital so workers achieve the goals of the organization. **Human resource strategy** is an organization’s overall plan for managing human capital to align with its major activities or purpose. The HR strategy establishes the direction for all the key areas of human resource management, including recruitment, hiring, performance evaluation, compensation, and training and development. As a result, the HR strategy is a long-range plan that dictates HR practices throughout the organization.

An example of an effective HR strategy took place at Netflix. After the dot-com bubble burst, creating a stock market crash, and the 9/11 attacks, Netflix found it necessary to lay off a third of its workforce. Netflix had a long-established policy of hiring only A players (talented, high performers), so an opportunity presented itself. After the company laid off all the B players, the remaining employees had higher job satisfaction and productivity. As one engineer said, “I’ve learned that I’d rather work by myself than with subpar performers.”

The layoff strategy also had consequences for workers who were once invaluable but had become redundant as the company grew in size. According to Patty McCord, the chief talent officer at Netflix at the time, “If we wanted only A players on our team, we had to be willing to let go of people whose skills no longer fit, no matter how valuable their contribution had once been.”

Working with A players only also had an impact on Netflix’s time-off-from-work policies. After Netflix went public, pressure was felt to formalize the paid time off policy. After some research, McCord decided to use a system in which employees could take off as much time as they thought was appropriate, based in part on discussions with their immediate manager.<sup>9</sup>

The Netflix HR strategy was perceived as effective by company leadership, including the chief talent officer, and the A players who survived the layoff. Yet the B players might have had an opposite view of the effectiveness of the strategy. What is your opinion?

A specific way in which HRM contributes to business strategy is by helping to build high-performance work practices. Several of these approaches will be mentioned in Chapter 9 about performance management and appraisal. Aspects of high-performance work practices include selection, incentive compensation, and training. An integration of 92 studies found organizations can increase their performance 20 percent by implementing high-performance work practices. The results demonstrate that human resource methods contribute substantially to an organization’s performance goals.<sup>10</sup>



Source: Monkey Business Images/Shutterstock

The CHRO should work alongside the CEO and chief financial advisor (CFO) to manage human capital with the same rigor that is applied to financial capital.

**human resource strategy** An organization’s overall plan for managing human capital to align with its major activities or purpose.

## Operational Roles Carried Out by HRM Professionals

The many roles or activities carried out by HRM professionals are suggested by their specialties, such as a recruitment specialist posting job openings on a job board. In addition to the obvious roles, HR professionals and specialists engage in activities that might be included in any specialty. For example, no matter what subfield, the human resource professional might be involved in providing leadership and offering advice.

One approach to understanding the operational roles of the HRM professional is to list the competencies required for SHRM certification. A competency is a group of interrelated attributes including knowledge, skills, and abilities (KSAs) that constitute the behaviors to perform a specific job effectively. At the same time, these behaviors are the role. The nine SHRM competencies are as follows:<sup>11</sup>

1. *Leadership and Navigation.* The ability to lead and contribute to initiatives with the organization. An example would be an HR professional who initiated an advanced reading comprehension program for manufacturing employees so they could more readily adapt to learning new technologies.
2. *Ethical Practice.* The ability to integrate core values, integrity, and accountability throughout the organization and business practices, procedures, and policies. An example would be a recruitment and selection specialist who advises managers that she is seeing too many managers hiring friends and relatives over qualified candidates without such connections.
3. *Business Acumen.* The ability to understand and apply information that contributes to the organization's strategy. An example would be a compensation specialist who advises management about a plan that would help reduce labor costs fairly and thus would contribute to the company's strategy of being a cost leader in its field.
4. *Relationship Management.* The ability to manage interactions to provide service and support to the organization. An example would be a labor relations specialist who helps the organization have a productive, peaceful work arrangement with the labor union by building a constructive relationship with union leadership.
5. *Consultation.* The ability to provide guidance to stakeholders of the organization. An example would be a recruitment specialist who advises stockholders at a town hall meeting that one of the best ways they can make the company more valuable is to refer top talent to the company.
6. *Critical Evaluation.* The ability to interpret information to make business decisions and recommendations. An example would be a compensation specialist who digests lengthy data about the impact of raising the wages of entry-level workers, to suggest that such an approach would be cost effective because turnover would be reduced. As a result, the company would save money.
7. *Global and Cultural Effectiveness.* The ability to value and consider the perspectives of all parties. An example would be an HR generalist at a bank listening carefully and empathizing with a group of workers over age 55 who believe that they are being shut out of consideration for promotion.
8. *Communication.* The ability to effectively exchange information with stakeholders. An example would be a workplace safety specialist who sits down with order fulfillment technicians to discuss their concerns about having to climb so high on ladders.
9. *HR Expertise (HR Knowledge).* The knowledge of principles, practices, and functions of effective human resource management. An example would be a training specialist explaining to line management the types of training suited for online learning versus classroom training.

The roles resulting from the knowledge, skills, and abilities identified by SHRM are comprehensive and therefore worth noting. In addition, these KSAs are the basis for

passing exams to be an HR practitioner certified by SHRM. A few other roles frequently or sometimes carried out by HR practitioners are also worthy of your attention, as follows.

*Giving Advice.* A few of the KSAs just mentioned imply advice giving, but the role is important enough to deserve separate mention. An important characteristic of a professional role is dispensing advice to clients. The HR professional offers advice across the entire panorama of human problems in organizations. When a problem occurs that is more appropriately handled by another professional, the HR specialist will often obtain such outside consultation. For example, an industrial/organizational psychologist might be asked to conduct a psychological evaluation of a candidate for an executive position, a physician might be consulted about an employee who has some of the symptoms of COVID-19, or a lawyer might be consulted about a trade secret violation. Here are three examples of this type of advice:

- “My opinion is that you should set the candidate’s starting salary offer a little lower. You would be hitting close to the top of the range with a \$75,500 figure. If you begin him at a little lower salary, you will leave some money left in the range for merit raises.”
- “Had you thought about using a matrix form of organization to start up that new venture? It might be much more efficient and less expensive to begin small. If you set up an entire new organization and the venture fails, it could be embarrassing to all concerned.”
- “I think you should look for a way to give Nikki more responsibility in her next assignment. The new assignment you propose for her seems like another lateral move to me. As the three of us discussed in our career development meeting, Nikki is an ambitious person who is eager for career growth and personal development. She has terrific potential, and we can’t afford to demotivate her or have her find a better job on the outside.”

*Providing Services.* HR departments have traditionally carried out service activities distinct from the daily problems concerning other parts of the organization. Among these unique services are processing claims relating to the company benefits program, operating company medical and athletic facilities, maintaining plant and office security, running the cafeteria, and administering a suggestion system on the intranet. Many of these services are likely to be outsourced, but they remain an HR responsibility. In a traditional organization, HR accumulates a miscellany of activities that do not seem appropriate for any other department.

HR recognizes that as a staff department it must perform its share of ordinary, routine activities. Left unattended, these details can create morale problems such as an employee complaining about not having received a promised bonus payment. The service relationship can sometimes lead to friction within an organization. The following are possible friction points:

1. *HRM may not agree that the service should be rendered.* Line management may dictate that a particular service be performed while the HR professional believes that such a service might be undesirable for whatever reason. In essence, HR is ordered to do something that it thinks is either not its responsibility or is really a disservice to the organization. In one company, the finance director insisted that the HR department screen out any job candidates who have a prison record. The HR director pointed out that such exclusions of convicted felons was unethical and most likely illegal. The argument about legality triggered the finance director into rethinking the demand to exclude any job candidates with a prison record.



The argument about legality triggered the finance director into rethinking the demand to exclude any job candidates with a prison record.

Source: KongNai/Shutterstock



2. *HRM initiates services that are resisted or rejected by other departments.* HRM departments at times invest their energies into service activities that they think are worthwhile but may be seen as superfluous by other departments. A director of employee development unilaterally decided to establish a Communication Skills Training program for managerial, supervisory, technical, and professional personnel. Without asking other departments if they wanted such a program, she had elaborate brochures posted on the intranet describing the program. She also lined up outside communication specialists to conduct the program. Next, she actively recruited enrollees for her class by selling the virtues of the program to directors and department heads. As employees began to realize that their managers were not backing the program, attendance at the training sessions dwindled. Out of embarrassment, the director of employee development postponed the program “until further notice.”

Outright rejection of a program took this form: one HR department pushed for a program of making flu shots available to all employees during standard working hours. Company-provided health insurance would cover the expense. The CEO, however, rejected this HR initiative, stating that employees can readily get flu shots on their own during nonworking hours.

3. *Other departments place competing demands on the limited availability of HRM services.* In contrast to the preceding friction point, HRM sometimes suffers from too many demands for services placed on it. Two different functional areas of the company may place heavy demands on HR for recruitment and selection services. Yet HR can efficiently handle only one of these recruiting and selection efforts. An example would be a recruiting surge, such as a delivery service planning to hire 70,000 workers for the holiday shipping season. It is difficult for HRM to avoid creating some antagonism by rejecting somebody’s demands. Even when top-level management decides which department should receive higher priority, HR may wind up losing a potential ally in the department that was given low priority. HR often resolves this type of conflict by obtaining assistance from a recruitment and selection outsourcing firm.

*Making Policy.* Most medium- and large-size organizations have elaborate policies governing relationships with employees. HRM executives have much to say about establishing new policy and modifying existing policy. Members of top-level management from other functional areas are also involved in establishing human resources policy, but the input of an HR executive is highly influential. In practice, policies can be anything from general statements of principle to detailed rules. An example of the former would be “We promote only on the basis of merit.” An example of the latter would be “No employee can be granted time off with pay to watch a child participating in a sporting event or school play.”

Following are three examples of HR policy statements established by an HR executive in a company that manufactures optical scanners:

1. *Promotion.* We give full consideration to the advancement of our own people and to promote from within whenever the required talent and experience is available. Selection will be made on the basis of skills, aptitudes, experience, education, and length of service.
2. *Reduction in staff.* If a reduction in staff becomes necessary, the company will give full consideration to length of service, skills, aptitudes, and past work records of employees affected in adjusting the workforce to the proper level. Whenever practical, the company will attempt to retrain workers for other roles if they are displaced by changes in the workload or technology.
3. *Jury duty.* If an employee is required to serve on a jury, the company will protect his or her earnings at the normal shift rate for time actually lost in discharging his or her civic responsibilities—in accordance with state and local law. Employees are expected to report for work before and after jury duty each day when practical in order to give as much attention as possible to their regular jobs.<sup>12</sup>



*Conducting Research.* Large HR departments often have a research capability. At the most basic level, human resource research involves collecting information about turnover, accidents, employee education, employee skills, and so forth. Digitalization has greatly enhanced the capability of HR to collect factual information and statistics about human capital. For example, it is possible to generate data comparing performance evaluations across different departments, categories of workers, and experience level of managers.

A more sophisticated type of HR research seeks to investigate whether a particular HR practice or policy is actually effective. In recent years, there has been an increased emphasis on welcoming people with autism into the workforce for both humanitarian and work-related reasons. Some observers believe that autism helps a person concentrate on tasks, such as computer coding, without being distracted by other people. HR might conduct an experiment to provide valid data about the performance of people with autism in one job specialty, such as coding. The job performance of coders with autism would be compared to coders without autism, taking into account similar mental ability, education, experience, age, and sex. If the group with autism performs as well or even better, as the hypothesis suggests, there would be a scientific, humanitarian reason for recruiting a higher number of people with autism for coding positions.

The type of research just described has practical and scientific value. The Microsoft Autism Hiring Program was launched in 2015 with a goal of hiring people with autism for full-time technical positions. The company partnered with two HR outsourcing firms, PROVAIL and Specialisterne, that assist with job training and support for people with an autism spectrum disorder. The immediate response to the announcement far exceeded expectations, with Microsoft receiving thousands of emails, more than 700 résumés, and countless phone calls.

Microsoft also received many messages of appreciation for taking such an initiative. The job interviews are part interview and part workshop. Microsoft has continued to hire people with autism with good results in terms of job performance and low turnover. Other technology firms including SAP, Hewlett-Packard (HP), and New Relic are also hiring adults with autism for technical positions with good results.<sup>13</sup>

## Legal and Ethical Issues in Human Resource Management

The work of human resource managers and professionals involves a multitude of legal and ethical issues in all phases, with some issues involving both law and ethics. For example, if a wheelchair user applies for a position as an accountant, the employer faces the legal challenge of making sure that the company is prepared to make reasonable accommodations for that person if hired. At the same time, creating a workplace that welcomes people of different physical status is an ethical issue.

### Legal Issues

Federal, state, provincial, and local laws influence every aspect of human resource management, particularly with respect to staffing and talent management. Managers and professionals must keep the major provisions of these laws in mind whenever they make decisions about any phase of employment. The US Department of Labor (DOL) administers and enforces more than 180 federal laws. These mandates and the regulations that implement them cover many workplace activities for about 155 million workers and 10 million workplaces. Canada has comparable legislation at both the federal and provincial levels.

Figure 1-2 presents capsule summaries of many of the major US federal laws affecting human resources. At appropriate places in the book, we will mention these laws again,



In recent years, there has been an increased emphasis on welcoming people with autism into the workforce for both humanitarian and work-related reasons.

Source: nindita/Shutterstock

**Affordable Care Act (ACA).** The comprehensive health care reform law enacted in March 2010 (sometimes known as ACA, PPACA, or “Obamacare”). The law has 3 primary goals:

- Make affordable health insurance available to more people. The law provides consumers with subsidies (“premium tax credits”) that lower costs for households with incomes between 100% and 400% of the federal poverty level.
- Expand the Medicaid program to cover all adults with income below 138% of the federal poverty level. (Not all states have expanded their Medicaid programs.)
- Support innovative medical care delivery methods designed to lower the costs of health care generally.

**Age Discrimination in Employment Act (ADEA).** Prohibits employment practices that discriminate on the basis of age unless age is a bona fide occupational qualification or the practice is based on “reasonable factors other than age.” The law covers employers with 20 or more employees, labor unions with 25 or more members, local and state governments, and employment agencies.

**Americans with Disabilities Act (ADA).** Prohibits employers with 15 or more employees from discriminating against individuals with disabilities in all aspects of employment. The act requires employers to “reasonably accommodate” all qualified disabled applicants unless doing so would impose an “undue hardship.”

**Civil Rights Act of 1964, Title VII.** Prohibits employment discrimination based on race color, sex, religion, or national origin by employers with 15 or more employees. The act covers both intentional discrimination or discrimination in effect and considers sexual harassment to be a form of sex discrimination.

**Civil Rights Act of 1991.** Allows employees who file suit for intentional discrimination under certain laws to have a jury trial to collect compensatory and punitive damages.

**Consumer Credit Protection Act (CCPA).** Protects employees from being discharged by their employers because their wages have been garnished for any one debt and limits the amount that employees may be garnished in any one week.

**Employee Polygraph Protection Act.** Prohibits employers from requiring employee or prospective employees to submit to lie detector tests and makes it illegal to use or inquire about a lie detector test conducted by someone else.

**Employee Retirement Income Security Act (ERISA).** Ensures that employees get pensions and other benefits promised by their employers. The act also requires tax-favored pension plans to provide benefits in a way that does not favor the highest-paid employees.

**Equal Pay Act.** Requires all employers engaged in interstate commerce to pay men and women equal wages for work that requires equal skill, effort, and responsibility and is performed under similar working conditions.

**Fair Credit Reporting Act (FCRA).** Allows credit-reporting agencies to provide background and personal information on prospective and current employees to employers.

**Fair Labor Standards Act (FLSA, or Wage and Hours Law).** Applies to employers engaged in interstate commerce. It sets minimum hourly wages (usually the federal minimum wage), training wages, and overtime hours and rates (generally one-and-a-half the regular pay for work in excess of 40 hours per week for nonsalaried employees). The act also regulates the employment of children under age 18. If state and federal law conflict, employers must follow the one most favorable to the employee.

**Family and Medical Leave Act (FMLA).** Requires that employers with 50 or more employees provide eligible employees with up to 12 weeks of unpaid leave during any 12-month period. Employee jobs and benefits are protected during these leaves, which may be granted for the birth or adoption of a child; for the employee’s serious health condition; or to care for a spouse, child, or parent with a serious health condition.

**Federal Insurance Contributions Act (FICA).** Requires that taxes be collected from both employers and employees to fund the Social Security program.

**Immigration Reform and Control Act (IRCA) of 1986.** Prohibits employers from hiring illegal aliens and requires them to verify that employees are legally entitled to work in this country. The act also bans discrimination based on national origin or citizenship status.

**National Labor Relations Act (NLRA) of 1935 (also known as the Wagner Act).** Designed to promote collective bargaining between labor and management and to assure workers the right to organization and join a union without fear of reprisal.

**Occupational Safety and Health Act (OSHA).** Requires safe and healthful working conditions. The act authorizes enforcement of certain standards; assists and encourages the states in their efforts to assure safe and healthful working conditions; and provides research, information, education, and training in the field of occupational safety and health.

**Pregnancy Discrimination Act.** Prohibits discrimination on the basis of pregnancy, childbirth, or related medical conditions. The act does not require pregnancy leave but does require that any employee short-term disability plan applies to pregnancy.

**Rehabilitation Act of 1973.** Prohibits employers who receive federal government contracts or financial assistance from practicing employment discrimination against individuals with disabilities.

**Worker Adjustment and Retraining Notification Act (WARN).** Imposes restrictions on the way layoffs are handled. The act is designed to give employees advance notice of the layoff in order to find another job, seek retraining in a new occupation, and give state dislocated-worker units adequate preparation to assist affected workers.

## FIGURE 1-2 Summary of Major HR Laws

Sources: “Compliance Tools for HR Professionals,” *HR.BLR.com*, 2020, 1–12; “Summary of the Major Laws of the Department of Labor,” *US Department of Labor*, [www.dol.gov](http://www.dol.gov), 2020, 1–11.

such as in Chapter 6 about employee selection and placement and in Chapter 12 about labor relations and labor unions.

Human resource specialists as well as line managers have to be aware that such legislation exists and be familiar with the general provision of each law or executive order. When a possible legal issue arises, the HR specialist or the line manager must review the relevant legislation in depth. At times an employment law specialist may be consulted.

The HR specialist is often called on to exercise judgment and common sense in interpreting the law, particularly in a tricky area such as *bona fide occupational qualification (BFOQ)*. Imagine that a motion picture studio wants to produce a film about the life of Martin Luther King, Jr., and decides to hire a Black actor for the role. When consulted, the HR specialist might respond, “It is entirely appropriate to hire a Black actor for this role because it is a bone-fide occupational qualification. No sensible person, including a lawyer, could say we are discriminating against a person of another race.” A less obvious example would be when a mall operator wants to hire an older male to act as a shopping mall Santa Claus, thereby excluding women and younger people from the temporary position. The HR specialist might respond, “Yes, being at least a middle-age male is a bona fide occupational qualification. Even if we looked for a heavy-set man, we would not be breaking the law.”

## Ethical Issues

As mentioned earlier, “Ethical Practice” is one of the nine core competencies in the SHRM competency model. A major reason that the human resources function deals with many ethical challenges is that HR deals directly with people. According to the SHRM model, the human resource professional should “drive the corporate ethical environment.” As Howard Winkler, a consultant in human capital and ethics explains, the human resources generalist or manager can hardly go a day without coming across issues that influence the organization’s ethics. Among these issues are favoritism in hiring and promotion, fairness in administering discipline, pay equity, inclusiveness in the benefits program, and employee well-being and safety. High-profile sexual harassment cases add to the mix of ethical issues that often involve HR.

Winkler further notes that HR professionals should work toward building an ethical culture within the organization. Moral behavior is built into the organization’s mission statement, it is part of the selection of talent, and it is reflected in the compensation program. Given that HR contributes heavily to the policies and procedures just mentioned, human resource professionals can help establish an ethical organizational climate.<sup>14</sup> HR is also called into play to help repair ethical scandals such as outrageous behavior at company gatherings and charges of discrimination in promotion.

An ethical problem of high consequence frequently requiring the assistance of HR is a **conflict of interest**, a situation that exists when a person has competing interests or loyalties. A dual relationship is usually involved in a conflict of interest, such as an executive’s subordinate also being a golfing or racquetball buddy. Conflicts of interest are detrimental to the operations of a business because they create internal politics that could decrease profits and cause the quality of work to deteriorate.

A frequent ethical concern is favoritism, the practice of giving certain employees preferential treatment. It is not illegal to play favorites unless the favoritism involves some type of job discrimination, yet favoritism is usually unethical. HRM can help reduce conflicts of interest by

**conflict of interest** A situation that exists when a person has competing interest or loyalties.



Source: Dusan Petkovic/Shutterstock

Breaches of ethics in dealing with people can get a company into legal trouble.

updating the employee handbook to define and discourage conflicts of interest. According to the *Employment Law Handbook*, the first step is to distinguish between favoritism and fair recognition based on measurable performance. After the written standards are in place, the HR professional can help develop consequences for employees and managers who violate the standards in relation to conflicts of interest.<sup>15</sup>

Breaches of ethics in dealing with people can get a company into legal trouble, with aggrieved people reporting violations to the Better Business Bureau or the Equal Employment Opportunity Commission (EEOC). Companies with comprehensive ethics programs can limit or avoid entirely costly trouble involving discrimination and sexual harassment issues. The costs stem from litigation and out-of-court settlements.<sup>16</sup>

HR managers and professionals must avoid ethical problems themselves to avoid damaging their own careers and the reputation of their employer. David Fairhurst, global chief people officer at McDonald's Corp, was fired for cause in 2019 after allegedly making women employees uncomfortable on multiple occasions at business events. Fairhurst was said to have contributed to a party culture that developed among managers, and was perceived as intoxicated at company events. During one of these events, Fairhurst and one of his subordinates were said to have made inappropriate physical contact with women employees. Fairhurst was not formally charged with sexual harassment, but making women feel uncomfortable in a sexually toned manner could be considered the hostile-environment type of harassment.<sup>17</sup> Also, a male HR executive making women employees feel uncomfortable is poor ethics.

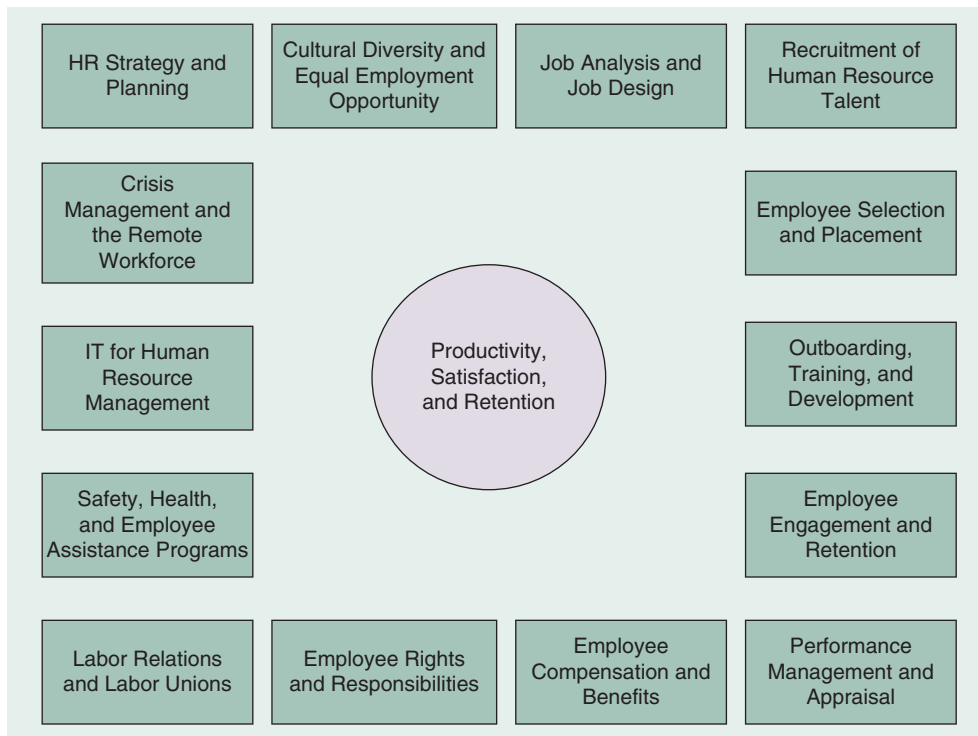
## A Model for Human Resource Management

Our big-picture approach to describing human resource management is diagrammed in Figure 1-3. The general point is that the aim of almost all human resource management activity is to, in some way, increase the productivity, job satisfaction, and retention of employees. Many managers in other functions have a similar aim or goal. Assume that an HR manager helps establish an improved method of evaluating employee performance using real-time data about what employees are accomplishing. The improved method might enhance employee productivity, and it might also increase satisfaction because many employees appreciate having their performance measured objectively. At the same time, many employees are likely to stay with the organization (retention) because they are productive and satisfied.

The model in Figure 1-3 is also the plan for the book. Each box in the figure refers to the content of 14 separate chapters in the book, which in total cover most of the major subject areas in the field of human resource management. Because HRM has become such a vast field, we do not attempt to cover every possible aspect of human resource management in our introduction to the field.

- Chapter 2 is about the high-level activity of human resource management strategy and planning, such as how HR helps plan for the workforce that will be needed in the organization's future.
- Chapter 3 is about cultural diversity and equal employment opportunity that has been a standard of HR activity for five decades, and is of intense current concern in the media.
- Chapter 4 is about job analysis and job design, a nuts-and-bolts topic that is still the foundation of how work is performed in organizations. Workers may have considerable flexibility in how they accomplish their tasks, but being instructed on how to perform the job is fundamentally important.
- Chapter 5 is about the recruitment of human resource talent. Anyone who has even conducted a job search is familiar with recruitment, and it remains the lifeblood of an organization. Without attracting new employees, few organizations would survive for long.





**FIGURE 1-3 A Model for Human Resource Management**

The general point of this model is that most of the activities of human resource management are in one way or another geared toward enhancing employee productivity and job satisfaction and reducing voluntary turnover.

- Chapter 6 is about employee selection and placement. Selection is a continuation of the recruitment process and involves making a choice among job candidates. Even when only one job candidate is involved, the person's qualifications have to be assessed. After being selected, the new employee has to be properly placed into the new position.
- Chapter 7 is about onboarding (employee orientation), training, and development. Training and development are considered to be major strategies for enhancing organization productivity. With new skills being demanded so frequently, training is essential. Development is geared toward employee growth in a more general way than learning a specific skill, such as operating new software.
- Chapter 8 is about employee engagement (commitment) and retention. Although all HR interventions might help retention, the many activities included in engagement are geared the most specifically toward reducing involuntary turnover.
- Chapter 9 is about performance evaluation (appraisal) and management. HR specialists play a major role in developing systems and procedures to evaluate how well employees are performing, and also to enhance performance.
- Chapter 10 is about compensation and benefits, another basic HR function carried out in conjunction with managers from other departments. Without an effective system of compensation including benefits, an organization cannot be competitive in attracting and retaining talent.
- Chapter 11 is about employee rights and responsibilities, focusing on the idea that employees must be treated fairly. In return, employees have certain responsibilities, such as performing up to their capabilities.
- Chapter 12 is about labor relations and labor unions. HR assists managers develop and sustain effective working relationships with workers, including establishing

employee rights. When workers are represented by a labor union, the partnership between management and the union must be managed effectively.

- Chapter 13 is about employee safety and health and employee assistance programs (EAPs). Whether offered on premises or outsourced, EAPs help employees in a variety of ways such as overcoming problems that interfere with work, including personal financial problems and maintaining a healthy lifestyle.
- Chapter 14 is about the technology used by HR to accomplish its mission. As with most fields, a substantial amount of human resource management is assisted by information technology.
- Chapter 15 is about how HR assists in managing organizational crises and managing the remote workforce. These two endeavors have surged in importance during the COVID-19 pandemic, and working remotely will most likely be a major part of the activity of many organizations for the foreseeable future.

The accompanying Human Resource Management in Action sidebar illustrates how a business firm makes extensive use of human resource management initiatives to prosper.

## HUMAN RESOURCE MANAGEMENT IN ACTION

### LAZ Parking Emphasizes Human Resource Management to Prosper

LAZ Parking is one of the largest and fastest-growing parking companies in the United States, operating hundreds of thousands of parking spaces. Company leadership says that LAZ is a people-first company. Management says frequently, “Parking is our industry but people are our passion.”

In the summer of 1981 Alan Lazowski wanted to generate some cash before his senior year at the University of Connecticut. Lazowski borrowed money from his grandfather and launched a parking service for a local restaurant in Hartford, Connecticut. By the end of the summer, he and two friends were managing five parking locations and had 30 employees. Today LAZ Parking has more than 13,000 employees and operates more than one million parking spaces.

LAZ Parking was founded based on the core values of respect, commitment to people, honesty, integrity, and trust. Consistent with “The LAZ Way,” the company is committed to its mission to “create opportunities for our employees and values for our clients.” To support employee well-being, LAZ offers an extensive benefits plan that includes medical, dental, life, and short-term disability insurance. The benefits package also offers employee assistance, flexible spending accounts, vision-care reimbursement, store discount programs, and more. LAZ promotes preventive care to help keep employees healthy at an affordable cost. The benefits program is a key part of the overall compensation package.

The company treats hourly workers as if they will stay with the company permanently. LAZ management

recognizes that parking attendant jobs lack glamour and that they are often perceived to be temporary jobs. Nevertheless, Andi Campbell, senior vice president of people and culture, says that LAZ does everything it can to retain parking attendants.

Campbell says the company is laser-focused on using data and key performance indicators (KPIs) to ensure the company is getting people where it needs them and helping them develop. “To grow as fast as we are growing, we have to find really good people, which isn’t always easy,” said Campbell. To recruit employees, LAZ conducts job fairs in 20 cities twice a year and actively recruits across a variety of groups, including college students and recent parolees. Luis Henriques, the general manager for LAZ in Hartford, says, “We are very big on second chances here.” In reference to previously incarcerated people, Henriques says that the candidates can be great assets to the company. “They paid their price for their wrongdoings, and LAZ has all positive experiences with them.”

After being hired, employees are immersed in the organizational culture immediately so they know right away that the job can be more than a temporary position. Managers also receive considerable training and development. One of the most successful developmental efforts has been helping managers become effective coaches, mentors, and advocates for their people. Managers like Henriques are alerted to be on the lookout for passionate employees with management potential.

*(continued)*

## LAZ Parking Emphasizes Human Resource Management to Prosper *Continued*

To conform with the core value of “Commitment to People,” the safety and well-being of every employee and injury prevention are primary objectives. The “Culture of Recognition” finds and catches people doing remarkable things. To foster their value of “A Culture of Learning,” the company has developed LAZ University to teach employees The Laz Way of doing business. The “university” is part of the commitment to the long-term growth and development of employees. To support “A Culture of Teamwork & Celebration,” LAZ celebrates its wins and gets involved in fun events, such as the National Valet Parking Olympics.

On its position openings posted on Indeed, the company states: “LAZ Parking is an equal opportunity employer. In all our employment practices, including hiring, we are firmly committed to provide equal employment opportunity (EEO) to all persons, regardless of race, color, religion, sex, national origin, disability, age, genetics, Vietnam era, special disabled, recently separated and other protected veterans, or any characteristic protected by federal, state or local law.”

### Questions

1. Why would a car-parking service be so totally devoted to applying the principles and techniques of HRM to running its company?
2. One of the physical demands LAZ Parking lists for a parking enforcement agent on the Indeed website is “Ability to stand, walk, and run for extended periods of time (95–100% of shift). No sitting is allowed.” The company mentions that “reasonable accommodations may be made to enable individuals with qualified disabilities to perform the essential duties/functions.” How does this job specification fit with equal employment opportunity? Identify at least two demographic groups that might not qualify physically to work as a parking enforcement agent.

*Sources:* Original story based on facts and observations in the following sources: Sarah Fister Gale, “The Secret Sauce for Engagement: How LAZ Parking Makes Every Employee Feel Like Part of the Family,” *Workforce*, Summer 2020, 50–51; “Human Resources,” *Lazparking.com*, 2020, 1–2; “Parking Enforcement Agent: LAZ Parking,” *Indeed* ([www.indeed.com](http://www.indeed.com)), 2020.

## Six Current Trends Creating Challenges for HRM

A wide variety of trends in the economy, workforce, and political forces could possibly create challenges for human resource management. A basic example is that during times of prosperity and low unemployment, recruiting needed talent becomes more difficult. And if the population ages substantially, health insurance costs might increase. Next, we look at six trends that are already creating challenges for HRM and will probably continue to do so for several years.

### An Increase in the Number of Remote Workers

The coronavirus pandemic triggered a surge in people working from home. Remote work apparently will remain a major part of how work is performed for two key reasons. The first is that employers can save money on office space by having people work at home or another remote location. Second, many employees prefer working from home much of the week rather than having to spend time at a company office. (In Chapter 15 we will describe the advantages and disadvantages of remote work in depth.) In 2020, a survey showed that 82 percent of business executives planned to give employees a remote work option after workplaces opened fully.

A key role for HR with respect to remote work is to help management develop a plan for working from home that maintains or increases productivity while not exploiting employees. A study conducted by one 350-person team at Microsoft Corp. found that in the first four months of working remotely, employees worked an average of four more hours per week. They also attended more meetings, although the meetings were shorter. Fragmented “Swiss cheese” days became frequent as workers struggled to care for and teach their children and to meet other family obligations. Workers also sent and received many work-related messages after normal working hours including weekends.<sup>18</sup>

Career advice journalist Kate Lopaze writes that many workers in the future will do less work in a traditional office as companies shift to a digital-centric strategy for their

facilities and offices.<sup>19</sup> HR plays a role here in helping companies build team spirit and a feeling of identity with the company among remote workers.

### **More Demands for Work and Personal Life Balance**

An increasing number of employees, particularly those with young children, seek to attain a comfortable balance between the demands of work and family life. HRM plays a key role in designing work schedules and benefits that help workers attain such a balance. The general solution to work-family imbalance is to have workplaces where employees have a choice of when, where, and how they do their work.<sup>20</sup> Organizational programs to help reduce work-family conflict include flexible working hours, remote work arrangements, dependent-care centers, and parental leave programs.

HR professionals play an important role in helping workers understand what type of work and personal life balance is feasible. It is important to take into consideration their demands, as well as the consequences for their career and the needs of the organization. Chief human resource officer Kris Dunn points out that an organization may need more flexibility than all workers having a fixed work schedule with a 90-minute lunch break.<sup>21</sup>

### **More Groups Demanding Inclusion**

Organizations of all types have taken initiatives since 1975 to welcome cultural diversity and make the diverse people feel included in these organizations. Diversity efforts were originally aimed at affected groups such as minorities and females. Today, a wider range of people seek inclusion, or being truly welcomed in the organization. To be diverse is to be different in some measurable way. Although the diversity factor is measurable in a scientific sense, it may not be visible on the surface. Upon meeting a team member, it may not appear that the person is diverse from the standpoint of being dyslexic, color-blind, gay, lesbian, or vegetarian. However, all of these factors are measurable.

The diversity umbrella is supposed to include everybody in the organization. People who are neurodiverse, such as those with autism or dyslexia, are another component of diversity to be recognized. Another cultural and demographic group being emphasized for full inclusion in the workforce is people who are lesbian, gay, bisexual, or transgender (LGBT). Furthermore, some people do not want to be identified by sex or gender.

People with different political viewpoints are also seeking inclusion in organizations. A survey conducted by Morning Consult found that in Silicon Valley tech companies about 50 percent of employees at companies with political agendas said their ideological views impact their ability to work. Sixty-three percent of workers in these companies said that ridicule is common in the workplace if someone disagrees with a colleague. Only 21 percent of employees in companies without a political agenda said that ridicule takes place.<sup>22</sup>

### **The Need to Retrain and Reskill Workers in the Age of Automation**

Business executives see investing in retraining and “upskilling” existing workers as an urgent business priority and that companies rather than governments must play a leadership role. HRM is an integral part of such a workforce shift. According to a McKinsey Global Institute report, by 2030 up to 375 million workers—about 14 percent of the global workforce—may need to switch occupational categories as digitalization, automation, and artificial intelligence disrupt work. The kinds of skills in business firms will shift, leading to profound shifts in the career paths of workers.

The task confronting economies will most likely be to retrain and redeploy tens of millions of midcareer, middle-age workers. Among companies on top of the trend, executives are increasingly investing in retraining and *upskilling* existing workers as an urgent business priority. The driver behind this sense of urgency is the accelerating pace of enterprisewide transformation. Sixty-two percent of executives participating in the survey



predict they will need to retrain or replace more than one quarter of their workforce by 2023 due to advancing automation and digitalization.

Eighty-two percent of executives at American companies with more than \$100 million in annual revenues believe that retraining and reskilling employees should be at least half the answer to closing the skills gap. Ninety-four percent of European executives said that closing the skills gap should involve both hiring and retraining, or mainly retraining.<sup>23</sup>

The senior vice president of worldwide HR at Amazon.com, Beth Galetti, said, “The most consistent thing we are changing is the need for some level of technical skills in any job. Amazon has been in the midst of spending \$700 million over a six-year period to help everyone from fulfillment center workers to software engineers prepare for new types of work.” Galetti emphasized that more jobs now involve working with advanced software or machines even in fields that were not digitized previously, such as packing boxes to fill orders. Fulfillment center workers in warehouses must be able to work alongside automated tools. Software engineers will need to learn advanced techniques such as machine learning.<sup>24</sup>

## A Growing On-Demand Workforce

A growing part of the workforce is referred to as the **on-demand workforce**, or workers who are involved in some form of freelancing, contracting, or temporary work, often based on outsourcing. The *gig economy* is another term for one in which people work regularly less than full time. Because members of the on-demand workforce are independent contractors, they receive benefits less frequently than full-time workers. A familiar example would be a landscaper hired by a business owner to maintain a lawn. The landscaper sets the wage and receives no benefits. So many people working part time without benefits is a concern to labor advocates and politicians, as well as the workers themselves. HRM has already begun to face the challenge of how to offer adequate benefits and pay guarantees to gig workers. *Fortune* magazine has identified 12 outstanding companies that offer part-time workers health insurance, as well as paid time off.<sup>25</sup> During a strong economy, however, gig employers, such as food-delivery companies, are likely to offer benefits, as well as a signing bonus.<sup>26</sup>

### **on-demand workforce**

Workers who are involved in some form of freelancing, contracting, or temporary work, often based on outsourcing.

A major challenge for HRM in dealing with the on-demand workforce is that their status as contractors versus regular employees has been challenged. As many as 25 percent of American adults earn income as gig workers, either through an app-based service such as Uber or Lyft, or as traditional freelancers. Some workers with full-time jobs also work part time at a second job. Labor advocates push to grant gig workers the right to bargain collectively. A union contract would offer gig workers stability with regard to earnings, benefits, and hours. Yet gig workers who are forced to unionize would be locked into regular jobs, precisely what many members of the on-demand economy prefer to avoid. A poll asked 1,000 on-demand drivers whether they would prefer to work as full-time employees instead of part-time contractors. Only 15 percent of the respondents said they prefer full time.

California has attempted to reclassify gig workers from independent contractors to traditional employees who can be unionized under current law, but the proposed legislation never passed. A concern comes from a study by the Berkeley Research Group, sponsored by several gig companies. The study estimated that the number of app-based drivers in California would decline by 90 percent if the drivers were reclassified.<sup>27</sup>

## A Slight Shift toward Evidence-Based Human Resource Management

During the past several decades, several professions—including medicine and psychology—have come to rely on empirical and scientific evidence before recommending an intervention. The field of human resource management also has shifted a little toward evidence-based management. For example, substantial research has found that rewarding employees for good performance leads to a repeat of that performance.

Shonna Waters, the former vice president of research at SHRM, believes that the field needs to use more empirical research evidence. A survey found large discrepancies between what HR practitioners believe works well and what research has found to be effective. In the era of Big Data, many human resource management professionals are experiencing pressure to provide proof that their practices work. The Center for Evidence-Based Management says that four sources in addition to the quality of the evidence should be considered when making a decision:

- Findings from empirical studies published in academic journals such as the *Journal of Applied Psychology* and the *Academy of Management Journal*
- Data, facts, and figures gathered within the organization such as objective performance data and turnover statistics
- The experience and judgment of practitioners, such as a veteran HR professional
- The values and concerns of the stakeholders who may be affected by the decision, such as workers thinking it is unfair to lay off the bottom 5 percent of performers annually in order to have a stronger workforce<sup>28</sup>

Evidence-based HR is slowly gaining momentum, but human resource practitioners will continue to be asked to make decisions when concrete evidence is not yet available on which to make the decision. Suppose Lola, the HR vice president, has been asked to help reduce the large number of electronic engineers who are joining competitors. As a quick solution, Lola proposes upgrading the pay grade of electronic engineers even though she cannot cite a study showing that 5 percent higher pay really does reduce turnover among electrical engineers in a competitive environment. Lola makes a decision based on her professional judgment rather than searching for a research study to support her decision.

## Summary of Key Points

### 1. Explain the meaning of human resource management (HRM).

Human resource management means more than simply managing people. HRM is the process of recruiting, selecting, compensating, training, and developing employees; evaluating their performance; retaining them; and developing policies related to these activities. As a field, HRM has evolved extensively over the past 30 years, and today plays a broad, strategic role.

In all sizes of organizations, some HRM activity is carried out by line managers. Large- and medium-size organizations usually have an HR department. The biggest growth in human resource management has taken place in HR outsourcing firms.

### 2. Identify the major specialties within human resource management.

The major specialties within HRM are (1) employment and recruiting, (2) labor and employee relations, (3) training and development, (4) job analysis, (5) benefits and compensation, (6) human resource information systems (HRIS), (7) diversity and inclusion, (8) employee assistance plans, and (9) career development.

A sampling of day-by-day activities of HR specialists includes consulting with employees, interviewing job applicants, and ensuring that all human resource activities comply with the law. Career advancement in HRM moves through entry-, middle-, and top-level positions with a few CHROs becoming CEOs.

### 3. Describe the strategic role of human resource management. Identify several of the operational roles carried out by HRM professionals.

The modern role for HRM professionals is that of partner in helping implement business strategy. A major purpose of HRM is to maximize human capital so workers can achieve the goals of the organization. The nine SHRM competencies suggest the operational roles of the HRM professional as follows: (1) leadership and navigation, (2) ethical practice, (3) business acumen, (4) relationship management, (5) consultation, (6) critical evaluation, (7) global and cultural effectiveness, (8) communication, and (9) HR expertise. A few other HR roles are giving advice, providing services, making policy, and conducting research about HRM.

#### 4. Identify several of the legal and ethical issues in human resource management.

Federal, state, provincial, and local laws influence every aspect of human resource management. Figure 1-2 summarizes major HR laws. The HRM specialist is often called up to exercise judgment and common sense in interpreting a given law. The HR function also deals heavily with ethical challenges involving people. An ethical problem of high consequence frequently requiring the assistance of HR is a conflict of interest.

The model for human resource management presented in Figure 1-3 emphasizes that the aim of most HRM activity is in some way to increase the productivity,

job satisfaction, and retention of employees. Each box in the figure points to the subject of Chapters 2 through 15 in this book.

#### 5. Describe several of the new trends and challenges facing human resource management.

Six current trends creating challenges for HRM are (1) an increase in the number of remote workers, (2) more demands for work and personal life balance, (3) more groups demanding inclusion, (4) the need to retrain and reskill workers in the age of automation, (5) a growing on-demand workforce, and (6) a slight shift toward evidence-based HRM.

### Key Terms and Phrases

Human resource management, p. 5  
Human resource strategy, p. 11

Conflict of interest, p. 17  
On-demand workforce, p. 23

### Discussion Questions and Activities

1. Why might a person choose a career in human resource management?
2. How could the HR group actually help a company become more profitable?
3. Explain whether you think that a CHRO should be paid as much as C-suite executives in other functional areas such as finance, information technology, and marketing. (A C-suite executive refers to a person with “chief” as part of the job title, such as chief marketing officer or chief human resource management officer.)
4. Explain whether you think it would be a good idea for a major business corporation to outsource its entire human resource management function.
5. Explain whether you think HRM represents management, employees, or both.
6. Why should a group of HRM specialists be paid to conduct personnel research on company time?
7. Give an example of a conflict of interest you have observed on the job.
8. If you were having difficulty managing your personal finances, such as being heavily in debt, would you visit the company employee assistance plan for help? Explain your reasoning.
9. What kind of help might remote workers want from HR?
10. Why might so many gig workers prefer not to hold a full-time job?

### Skill-Development Exercise: What Do People Think HR Does?

If you have taken this chapter seriously, you probably have developed a positive and broad notion of the HR function. To enhance your understanding of how the human resource function might be perceived by most people, do the following: Get in touch with five different people you know using any method of communication including in-person conversation, phone, text message, email, or video conference. The more demographically diverse your sample, the better, such as old people, young people, managers, professionals, and entry-level workers. Ask each person one question, “What do you think HR really does for an

employer?” You may need to explain what you mean by HR, perhaps even using the older synonym *personnel department*. You may also need to rephrase the question, such as “What are the responsibilities and contributions of HR?”

As you study the responses you gathered, what impression do you gather about the public perception of HR? The skill development here is indirect. You may develop insight into the challenges HR professionals face when they conduct their work and what they might sometimes have to do to explain their role to managers, employees, and company outsiders.

## CASE PROBLEM: HR Manager Trevor Faces an Ethical Dilemma

Trevor is the HR manager at a manufacturing plant of a consumer products company. The plant where he works manufactures and assembles a variety of tables and chairs for the home, with some of the components originating from several Asian countries. Thirty-year-old Trevor has a staff of three people, and he considers himself to be a human resource manager generalist. Among the HR specialties occupying his professional time are recruitment, selection, labor relations, plant safety, compensation, and employee training.

Today Trevor is interviewing a woman named Courtney for the position of final assembly supervisor. She has already been interviewed by the plant general manager and the head of manufacturing. Company policy requires that the HR manager also interview candidates for salaried positions. The plant general manager supports the idea because he believes that a job interview by a professional interviewer adds value to the selection process.

The interview with Courtney is going well as she provides her employment history, why she is qualified for the position, as well as a description of her strengths and areas for improvement. Suddenly, Trevor has an uneasy feeling, as he realizes he knows of Courtney from the past. She had a romantic relationship with his father while he was still married to his mother, with the affair leading to the divorce of Trevor's parents. Despite his feelings of uneasiness, Trevor continues with the interview without letting Courtney know that he is aware of her role in the breakup of his parents' marriage. Trevor thanks Courtney for the interview and informs her that

the company will be contacting her within a week to let her know of the employment decision.

As Trevor prepares to send along his interview recommendations to the plant manager and the manufacturing manager, he feels conflicted. He thinks to himself, "This wretched woman wrecked my parents' marriage. Why should I recommend her for a position she wants? If I could make life a little miserable for her, I could get some revenge. I could say on my report that she appears to be of questionable moral character without revealing the reasoning behind my conclusion.

"Yet as I look at my duties as an HR professional. I have to be objective. Is having an affair ten years ago with my father a job-related consideration? Courtney does have strong qualifications for the final assembly supervisor position. I don't have to like her morals for her to hold a responsible position in our plant.

"I need more time to think my recommendation through before I get back to management."

### Case Questions

1. In what way is Trevor facing an ethical dilemma?
2. If Trevor came to you for advice about his dilemma, what would you recommend he do?
3. Explain whether Trevor should have confronted Courtney about her affair with his father.
4. Why should Trevor be concerned about whether Courtney's former relationship with his father is of relevance for the final assembly supervisor position.

## Endnotes

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