

Human Resources Management

CHAPTER

6



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Chapter Outline

Introduction

Human Resources Planning

Organizational Staffing

Compensation and Benefits

Developing an Effective Workforce

Labor-Management Relations

Legal Environment of Human

Resources Management

Workplace Diversity

Careers in Human Resources

Management

Learning Objectives

After studying this chapter, you should be able to

1. Describe how advances in technology and other factors have led to an increasingly strategic role in organizations and industries for human resources management.
2. Explain how human resources managers engage in planning and forecasting.
3. Discuss the process of recruiting and selecting employees for an organization.
4. Evaluate the types, value, and effectiveness of the compensation and benefit plans that organizations offer employees.
5. Analyze different methods for developing an effective workforce and providing workforce members with proper feedback.
6. Describe the role of the National Labor Relations Act in abolishing company unions and the process by which “real” unions come into power and engage in collective bargaining.
7. Discuss how and why the field of human resources management has become so highly legally regulated, especially by the federal government, in recent decades.
8. Analyze the difference between equal employment opportunity and affirmative action, and the impact of this difference on workplace diversity.

Working Part-Time

With increasing frequency, many employees, especially women with children, are exploring the possibility of working part-time. This is true even of highly trained professional employees, such as lawyers. For example, an organization called Flex-Time Lawyers was fairly recently formed in New York and Philadelphia to help lawyers get part-time jobs and to act as a support group for attorneys holding part-time positions.

Many large law firms have responded to this interest by offering part-time flexible schedules to attorneys in the firm, both at the associate attorney and partner levels. One large Philadelphia law firm recently promoted a female part-time associate to part-time partner. She works 80 percent of a full-time schedule for 80 percent compensation and generally takes Fridays off.

Technological advances have clearly aided opportunities for part-time work, even in highly demanding fields like law. Zoom, smartphones, and email enable clients and firms to be in touch with part-time attorneys at any time. Moreover, the COVID-19 pandemic led to an increased general societal comfort with respect to workplace flexibility.¹

Despite these developments, however, some lawyers are reluctant to take advantage of part-time employment opportunities. They fear the stigma that taking the part-timer route means they're not really fully committed to their work.² Moreover, managing a part-time professional workforce presents a new and significant human resources management challenge to law firms, as well as other organizations.

Introduction

LEARNING OBJECTIVE 1

Describe how advances in technology and other factors have led to an increasingly strategic role in organizations and industries for human resources management.

A famous Bob Dylan song mentions that times are changing.³ In many ways, the same can be said about managing human resources. Historically, the human resources function of businesses was not viewed as highly important to the organization. The so-called personnel office was frequently relegated to handling rather mundane tasks such as monitoring employee attendance, making sure workers received their paychecks, and so on; the office played a relatively small role in the strategic operation of the business. Also, during a significant segment of the past century, labor unions played a major role in the conduct of human resources in a large number of U.S. businesses, with union-management collective bargaining agreements regulating a good deal of company–employee relations.

The times, however, have indeed been a changin'. While labor unions continue to play an important role in the U.S. economy, and the COVID pandemic has somewhat ironically led to a nearly energized labor union movement, still only less than 10 percent of U.S. private sector employees are currently covered by a collective bargaining agreement or contract. This shift has been related to an overall shift in our economy away from manufacturing to service. Increased foreign trade has led to the movement of U.S. manufacturing facilities to countries like Mexico and China, where cheaper labor can be readily found, and with such movement, hundreds of thousands of U.S. textile worker, steel worker, and other jobs have been lost. In their stead, however, hundreds of thousands of U.S. knowledge industry jobs in the computer, financial services, biotechnology, and other high-tech industries in "Silicon Valley" and elsewhere have evolved in recent years.

The impact of all of this on managing human resources should hopefully be becoming clear. Historically, employees operated various machines and other means of production. Today in the United States and other highly developed countries, however, a growing number of knowledge workers, for example, software programmers, are themselves the means of the company's production. If human resources become the means of production, successfully managing such resources becomes extraordinarily important.⁴ This includes hiring the right people, motivating them, dealing with issues such as the part-time schedules mentioned in the opening vignette, staying abreast of the latest legal issues, and

appreciating the value of a diverse workforce. Thus, the human resources management function in many companies today is clearly no longer second tier, and plays an extremely important role in the strategic operation of the business. Today, in many respects, all managers are human resources managers.

What Do Human Resources Managers Do?

Southwest Airlines, based in Texas, calls its corporate human resources management department its People Department, and instead of having a vice president of human resources management in charge of the department, it has a vice president of people. Southwest Airlines is correct: human resources management is all about people. Among the primary human resources management (HRM) functions are recruiting and selecting people for the organization; training and orienting selected people; evaluating the performance of these people and then tying their compensation and performance to such evaluations; when necessary, disciplining and perhaps even firing these people; and working with unions these people may form. In very small organizations, the business's owner will likely handle all or most HRM functions. In larger organizations, specific individuals will be hired to fill HRM functions. Some large organizations centralize the HRM at corporate headquarters, whereas other organizations have the bulk of their human resources managers working in the field as part of various corporate divisions. Somewhat similarly, some corporations hire mostly HRM generalists and then rotate these individuals into different jobs, while others hire HRM specialists, for example, in the areas of compensation or labor relations, and expect individuals to build a career in that specialty area. Finally, many companies hire a mix of HRM generalists and specialists.

Technology and Human Resources Management

In addition to helping change the nature of work in the United States from manufacturing to service, advances in technology have also had a tremendous impact on the conduct of HRM. The Internet and companies like Careerbuilder.com and Monster.com have revolutionized the way many companies conduct their employee recruitment, application, and selection processes. Artificial intelligence and computer algorithms are also being increasingly used in the hiring selection process. Employee payroll and related functions, which historically had to be done by the personnel office by hand, are now almost always done by computer, and indeed are frequently outsourced to companies like Automatic Data Processing Corporation, which specialize in this area. As noted previously, Zoom, smartphones, and other such devices and services such as email have facilitated a major shift away from traditional 9-to-5 work hours, allowing employees to design more flexible work hours and workweeks, and even in some cases mostly to work at home and telecommute. Indeed, in some industries like prostitution, new technological apps like Germany's "Peppr," which pops up a list of nearest prostitutes, pictures, prices, and particulars, have literally eliminated "johns" and other-middlemen/persons.⁵ Moreover, today's sophisticated computer forecasting allows employers to conduct better human resources planning, while online learning and simulation software have clearly helped improve staff training and development. All in all, advances in technology have had a major positive impact on the human resources function in organizations and have clearly helped human resources managers shed their role as paper pushers for a more strategic one in the companies they serve.⁶

Human Resources Planning

Organizations need to plan their human resources function. What kind of people are they going to need in the future, and to what extent are these types of people going to be available? The first step in this process involves figuring out exactly what type of person is needed to perform a particular job. This is called **job analysis**.

✓ Reality Check

What is the role of the human resources managers at the place you've most recently worked?

LEARNING OBJECTIVE 2

Explain how human resources managers engage in planning and forecasting.

job analysis A systematic evaluation of the elements and requirements needed for a job.



Source: Dmitry Birin/Shutterstock.com.

Job Analysis

An accounting department of a college’s business school has recently been faced with a sharp increase in the number of students wishing to major in accounting. The problem is that almost all these new students are primarily interested in international accounting. The department knows it needs to hire more accounting faculty, but hiring just any accounting faculty is not likely to fill the demand. The department needs to do a job analysis, or a systematic evaluation of the elements required for the job and the qualities required to perform it.

After doing such an analysis, the department determines that it needs international accounting professors. The department then writes up a formal **job**

With global air traffic increasing, there’s currently a fairly significant shortage of airline pilots certified to fly commercial airplanes.

job description A list of the duties of the job, working conditions, responsibilities, people to be supervised, and so on.

job specification A detailed listing of the individual qualifications needed for a job.

description, which is a list of the duties of the job, working conditions, responsibilities, people to be supervised, and so on. The department also will write up a **job specification**, which describes in detail the skills, education, experience, and other credentials required for the job. This job description and specification, which make up the job analysis, will play an important role in recruiting and selecting an individual to fill the job. They will also likely be used later in evaluating job performance, determining equitable compensation, and other aspects of HRM.

Forecasting Human Resources Demand

Forecasting human resources (HR) demand is, of course, a tricky business. In the accounting department example, it appears right now that there is strong demand at the school for an international accounting professor, but before the school hires or even redirects existing faculty, it needs to look into the future and forecast future demand. What are the general demographic trends with respect to new college students? Will the accounting profession continue to have a high or increasing international demand? Are there any possible external events, e.g., like the recent COVID-19 pandemic, that could radically change this situation? Is the college planning any new initiatives, such as an endowed center for international accounting, that may have an impact on this analysis? Government data and the ability to conduct technologically sophisticated computer simulations testing various scenarios will likely help in conducting such forecasting.

Forecasting Human Resources Supply

Forecasting HR supply involves looking at both internal and external labor supply. In the accounting department example, individuals already working or coming to work at the college may have the credentials for this job or can be retrained or redirected to do it. Conversely, the school may need to hire for this job from the external market. In general, employers have an easier time making forecasts about the internal supply of labor than about the external supply.

Internal Labor Supply Forecasts

Organizations use various techniques to try to forecast the internal supply of labor. At the managerial level, **replacement charts** of key personnel and their possible replacements already within the organization are kept. In essence, firms keep a “depth chart” or list of replacement workers ready and able to step into top jobs in case of an unexpected event (e.g., a plane crash disabling or killing the company’s CEO or CFO), resignation, retirement, and so on. Companies also frequently use today’s sophisticated computer technology to compile a **skills inventory**, which is a data bank containing information about the skills, experiences, and aspirations of all present employees. This data bank then aids both

replacement charts Charts outlining possible replacements for key personnel.

skills inventory A data bank listing skills, experiences, and aspirations of present employees.

line and HR managers in identifying company personnel to fill new or newly available positions. For example, if a company is opening a new office in Lisbon, Portugal, and is looking to transfer employees who speak Portuguese to that office, the computerized skills inventory can very quickly identify possible candidates.

External Supply Forecasts

Forecasting the external availability of certain types of labor is a somewhat more difficult exercise for most businesses. Figures supplied by various government sources, such as state employment commissions, and by colleges with respect to the numbers of majors in different fields may be helpful.

Matching Supply with Demand

Once armed with the forecasts of the supply of labor, HR and other managers can begin making decisions. If it appears that the demand for personnel is going to be greater than the supply, recruiting efforts will likely be commenced. Recruitment may be for permanent employees or possibly for contingent or temporary workers—a trend that, as noted previously, is growing. Conversely, if the labor supply is forecast to likely be greater than the demand, paring back the workforce needs to take place. Most organizations initially try to achieve such paring back by way of attrition, that is, not replacing employees when they leave. If attrition doesn't bring supply and demand into proper balance, other actions ranging from special early retirement incentive programs to layoffs may be necessary.

Organizational Staffing

Recruiting

Recruiting is the process of attracting qualified job applicants for jobs as they come open. At the heart of recruiting is the development of an **applicant pool**, which is the pool of people applying for a particular job or jobs. Some companies put a high priority on developing very large applicant pools, taking the viewpoint that one never knows where there might be a diamond in the rough. In the past, Southwest Airlines has, for example, solicited and received well over 100,000 job applications per year for a few thousand or so new hires.⁷ Other organizations, however, solicit and recruit job applicants more narrowly, perhaps focusing on job applicant sources that worked well for them in the past. Increasingly, Internet technology and advertising play an important role in job recruiting today.

Internal recruiting means considering present employees (internal supply) as candidates for available positions. Such situations may involve promoting current employees to higher-level positions or transferring them from one position to another at the same level. Internal opportunities for both promotion and transfer may help increase employee morale and lessen turnover (employees leaving the organization). In many cases such opportunities for internal promotion or transfer are open, with the position being publicly posted and all applications encouraged. In some cases, though, internal staffing moves are made in a more closed manner, with managers deciding which employee will be considered for the job promotion or transfer. Some companies and firms rely on summer internship programs or part of their internal recruiting programs.

External recruiting involves reaching outside the organization for new employees. Numerous different means are available for external recruiting, ranging from Internet sites

✓ Reality Check

What types of jobs do you think are going to be the most plentiful in your community over the next decade?

LEARNING OBJECTIVE 3

Discuss the process of recruiting and selecting employees for an organization.

recruiting Attracting qualified job applicants.

applicant pool The pool of people applying for a particular job or jobs.

internal recruiting Considering present employees as candidates for available jobs.

external recruiting Considering individuals outside the organization as candidates for the job.



“I want something that says ‘I’m desperate for any job.’”

With a currently strong U.S. economy, it's rare today for individuals to be “desperate” for a job. But, economic cycles are fickle, and that could change on a dime.

Source: Cartoon Resource/Shutterstock.com.

to union hiring halls to executive search firms to campus interviews. The means of external recruiting used will likely turn in significant measure on the type of job involved. For better or worse, word-of-mouth recruiting, that is, referrals from current employees or other individuals well known to the organization, can play a very important role in hiring. Aggressive external recruitment may cause resentment among current employees in certain situations, such as when they feel there are well-qualified employees within the organization who could be promoted to the position.

Selection

selection Choosing the best individual from the applicant pool.

Selection is at the heart of HRM. Once the applicant pool is established, the issue becomes one of selecting the best match for the given job. Unfortunately, this is an area where organizations sometimes run into trouble. Organizations may look to hire the person with the highest credentials, best college grade point average, and so on, even though that person may not be the best match for the given job, as defined by the job analysis. For example, a college may hire a really brainy professor with a tremendous scholarly record, but if the professor's primary role at that school is to be a great classroom teacher and the individual hired is not very good at that, the selection process did not culminate in a very good match.

Enterprise Rent-A-Car Corporation is one of the nation's largest car rental companies, with billions of dollars in annual revenues and a very strong rate of growth. It has grown by putting a very high emphasis on customer service. It hires virtually only people who have attended college, but puts little emphasis on their academic performance, instead looking for good sales skills and personalities. The company's CEO once commented, "We hire from the half of the college class that makes the upper half possible. . . . We want . . . people people."⁸ These types of folks are a good match for Enterprise, and having been humbled a bit in their college experience, may also be very loyal to the company that gave them an opportunity. A science student with a 4.0 grade point average and no outside activities may be a good match for a job in a scientific research laboratory, but not for a job with Enterprise Rent-A-Car. Selecting employees that are good matches is very important because if the person hired turns out not to be such a good match, there will likely be costly problems later. Traditional selection processes have a number of formal steps including application forms, employment tests or other screening, interviews, and reference checks. In certain situations, these steps may be short-circuited; for example, a corporate CEO may directly hire for a vice president slot an individual he or she knows well without any extensive reference checks.

Applications and Resumés

Many organizations have formal application forms that ask detailed questions about the prospective employee's education, job history, and so on. For some jobs, a one- or two-page resumé, or summary of the candidate's background, prepared by the job candidate may be sufficient. Increasingly, applicants submit job applications and resumés online. Employers need to be increasingly careful, however, about what questions they ask on preliminary job application forms; for example, a number of jurisdictions in the United States currently prohibit employers from asking about individuals' prior criminal records on initial job application forms.⁹

Employment Test

Some employers administer ability, or aptitude, tests to certain job candidates. These tests must be job-related; for example, a typing test for a secretarial position. These tests must also accurately measure an individual's ability to perform a given job.

Interviews

Employment interviews are probably the most widely used selection device. It is common for individuals to be offered positions only after having had either an on-site job interview or at least an interview over Zoom. Interviews cut both ways in that they afford job

applicants the opportunity to learn more about the organization, while at the same time giving the organization the opportunity to learn more about the candidate. While job interviews are common, biases inherent in the way people evaluate others on first meeting can sometimes impact their usefulness; we may rank highly people who have something in common with us even though they may not be a good match for the job. **Structured interviews** in which all applicants are asked a specific set of questions may lend more consistency to the interview process and help remove possible bias.

References

Job candidates are usually asked to furnish at least one **reference**, which is someone who can provide information about the applicant's suitability for the job. Since candidates are expected to list only references who think positively of them, a negative evaluation from a reference when checked may send up a red flag to the employer.

Orientation

Many organizations have some sort of orientation program for employees once they join the firm. **Orientation** is simply the process of acquainting new employees with the organization. In some organizations, the orientation may be very simple, perhaps only a short presentation by a human resources manager of company insurance and other benefits. In other organizations, the orientation program may be quite elaborate, involving trips to company overseas offices and other activities.

Compensation and Benefits

Designing effective organizational compensation and benefits programs is a significant and very important HRM function. To some extent, federal and state government regulations underpin this area of human resources. The U.S. Department of Labor administers the federal **Fair Labor Standards Act (FLSA)**, which mandates that there be a minimum wage throughout the country of at least, currently, around \$8 per hour, and that workers receiving the minimum wage receive time-and-a-half pay if they work overtime, generally defined as more than 40 hours per week. Professional and supervisory employees are deemed to be exempt from this law and thus do not have to receive overtime pay. Some observers have strongly criticized the federal minimum wage, stating that it does not provide people earning it with enough income to live on, or a so-called living wage. In response, a number of state and local jurisdictions have mandated minimum wages that are much higher than the federal minimum (\$15 per hour or more for employers in some places in United States). Federal laws also provide old-age pensions and health-care programs—Social Security and Medicare—to which both employees and employers must contribute. In addition, state-administered unemployment insurance and worker's compensation insurance plans throughout the country provide insurance coverage for employees if they are, respectively, laid off or injured on the job. Beyond these government-mandated programs, employers have considerable flexibility in creating compensation and benefits programs that work best for their organization.

Wages and Salaries

Wages and salaries are the dollars paid to employees for their work. **Wages** are monies paid for time worked. A **salary** is a monetary stipend paid for fulfilling job responsibilities and is usually set forth as an amount paid per year. Companies regularly

structured interviews

Interviews in which all job applicants are asked a specific set of questions.

reference Someone who can provide information about a job applicant's suitability for a job.

orientation The process of introducing new employees to the organization.

✓ Reality Check

Have you ever been involved in interviewing a prospective employee? How did you decide whether you wanted to hire the individual?

LEARNING OBJECTIVE 4

Evaluate the types, value, and effectiveness of the compensation and benefit plans that organizations offer employees.

Fair Labor Standards Act (FLSA) A federal law passed in 1938 regulating employee wages and work hours.

wages Monies paid to employees for time worked.

salary Monies paid to employees for fulfilling job responsibilities.



The U.S. Department of Labor administers the Federal Fair Labor Standards Act.

Source: JHVEPhoto/Shutterstock.com.

wage and salary surveys Data collection on prevailing wages and salaries within an industry or geographic area.

seniority Longevity on the job.

employer pay confidentiality rules Employer rules mandating that employees not speak to others about their pay.

Equal Pay Act A federal law passed in 1963 requiring equal pay for men and women doing equal work.

comparable worth The principle that men and women should be paid the same for comparable work.

job evaluation The process of determining the relative worth of different jobs.

conduct **wage and salary surveys** to find out what other comparable employers are paying employees in comparable positions. Some companies establish formal policies whereby they will always pay all employees a given percentage, say 15 percent, above the market average for given positions. Paying employees above market wages helps companies retain top-quality employees and reduce employee turnover.

Seniority, or longevity on the job, is also frequently a factor in setting wages and salaries, particularly under labor-management collective bargaining contracts. Proponents of seniority-based pay argue that it rewards employee loyalty. Other observers argue that pay should be tied primarily to individual performance and not merely to years on the job. In recent years there has been considerable debate about the merit and legality of **employer pay confidentiality rules**, rules adopted by employers that employees must not talk to others about their pay. About one-third of U.S. employers have such rules, even though they appear to be generally illegal under federal law.¹⁰ Federal law also mandates, pursuant to the **Equal Pay Act**, that men and women doing essentially the same job must be paid the same. No federal law currently exists, though, with respect to the principle of **comparable worth**, which states that men and women in comparable jobs in terms of training and education required, job responsibility, and so on, should be paid the same. Proponents of this concept argue that employees in certain female-dominated fields like nursing get paid considerably less than men in comparable-type jobs in fields like accounting. Opponents of the comparable worth concept argue that market forces should determine what different jobs get paid, not the federal government.

To the extent the doctrine of comparable worth has been adopted in parts of other countries like Canada, the concept of job evaluation comes into significant play. **Job evaluation** is considerably different from job analysis in that it involves determining the relative worth of a given job to an organization. Not infrequently, a system of points is part of a job evaluation plan. For example, all jobs in a given organization are assigned a number of points ranging from 20 to 1,000 depending on the responsibilities of the job, the education/credentials required for it, and so forth, and each employee receives a base annual salary of \$1,000 multiplied by the number of points assigned to his or her job. The CEO of a company likely receives 1,000 points, or a base annual salary of \$1 million, while an entry-level accountant receives 65 points, or \$65,000. An entry-level nurse in the company's infirmary may, when all factors of the job are evaluated, also receive 65 points, or the same \$65,000 per year as the accountant. The accounting and nursing jobs are clearly not the same, but they are, pursuant to this job evaluation system, "comparable."

Contingent, or Variable, Compensation

Most compensation plans have both a predetermined fixed and a contingent, or variable, portion. A person who takes a nursing position may receive a base salary of \$65,000 per year. This individual, though, will also likely be eligible for at least some additional, or variable, compensation contingent on certain things, such as individual or group performance.

Individually Based Contingent Compensation

A good deal of contingent, or variable, compensation is individually based. For example, a new stockbroker may receive a small base salary of only \$2,000 per month (\$24,000 per year) plus 50 percent of any commissions (from stock trading and related activities) he or she generates in a given month. This second part of the compensation package is completely variable; if the stockbroker has a very bad commission month, this part of his or her compensation may amount to far less than the \$2,000 base pay; while in a very good month it may far exceed this amount. In addition, this extra compensation completely turns on the individual's performance. It might be possible for an individual stockbroker to have a great commission month and make a lot of extra money even though the brokerage company as a whole is experiencing bad times, or vice versa.

Merit Pay Plans **Merit pay plans** are a good example of individually based variable compensation. Such plans involve giving individuals special pay bonuses, or money above across-the-board raises, because of the particular merit of their contribution to the

merit pay plans Pay plans that compensate individuals on the basis of their individual contribution to the organization.

organization. A professional baseball pitcher may, for example, be eligible for a \$200,000 bonus if he wins more than 15 games in a season.

Knowledge- or Skill-Based Pay **Knowledge- or skill-based pay** systems are similar to individually based contingent pay plans. Most public school districts, for example, pay school teachers an extra annual sum if they earn college degrees beyond the bachelor's level (a master's degree or even a Ph.D.). Similarly, an organization may pay individuals extra for learning additional job-related computer or other skills.

knowledge- or skill-based pay Pay for individuals for having or obtaining specific knowledge or skills.

Group-Based Contingent Compensation

Organizations also often offer additional parts of the compensation package that are contingent on special team, or group, performance. For example, all players on professional football teams (even the second stringers!) generally get a uniform significant bonus if the team makes it to the Super Bowl. The overall success of the team is shared by all.

Profit Sharing Plans **Profit sharing plans** involve employees sharing a part of the business's annual profits. If the company as a whole does well and has considerable profits, employees also do well, and vice versa. Some multidivision companies have been known to tie employee profit sharing to the profits of the employee's division as opposed to the company as a whole. The idea here is to more closely tie employee profit sharing to areas over which the employees have some control. Why should employees of a company's oil and gas services division suffer because its finance division had a poor year?

profit sharing plans Pay plans that give employees some share of overall company profits.

Gainsharing Plans **Gainsharing plans** allow employees to share in company productivity gains or savings due to group, or team, efforts or recommendations. Typically work groups are charged with coming up with measures to lower company costs or improve company productivity, and any dollar savings or gains clearly achieved are then shared with the group.

gainsharing plans Plans for sharing company productivity gains or savings with the responsible work group.

Benefits

Employee **benefits** such as health and life insurance are the nonwage or nonsalary portion of employee compensation and are today a very important and growing part of overall compensation packages. The explosive growth in employee benefits in the United States dates back to World War II. During the war, the federal government established a special War Labor Board and instituted wage controls to prevent runaway wage inflation (during this period there was a sharp increase in the demand for labor coupled with a sharp decrease in the supply of labor). Faced with the inability to gain significant increases in wages, employees and their unions came up with the idea of seeking comprehensive health, life, and other insurance benefits for their members. These benefits were not technically deemed to be wages and were apparently thus permissible under wartime regulations. In addition, federal tax laws gave, and continue to give, such insurance benefits very favorable treatment, generally allowing them to be treated as deductible expenses for employers but not as income for employees.

benefits The nonwage or nonsalary portion of employee compensation, such as health and life insurance.

The upshot of all of this is that employer-paid insurance coverage is today very much an important part of the total compensation package received by most employees, although U.S. employers must today carefully coordinate employee health-care coverage with federal mandates in this regard. In addition, many employers offer employees a myriad of other benefits including vacation time, paid sick leave, child care, pension or retirement plans, and even stock ownership or options plans. Some companies give employees special gifts during certain holiday seasons, e.g., the classic Thanksgiving turkey gift to all employees each year in late November.

Pension, or Retirement, Plans

Scandals in recent decades at various companies (such as the Enron Corporation) have brought considerable attention to the existence and viability of company pension benefits and plans.¹¹ There are basically two kinds of pension plans: **defined benefit plans** and **defined contribution plans**.

defined benefit plans Retirement plans in which the benefit is based on a formula and precisely known.

defined contribution plans Retirement plans in which contributions are known but benefits may vary.

Employee Retirement Income Security Act (ERISA) A federal law passed in 1974 to regulate employer-defined benefit plans.

Pension Benefit Guaranty Corporation (PBGC) The federal agency administering the defined benefit plan insurance program.

Defined benefit plans are generally fully funded by the employer and regulated by the federal government pursuant to the **Employee Retirement Income Security Act (ERISA)**. The federal government, up to certain limits, insures these pension benefits even if the employee's company goes bankrupt, with the federal **Pension Benefit Guaranty Corporation (PBGC)** administering this (increasingly controversial and expensive) insurance program in which employers pay insurance premiums to the PBGC. Employees receive defined benefit pensions based on the number of years they work at the employer and the wages or salaries they have received during that employment. A fairly common formula is that employees receive defined pension benefits of 2 percent per year multiplied by the employee's years of service multiplied by the average of the employee's last five years of wages or salaries. For example, if an employee worked for a company for 30 years, he or she would receive a defined annual pension for the rest of his or her life of 60 percent (2 percent times 30 years) of the average of his or her last five years' wages or salaries. If the last five years of the employee's wages or salaries averaged \$80,000, the employee would receive an annual lifetime pension of \$48,000 per year. The employee bears no investment or other risk with respect to this pension. Under ERISA, all employees working for an employer with a defined benefit pension plan are generally vested in that pension plan after five to seven years on the job. Employees leaving that employer before vesting receive no retirement benefits.

Today, however, employees are much more likely to work for an employer with a defined contribution pension plan than for one with a defined benefit pension plan. Under defined contribution plans, a defined contribution is made into the pension plan, usually each pay period, by the employer or by the employer and employee jointly. For example, a plan may mandate that the employer contribute 4 percent of the employee's salary if the employee contributes at 3 percent of her or his salary to the plan each monthly paycheck. The employee generally has a choice of a number of investment options for the monies (e.g., stock investments, bond investments, money market funds) and absorbs considerable risk if the investment choices turn out to be poor ones. In recent years some companies have developed extremely generous defined contribution employee benefit plans as a way of attracting and retaining talented employees. The large ConocoPhillips oil company, for example, historically contributed 9 percent of an employee's pay to such a plan so long as the employee contributed at least 1 percent.

✓ Reality Check

If you have a choice on a job, would you rather have a defined benefit or a defined contribution pension plan?

stock options The right to buy company stock at a predetermined price.

Stock or Stock Options

A growing number of companies give employees company stock or **stock options** as a benefit. Stock and stock options grants are considerably different. Outright grants of stock make the employee a part owner in the company, and the value of the employee's holdings increases or decreases with the value of the company's shares. Stock options, on the other hand, give the employee the option of purchasing the company's stock at a given price. An option may give an employee the right to buy 200 shares of the company's stock at \$15 a share for a period of five years. If the stock goes above \$15, the employee can exercise the option and then sell the stock for a profit. If the company's stock, however, falls permanently to \$5 per share, the option becomes worthless. Under this scenario, the employee has gained nothing, but he or she also has borne no risk. Employees in some high-technology companies like Google, Facebook, and Apple Computer Company have in recent years become stock option "millionaires" as the value of the company's stock (and thus their stock options) has dramatically increased.

Flexible, or Cafeteria, Benefit Plans

Historically, companies provided the same package of benefits to all employees. Recently, though, there has been a growing realization by some organizations that employees have different needs and that one standard benefits package may not be the best approach. Thus, some companies have developed **flexible, or cafeteria, benefit plans** in which each employee is generally given a set amount of dollars to spend on benefits and is then free to allocate the dollars to best meet his or her needs. A young single employee without any

flexible, or cafeteria, benefit plans Plans giving employees considerable choice in picking the benefits they want.

dependents but with considerable dental problems may, for example, decide to purchase zero life insurance and instead use this money to purchase the best dental insurance coverage possible.

Developing an Effective Workforce

Employee development has many aspects. Almost all organizations provide their employees with some sort of job training. This training can be on the job or off the job; indeed some large companies have even established their own universities. Virtually all organizations also help develop employees by providing feedback on their performance, more formally known as **performance appraisals**. First, though, organizations must figure out their precise needs in this area of HRM.

Needs Analyses

Organizations differ, and it is important for given organizations to examine the knowledge, skills, and abilities needed to perform the organization's work effectively vis-à-vis the capabilities of the organization's existing workforce. **Needs analyses** involve making such assessments. Sometimes needs analyses can lead to pleasant surprises; for example, the current workforce is already well qualified, prepared, and motivated to effectively carry out the organization's mission. Frequently, though, needs analyses will reveal something in the capabilities of the existing workforce to be lacking, in which case the organization must figure out what types of employee development programs will best ameliorate this situation

Methods for Developing an Effective Workforce

Work-Based Programs

Work-based programs tie employee development activities directly to the work to be done. For example, a professor who has already taught a class may be asked to assist a professor who is going to be teaching the class for the first time with developing teaching materials, and so on. In certain types of jobs, particularly those involving skilled trades such as carpentry and plumbing, employees often do apprenticeships where they work closely with an experienced skilled tradesperson for a number of years in order to effectively learn the job. Some workers receive work-based training in simulated environments away from the actual workplace. For example, most major airlines use flight simulators so that pilots can effectively develop their skills. Simulated environment training of this kind is known as **vestibule training**, and it can be an extremely effective work-based human resource development method.

Instructional-Based Programs

Instructional-based programs for workforce development involve training designed to provide new knowledge or information. Some large corporations have started their own universities where students or employees of the organization attend lectures and participate in discussions. Computer software allows some of this type of employee instruction to be done at times most convenient for the employee and at his or her own pace.

New Workforce Development Technology

New technology beyond the basic personal computer and computer software has been an enormous aid in helping companies develop their workforces. Zoom, video links, and the Internet generally all offer myriad ways of better training and developing employees.

Feedback and Performance Appraisal and Evaluation

A critical part of effective workforce development in an organization is having an effective program of employee feedback and performance appraisal and evaluation. Employees

LEARNING OBJECTIVE 5

Analyze different methods for developing an effective workforce and providing workforce members with proper feedback.

performance appraisals

Formal evaluations of the effectiveness of employees' job performance.

needs analyses Assessments of an organization's job-related needs and the abilities of the current workforce.

work-based programs

Programs that tie employee development activities directly to task performance.

vestibule training Employee training provided in a simulated environment close to the actual work situation.

instructional-based programs

Teaching and learning approaches to employee development.

need to be kept regularly apprised as to how they're doing, that is, be given feedback and opportunities to correct or improve their performance where it is lacking. Employees should also be rewarded and recognized for good performance. The performance feedback and appraisal and evaluation process is in many ways analogous to receiving grades in college courses and involves many of the same complications and issues.

Objective Evaluation Methods

objective evaluation methods
Performance appraisals based on specific and clear criteria such as sales mode.

Some jobs (and college classes!) lend themselves well to **objective evaluation methods**. A salesperson, for example, is likely to be evaluated on how many dollars worth of sales he or she made during a given period—an extremely straightforward method of evaluation. Similarly, a college physical education class may be graded on a pass or fail basis with attendance the only criterion for evaluation; more than one unexcused absence per semester means the student fails the class. One key advantage of objective evaluation methods is that they are easily measured and generally seen as fair. The fact that a professor or supervisor may like or dislike you has virtually no bearing: either you've sold products during the past year or not; either you are or you're not attending the class.

Subjective Evaluation Methods

subjective evaluation methods
Performance appraisals based on less-well-defined criteria.

For better or worse, however, most jobs and college classes do not lend themselves to such easy objective evaluation and instead require **subjective evaluation methods**. In the classroom, for example, a professor may have to evaluate a wide variety of class presentations, term papers on different topics, and individual student class participation. Similarly, most jobs are multifaceted, with any effective performance evaluation involving looking at a significant number of employee activities. This is particularly true as our society has moved away from a manufacturing to a service-oriented economy. One obvious concern with the more multifaceted subjective evaluations involved in measuring things like employee service effectiveness, student class participation, and so on, is the possibility of bias on the part of the individual making the evaluation. Various civil rights laws protect employees (similar but different laws protect students) against any evaluator bias based on race, religion, gender, national origin, and so on. Nevertheless, it is probably impossible to completely prevent all elements of bias, positive or negative, from entering into subjective performance evaluations.

In the college classroom, most faculty carry out the evaluation process by giving students grades. Somewhat similar grading dynamics are generally used in the workplace. One university, for example, annually grades the overall performance of all its faculty as excellent, satisfactory, or unsatisfactory. A common issue is how many gradations there should be in the grading process. For example, some companies rank their employees' performance using six different gradations: distinguished, excellent, good, satisfactory, marginally satisfactory, and unsatisfactory; and many colleges use pluses and minuses to more fine-tune their traditional A, B, C grades.

Forced Evaluation Distributions

forced distribution methods
Performance appraisals requiring a defined ranking of performance into different levels.

In many organizations, there has been an increased use of **forced distribution methods** of evaluation in which employees are grouped into predefined distributions, or frequencies, of performance ratings. For example, the old Enron Corporation, under then CEO Kenneth Lay and then president Jeffrey Skilling, force-ranked employees into one of five groups. The top-performing 15 percent of employees were placed in group 1, the next 20 percent in group 2, the next 25 percent in group 3, the next 25 percent in group 4, and the bottom 15 percent in group 5.¹² In a college course, a predetermined grading curve, where only the top 15 percent of the class get an A and the bottom 15 percent of the class must get either a grade of D or F, would represent a similar distribution.

There are obviously pros and cons to having forced evaluation distributions. Forced distributions will likely tend to make employees and students more cutthroat in their competition. Forced distributions clearly have a win-lose element to them; not all individuals can do well under a forced distribution system, even if all employees are generally performing well. Also, at times employee performance levels may be very similar,

and a forced distribution system may force distinctions that don't really exist to be made among employees. The good thing about forced distribution evaluation systems is that they deal very directly with the problem of grade inflation. Just as some professors give As and Bs to nearly all students in their college classes, some work supervisors also tend to grade very highly, even when all employees are not doing a spectacular job. Such grade inflation may hurt employees by not giving them accurate feedback, and it clearly hurts the organization by potentially rewarding employees who are not doing great jobs. Grade inflation may also create some resentment from employees who are working very hard and doing very good jobs, but who end up getting the same or close to the same grade as all other employees.

360-Degree Feedback

Traditionally, the process of performance feedback and evaluation has been top-down; that is, the boss evaluates the employee or the professor evaluates the student. Increasingly, though, organizations are using full-circle, or **360-degree feedback**, in which employees are evaluated not only by their boss but also by their peers, subordinates, and so on. Indeed, sometimes 360-degree feedback even includes evaluations from customers and others outside the organization. In the classroom setting, a feedback system of this kind may involve students being evaluated regarding class participation, team project work, and so on, by other students, and students preparing teaching evaluations of the professor, in addition to the traditional model of the professor evaluating the student's work. While there are various pros and cons to 360-degree feedback, it probably is sometimes true that bosses being graded by their subordinates may be a little more gentle in grading their subordinates or professors may give students high grades in the hope that they will be evaluated highly by students. Consequently, stronger arguments may exist for forced distribution evaluation systems in which 360-degree feedback mechanisms are also in place.

360-degree feedback Full-circle evaluation of an employee by supervisor, peers, subordinates, and so on.

Feedback Frequency and Follow-Up

In order for performance appraisal feedback programs to be effective in helping develop an effective workforce, they have to be conducted with some degree of frequency and involve follow-up. Supervisors in most organizations provide employees informal feedback on an ongoing basis, and open communication channels should be encouraged. Organizations should also have regular formal feedback in which employees receive formal developmental feedback and evaluation at least once a year.

Follow-up is also extremely important if the performance appraisal process is going to be developmentally effective. For example, an employee and supervisor may be advised to develop an action plan for the employee's future. If the employee is already doing outstanding A+ work, this plan may focus on opportunities for the employee to be promoted or advanced. Most employees, though, are not A+ employees, and most feedback action plans will focus on how the given employee may be able to improve his or her performance and contribution to the organization. In situations in which the employee's performance is unsatisfactory or even just marginally satisfactory, it will be important for the supervisor to discuss with the employee the possibility of disciplinary action, perhaps even discharge, if the employee does not take prompt corrective action.

✓ Reality Check

Do you have any ideas for combating the grade inflation that occurs so frequently in employee performance evaluations? Have you ever received a performance evaluation that was higher than you thought you deserved?

Labor-Management Relations

Historical Overview

Early History

The laissez-faire economic climate of the United States in the nineteenth century and early twentieth century was not a hospitable one for labor unions. Limited state laws protecting employees from being fired or otherwise discriminated against because of their interest in having a union were struck down by the U.S. Supreme Court as representing unconstitutional interferences with employer rights.¹³ The time's emphasis on rugged individualism

LEARNING OBJECTIVE 6

Describe the role of the National Labor Relations Act in abolishing company unions and the process by which "real" unions come into power and engage in collective bargaining.

employment at will Legal rule stating that an employer can fire an employee at any time for any reason, and an employee can quit at any time.

Norris–La Guardia Act New Deal legislation of 1932 limiting employer rights.

yellow dog contract Employment contract in which the employee agrees not to join a union.

National Labor Relations Act (NLRA) A federal law of 1935 establishing the employee right to unionize.

National Labor Relations Board (NLRB) The federal agency with regulatory authority over U.S. labor laws.

company unions Unions that are supported and dominated by the employer.

labor organization Any sort of employee organization that deals with the employer about working conditions.

bargaining unit The specifically defined group of employees eligible for union representation.

was encapsulated by the widespread legal adoption of the doctrine of **employment at will**, a doctrine first set forth in an academic treatise in 1877.¹⁴ Under the employment-at-will doctrine, employees can quit their job at any time for any reason, and conversely, employers can fire employees at any time for any reason. Employees did not see the need for collective action via unionization during this period of free market individualism.

The Great Depression and the New Deal

The stock market crash of 1929 and the ensuing Great Depression resulted in massive structural unemployment and a dramatic shift in the role of unions in the United States. With millions of individuals unable to find any sort of work, laissez-faire parity between employers and employees seemed inappropriate, and President Franklin Roosevelt’s New Deal administration asked Congress to enact various pieces of pro-worker legislation. The first major piece of such legislation passed by Congress was the **Norris–La Guardia Act** of 1932. This law sharply limited the ability of employers to get judicial assistance in stopping strikes and made the **yellow dog contract** illegal. Employees signed yellow dog contracts in which they agreed not to join a union during the term of their employment with the employer.

In 1935, Congress enacted the original **National Labor Relations Act (NLRA)**, or Wagner Act, legislation also known as the Magna Carta of American labor. This law for the first time clearly made labor unions lawful in the United States. Indeed, this law as enacted in 1935 directly encouraged employee unionization and collective bargaining. The idea, at the time, was that only by grouping together and forming labor unions could employees overcome their relatively powerless situation and have parity with employers. The NLRA set forth detailed procedures whereby employees could form labor unions and engage in collective bargaining with their employers and established an administrative agency, the **National Labor Relations Board (NLRB)**, to administer the law. Shortly after the enactment of the NLRA, in 1938 Congress passed the Fair Labor Standards Act, which set an initial floor on wages of 25 cents per hour as a minimum wage, limited the number of hours employees could work without overtime pay, and outlawed most child labor.

Abolishing and Preventing Company Unions

When it legalized and encouraged unionization with the passage of the NLRA in 1935, Congress feared that employers would try to set up employer-supported unions, or so-called **company unions**. These unions, while giving employees some voice, can never engage in arms-length collective bargaining since they are supported and controlled to some extent by the employer. To abolish and prevent the existence of company unions and to encourage the establishment of “real” unions, the Wagner Act contained a specific section, Section 8(a)(2), which states that it is unlawful for an employer to “dominate or interfere with the formation or administration of any labor organization or contribute financial or other support [to] it.”¹⁵ Moreover, the law also defines the term **labor organization** quite broadly, so as to include any sort of employee committee that deals with the employer about working conditions.¹⁶ Historically, this provision played an important role in the establishment of unionization throughout the country. More recently, though, Section 8(a)(2) has come under considerable criticism because its language can be read to outlaw employee programs established by companies such as work teams, quality circles, and so on. Efforts to date to amend the legislation, however, have been unsuccessful.

Organizing Employees and Electing Unions

Once the NLRA was enacted in 1935 and declared constitutional by the U.S. Supreme Court in 1937, unionization took off like a wildfire throughout the United States. The first step in the unionizing process is for a union to identify a particular group of employees it seeks to have join its ranks. This group of employees becomes the proposed **bargaining unit**, or the designated group of employees who will be represented by the union. Fairly recently, for example, the NLRB’s regional office in Chicago, Illinois, held in a controversial decision (later overturned) that college football players at Northwestern

University in Evanston, Illinois, represented a given bargaining unit.¹⁷ To proceed with its organizing efforts, the union must obtain signed authorization cards, that is, cards stating that the designated employees are interested in being represented by a union, from at least 30 percent of the employees in the proposed bargaining unit. For instance, if the Walmart store in a given town is targeted for unionization by a given union and this store has 99 employees, at least 30 must sign authorization cards in order for the union to proceed to the next step. If the union gets this 30 percent show of interest, the union takes these cards to the NLRB, and the next step is for the NLRB to schedule a supervised secret ballot election in that bargaining unit.

Numerous rules and regulations exist regarding what unions and employers can say and do during the organizing process and during the election campaign period, which begins when the union documents it has a 30 percent showing of interest in the designated employee group, and ends at the final tally of the NLRB-supervised secret ballot election. Unions generally cannot organize or campaign on the employer's property, even its parking lot. Unions are, however, permitted to organize and campaign by visiting employees

Majority Vote Exclusive Representation

Union representation elections conducted by the NLRB are analogous to U.S. political elections in that majority vote governs their outcome and they involve winner-take-all scenarios. For the Walmart store with 99 employees, if 50 of these employees vote for the union, the union wins and becomes the representative of all 99 employees. However, if only 49 employees vote for the union, the union loses and represents no one, and cannot even make another election try here for at least one year. Similarly, if a candidate for governor of Massachusetts wins 51 percent of the vote, he or she becomes governor of all the people in the state for a requisite period of time, while the losing candidate with 49 percent of the vote ends up with nothing.

A winning union at the Walmart store represents all 99 employees at the store. Indeed, it now becomes the exclusive representative of all these employees; the employees are now generally required to work through the union in dealing with the employer. The union is also under a specific **duty of fair representation** to all these employees. This means that the union must fairly represent all the employees and not discriminate among employees while engaged in collective bargaining, grievance handling, and so on. For example, a union may not seek pay raises for employees who supported it and not for those who did not. A major related question, of course, is whether all 99 employees must now join or pay dues to the union given the fact that the union has the duty to work nondiscriminately on behalf of all of them. Whether employees have to pay union dues is determined by what state of the United States they live in.

duty of fair representation The duty of a union to fairly represent all employees in its bargaining unit.

Collective Bargaining

Winning a union representation election, while an achievement, is not the final goal of any union. The final goal is being able to successfully negotiate with the employer a favorable labor contract for the employees. The NLRA requires employers to sit down with the elected union representative of the employees and bargain in good faith regarding "wages, hours, and other terms and conditions of employment."¹⁸ The law hopes that the parties sign a contract, but clearly does not compel either party to agree or make any concessions.

Defining **good faith bargaining** has proven somewhat problematic over the years, as has determining what subjects constitute the mandatory "wages, hours, and other terms and conditions of employment" bargaining topics. Figuring out what the "other terms and conditions of employment" that must be bargained over has been particularly vexing. Is the price of food in the company cafeteria a term and condition of employment? What about an employer decision to contract out janitorial work or hire a new advertising agency? The parties are free to negotiate or bargain over almost anything, but whether a given topic has to be bargained over is unclear and important; unions can only lawfully go on strike over mandatory bargaining issues.

good faith bargaining The duty of employers and unions to bargain with each other honestly.

The Labor Contract and “Just Cause” Protection

If collective bargaining is successful, the parties agree to a labor contract. Such contracts are typically for a term of three years and comprehensively regulate virtually all aspects of employee–employer relations during this time period. Among the topics generally covered by labor contracts are wage rates, overtime pay rates, vacation time, rest periods, working hours, and pension plans. Most labor contracts also usually deal with standards for employee promotions and layoffs, placing considerable weight on employee seniority, or length of service with the employer, in making such determinations.

Perhaps the two most critical sections in nearly all labor contracts—the no-strike clause and the grievance procedure clause—represent something of a trade-off. These provisions address what happens when a dispute arises regarding the contract during its term. In general, if the union agrees not to go on strike over such disputes during the contract’s term—the no-strike clause—the employer agrees to a defined procedure to resolve the disputes—the grievance procedure clause. In virtually all cases the last step of the labor contract’s grievance procedure is **labor arbitration**, which involves calling in an independent outside party—a professor, a member of the clergy, and so on—to resolve the dispute. Decisions regarding contract interpretation by outside labor arbitrators have been uniformly held by the courts to be binding.

labor arbitration The resolution of a labor dispute by a neutral outside third party.

just cause provision The labor contract provision stating that an employer can fire or discharge an employee only for a legitimate business reason.

Within a labor contract’s grievance procedure, the most important section is the **just cause provision**. This provision states that under the contract the employer can discharge, suspend, or discipline an employee only for “just cause.” That does not mean that employers can never fire or discipline an employee. For example, if an employee is found to have stolen goods or money from the employer, just cause for discharge certainly exists. It does mean, however, that an employer must articulate a clear business-related reason for a discharge or other disciplinary action.

For example, an employer working under a labor contract with a just cause provision cannot fire an employee for wearing a green shirt to work on the grounds that the employer does not like the color green. A labor arbitrator hearing such a case would rule that the employer had no clear business-related reason, no just cause, for such an action.

Union-negotiated labor contracts with just cause provisions represent the antithesis of the doctrine of employment at will. Under the employment-at-will doctrine, employers can fire or discipline employees at any time for any reason, including not liking the color green! The just cause protection brought to workers by unions via negotiated labor contracts has historically been a very important one indeed



Source: a katz/Shutterstock.com.

The COVID-19 pandemic has helped lead to considerable labor union activity at various fast-food companies, with workers demanding higher wages.

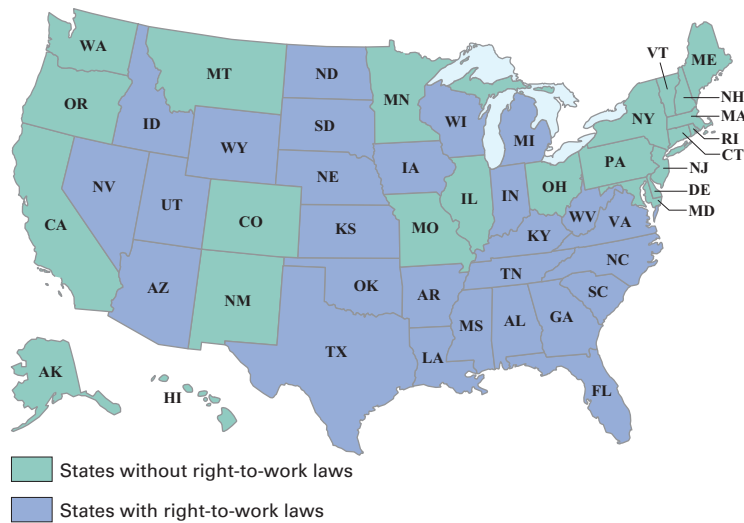
Taft–Hartley Act A federal law of 1947 cutting back on the power of labor unions.

The Decline and Recent Rise of U.S. Labor Unions

Union power grew enormously between the enactment of the Wagner Act in 1935 and the end of World War II in 1945, with unions representing close to 40 percent of the nonagricultural workforce by the end of the war. During the war, however, unions began sowing the seeds of their own demise. Some unions ignored war labor regulations against going on strike and otherwise pushed the envelope, so that by the end of the war many in the U.S. Congress felt that the power of unions had to be cut back. This feeling led to the enactment in 1947, over multiple vetoes by President Harry S. Truman, of the **Taft–Hartley Act** amending the NLRA.

The Taft–Hartley Act, known to unions as the Slave Labor Act, sharply curtailed the power of unions in the United States. Officially, these amendments to the original NLRA put the U.S. government in a neutral posture regarding whether employees should join

EXHIBIT 6.1 Right-to-Work States



unions, as opposed to the law's initial posture of encouraging unionization. Indeed, Section 7 of the NLRA was specifically amended to state that not only did employees have the right to join unions, but they also had the right to refrain from joining unions. The new amendments allowed individual states to pass **right-to-work laws**, and today, just over half of the states in the United States (see Exhibit 6.1) have passed such legislation. Under right-to-work laws, employees in the states with such legislation have the right to work without paying any union dues or fees, even if the union has won a bona fide representation election at their workplace. These laws operate as a disincentive for unions to organize in the states that have them because they mean that a union can win an election in those states and come under a duty to represent certain employees but that these employees do not have to pay any dues or fees to the union. In short, unions are at risk of losing considerable money when they organize in right-to-work states; in non-right-to-work states unionized employees are generally required to pay at least a service fee to the union for its representation efforts. Right-to-work states tend to be the more conservative states in the southern and western parts of the United States.

The Taft–Hartley Act also made a number of union practices unlawful and gave the president of the United States special powers to resolve union strikes, such as recent long shore worker strikes deemed to be posing a national emergency. In 1959, after a series of congressional hearings revealing unethical practices by labor unions, the U.S. Congress further regulated union power with the enactment of the **Landrum–Griffin Act** of 1959, which further amended the NLRA. The Landrum–Griffin Act gives the U.S. Department of Labor broad supervisory power over the internal workings of labor unions. All union expenditures, for example, must be reported to the Labor Department, and the Labor Department also plays a role in supervising elections for union officers.

While the Taft–Hartley and Landrum–Griffin Acts have played a role in the decline of unions, they don't tell the whole story. Shifts in the focus of the U.S. economy have also played a part in the decline of unionization in the country. Moreover, the strong resistance by some employers to unions and collective bargaining contracts has clearly not helped their situation. Finally, some observers, even in the union movement, have said that the unions themselves over the years had become too complacent in their organizing efforts.

As mentioned previously, however, the COVID-19 pandemic has had the somewhat ironic and interesting effect of in many respects re-energizing the U.S. labor movements. Workers at various companies during the height of the COVID pandemic realized that they had relatively little in the way of formal workplace protection. These problems were especially acute in certain “essential businesses” such as hospitals, food, and other companies that kept operating (and employees working) throughout the entire COVID outbreak. During the past couple of years, there has thus been considerable union organizing, and a number of union victories, at a wide variety of firms throughout the United States.

right-to-work laws Laws allowing workers represented by unions the right to be employed without paying dues to the union.

Landrum–Griffin Act A federal law of 1959 regulating internal union activities.

Jaz Brisack

Jaz Brisack, at age 24, is one of the nation's most influential labor organizers. Her path to grassroots organizing success and fame, however, is somewhat atypical. After graduating the University of Mississippi in 2019 with a perfect GPA and an incredible array of extracurricular leadership activities, she became the first female from that college to be awarded a very prestigious Rhodes Scholarship to attend the University of Oxford in England. But unlike past U.S. Rhodes scholars such as Bill Clinton and George Stephanopoulos, Jaz did not seek to parlay the experience into an elite position in the worlds of politics, journalism, or business. Instead, Jaz Brisack moved to the cold environs of Buffalo, New York, where she took a job as a barista at the Elmwood Avenue Starbucks location. Once employed at Starbucks, she then made contact with officials of a branch of the Service Employees International Union (SEIU), one of the nation's largest labor unions with about two million members. With help from the SEIU, she then embarked on helping found the Starbucks Workers United union, with the goal of forming labor unions at Starbucks locations throughout the United States.

On December 9, 2021, Jaz Brisack had her first success, when the workers at her own Elmwood Avenue, Buffalo, New York, Starbucks location became the first in Starbucks' history to vote for union representation. What has happened



Source: Grand Warszawski/Shutterstock.com.

since has arguably been close to incredible. Workers at literally hundreds of Starbucks stores from Oregon to Florida to Massachusetts have already voted for labor union representation, and votes to be conducted by the National Labor Relations Board are pending at numerous other locations. No one would deny that Jaz Brisack has had an incredible degree of social impact for someone who just graduated college a few years ago!

It remains to be seen, however, whether this recent rise of U.S. labor unions is only temporary in nature or a more permanent phenomenon.

International Labor Relations

Interestingly, the challenge faced by labor unions in the United States have not been fully emulated in various other countries with developed economies. In other countries such as Great Britain, the labor movement has historically been much more directly integrated into the political process than in the United States. Indeed, in Britain one of the two major political parties is the Labor Party, and this has clearly helped British unions gain broader cultural and community acceptance than in the United States.

Other countries, such as Germany and Canada, continue to have arguably more pronoun labor laws on their books. Under German codetermination, for example, all large employers are required to have union representatives on their company boards of directors, and this fact has had implications when large German companies like Volkswagen open operations in the United States.

One important issue that has arisen lately is the interrelationship between labor relations/laws and international free trade agreements. If countries agree to a free trade agreement or free trade zone, to what extent do the labor laws in one country apply to the other countries that are part of the agreement? Also, to what extent do free trade agreements with lower-wage-paying countries encourage the movement of jobs from the United States to those countries. These were highly contentious issues during the negotiations among the United States, Canada, and Mexico on the North American Free Trade Agreement (NAFTA) in the early 1990s. Ultimately, a special labor-side agreement to NAFTA was agreed to; it provides that each country must make efforts to enforce its own labor laws and establishes a new enforcement mechanism whereby citizens and groups can complain about the lack of labor rights enforcement in the three NAFTA countries. On September 30, 2018, however, NAFTA was apparently replaced by the newly nego-

tiated U.S.–Mexico–Canada Free Trade Agreement (USMCA). USMCA bolsters labor rights by incorporating them directly in the trade agreement itself, as the United States has also done in more recent trade agreements with countries like Chile, Singapore, and Jordan. The USMCA also requires the country of Mexico to take new specific actions to strengthen collective bargaining and union rights in that country.

Legal Environment of Human Resources Management

Employment at Will Revisited

The decline of unions and collective bargaining contracts that began in 1947 with the enactment of the Taft–Hartley Act put millions of U.S. private sector workers back under the regime of employment at will. Whereas previously unions had negotiated with employers regarding issues like job safety, vacation time, pension benefits, workplace, sick leave, the impact of plant closures, and even age, disability, and other discrimination in the workplace, these issues now came completely under the authority of the employer. Also, without the just cause protection of labor contract grievance procedures, employees could now be fired or disciplined by employers for any or no reason whatsoever.

Government, or public sector, employees are entitled to fairly broad constitutional workplace protections. In addition, in direct contrast to the private sector, the rate of unionization among these employees has increased dramatically during the past few decades. Public sector unionization is regulated by special laws and not by the NLRA.

Private sector workers, however, were not ready to accept a total return to the *laissez-faire* employment regulation policies of the nineteenth century and began pressing both federal and state legislative bodies for action. The result, over the past five decades, has been a virtual explosion of government, especially federal government, regulation of the workplace. The U.S. Congress has since the early 1960s, right after the anti-union Landrum–Griffin Act of 1959, passed at least ten major pieces of legislation regulating or affecting human resources management. These are listed in Exhibit 6.2. Moreover, various state legislatures have also passed laws in this area, and state court judges have been particularly active in cutting back on the doctrine of employment at will.

Federal Legislation After 1960

Equal Pay Act

The Equal Pay Act prohibits unequal pay for men and women doing equal work. Equal work means jobs that require equal skill, effort, training, and responsibility and are performed under the same working conditions. For example, this law would require that men and women graduating from the same college with a bachelor’s degree in accounting and taking the same job with the same large accounting firm be paid the same. While this seems obvious today, it was not so obvious fifty or so years ago. At that time it was not unknown for employers to pay female college graduates doing the same job as males less on the grounds that they weren’t supporting families or that they would be leaving the workforce soon to have families. The Equal Pay Act does permit some limited exceptions to its mandates; for example, male and female pay differentials are allowed where they are based on quantity of job production. The Equal Pay Act does not address the issue of male and female pay differentials where jobs are different but deemed to be of equal worth, that is, the issue of comparable worth.

Civil Rights Act of 1964

This watershed piece of federal legislation prohibits organizations with 15 or more employees from in any way discriminating against their employees on the basis of race, sex, color, religion, or national origin. This law covers all aspects of human resources management from selection and recruitment to promotions, compensation, access to training, discipline, and discharge. This law is administered by the **Equal Employment Opportunity Commission (EEOC)**, which has offices throughout the United States. The

✓ Reality Check

Do you know any individuals who are members of private sector unions? What about members of public sector or government employee unions?

LEARNING OBJECTIVE 7

Discuss how and why the field of human resources management has become so highly legally regulated, especially by the federal government, in recent decades.

Equal Employment Opportunity Commission (EEOC) The federal agency that administers U.S. employment discrimination laws.

EXHIBIT 6.2 Major Post-1960 Federal Legislation Affecting Human Resources Management

Law	Scope
Equal Pay Act (1963)	Mandates that men and women doing equal jobs must be paid the same wage
Title VII of the Civil Rights Act of 1964	Outlaws discrimination in employment practices based on race, sex, color, religion, or national origin
Age Discrimination in Employment Act (1967 and 1986)	Prohibits human resource practices that discriminate against people aged 40 and older, and 1986 amendments eliminate mandatory retirement age for most all individuals
Occupational Safety and Health Act (1970)	Regulates safety in U.S. workplaces
Employment Retirement Income Security Act (1974)	Regulates private employer defined benefit pension plans and establishes a federal insurance program for such plans
Pregnancy Discrimination Act (1978)	Prohibits discrimination against employees on the basis of their pregnancy
Worker Adjustment and Retraining Notification (WARN) Act of 1988	Requires employers to give employees 60 days notice of plant closure or layoff if 50 or more employees
Americans with Disabilities Act (1990)	Prohibits discrimination in employment practices with respect to qualified individuals with disabilities
Civil Rights Act (1991)	Expands rights of employees to sue and collect damages under the Civil Rights Act of 1964
Family and Medical Leave Act (1993)	Requires employers with 50 or more employees to provide employees with up to 12 weeks of unpaid leave for specified family or medical reasons

EEOC investigates employment discrimination complaints and can take cases it feels meritorious to federal court or give the complainant the authority to take his or her case to federal court on his or her own. In recent years the EEOC has placed an emphasis on trying to conciliate or mediate many of the complaints it receives, as a way of dealing with its burgeoning caseload.

In one important fairly recent Civil Rights Act development, female employees, led by Betty Dukes, filed a major class-action sex discrimination lawsuit against the Walmart Corporation. The suit, which alleged widespread company discrimination against females in violation of the Civil Rights Act of 1964, was ultimately found to be without merit by the U.S. Supreme Court.¹⁹ Walmart is the nation's largest private sector employer, and the repercussions of this case are being evaluated closely by human resources professionals throughout the country.

Age Discrimination in Employment Act of 1967

This law, as amended in 1986, outlaws discrimination against Americans over 40 and most company mandatory retirement policies (certain types of employees like airline pilots can still be forced to retire at certain ages). This law has become more important as the workforce has aged, and the end of mandatory retirement has had a tremendous impact on U.S. workforce demographics. Interestingly, this law does not prohibit age-based discrimination with respect to workers younger than 40, although some states like New Jersey have passed laws protecting employees of all ages against age discrimination.

Occupational Safety and Health Act of 1970

This law mandates that employers keep records regarding workplace accidents and submit to random federal government work site safety inspections. It also regulates the types of safety equipment employers must provide employees. Firms found to be in violation of

federal health and safety standards can be fined or even shut down. This law is administered by the U.S. Department of Labor.

Employment Retirement Income Security Act of 1974

This law regulates employee-defined benefit pension plans. While it does not require that employers have pension plans, it does bring existing defined benefit pension plans under strict federal government regulation. Pursuant to ERISA, employees participating in pension plans vest within a prescribed number of years and are provided insurance against the loss of benefits under the plan. The Pension Benefit Guaranty Corporation administers the insurance program. ERISA also regulates how the investment funds of the pension plans are managed and makes sure that the interests of the employee beneficiaries are the top management concern.

Pregnancy Discrimination Act of 1978

This law states that pregnant individuals are protected under U.S. discrimination laws. More specifically, the law states that pregnancy is a disability and qualifies pregnant women to receive the same benefits they would with any other type of disability.

WARN Act of 1988

This law requires employers to give employees at least 60 days notice of plant closures. Employers must also give similar notice if they are going to lay off 50 or more employees. The law was enacted in response to a rash of company plant closures and layoffs in the 1980s that were made without virtually any notice to employees. The U.S. Department of Labor now regulates these procedures.

Americans with Disabilities Act of 1990

This landmark piece of federal legislation, administered by the EEOC, and strengthened by recent amendments, prohibits employment discrimination against individuals with disabilities. It defines a person with a disability as

Prong One. A person with a physical or mental impairment that substantially limits one or more major life activities

Prong Two. A person with a record of such a physical or mental impairment

Prong Three. A person who is regarded as having such an impairment²⁰

The Prong One definition of disability is relatively easy to understand. It applies to individuals who suffer current impairments that substantially limit their present life activities. For example, the golfer Casey Martin had a degenerative condition in his right leg that substantially limited his ability to walk. The U.S. Supreme Court, in Martin's precedent-setting lawsuit against the Professional Golf Association (PGA), found him to be protected by the Americans with Disabilities Act (ADA) and allowed him to use a golf cart rather than walk as required under PGA rules when participating in PGA golf tournaments.²¹

Prong Two of the ADA's definition of disability is a little more subtle in that it protects persons having records of a disability, even if they no longer have the disability. For example, the ADA prohibits not hiring or promoting an individual who previously had cancer but is now cured.

Prong Three protects people who are regarded as having an impairment even though this is not the case. For example, the ADA prohibits an employer not promoting an employee because of a rumor that the employee has been infected with the human immunodeficiency virus (HIV).



Source: VGstockstudio/Shutterstock.com.

The Americans with Disabilities Act of 1990 provided disabled workers with comprehensive protection against workplace discrimination.

Family and Medical Leave Act of 1993

This law requires organizations with 50 or more employees to provide employees who have worked at least 1,250 hours during the prior 12 months up to 12 weeks of unpaid leave on the birth or adoption of a child or if the employee or his or her spouse, child, or parent is seriously ill. Despite the fact that the required leave is unpaid, a number of business organizations lobbied against this legislation on the grounds that it would lead to considerable work scheduling and other problems. In recent years, the number of lawsuits by employees against employers under the Family and Medical Leave Act (FMLA) has jumped dramatically with many employees alleging being denied pay raises or promotions as retaliation after taking FMLA leave.²²

State Regulation

During the past few decades, there has also been an increase in state regulation of HRM. State regulation has come by way of both state laws and state court decisions.

Employment at Will

During the past few decades state courts throughout the country have been chipping away at the doctrine of employment at will on a case-by-case basis. Indeed, today the majority of state courts recognize a public policy exception to this doctrine. For example, numerous courts have intervened where employers have fired employees for being out on jury duty; remember, under the strict employment-at-will doctrine, an employer can fire an employee for any reason at any time. In essence, these courts have held that the public policy in favor of jury trials outweighs the employer's right to fire an employee. The state of Montana has enacted a state law comprehensively protecting employees from wrongful discharge, and thus statutorily overturning the doctrine of employment at will in that state. The Montana Wrongful Discharge from Employment Act states that an employer's discharge of an employee is wrongful, or unlawful, if it was against public policy, in violation of the employer's written personnel policy, or not for good cause providing that the employee has passed the employer's workplace probationary period.²³ The good cause provision in the Montana statute is very similar to that in union labor contracts. Thus, the **Montana Wrongful Discharge from Employment Act** gives all employees in that state very broad protection from being fired by employers for nonlegitimate business reasons.

Montana Wrongful Discharge from Employment Act A law in the state of Montana outlawing the doctrine of employment at will.

Off-Duty Conduct Statutes

The vast majority of states in the United States have also passed laws protecting employees from being discriminated against by employers because of their lawful off-duty conduct. Interestingly, these **off-duty conduct statutes** started being widely enacted in the 1980s because of strong lobbying by the tobacco industry, which had become very concerned that employees were not being hired or were even being fired because they were smokers. As a result, most states today have laws that at least protect employees from any adverse employment action due to their off-duty use of tobacco and other lawful products. These laws have become increasingly relevant to the extent they potentially protect employees for off-duty Facebook, Twitter, etc. postings and other new-technology-based off-duty conduct.

off-duty conduct statutes State laws protecting in various degrees employee off-duty conduct.

Workplace Diversity

Bob Dylan's famous lyric about changing times applies more than anywhere in the area of workplace diversity. Today women constitute around half of the U.S. workforce, and the various antidiscrimination laws have played a significant role in increasing workplace participation by a wide range of minority groups.

Having a highly diverse workforce, though, arguably has both pros and cons and raises a number of important issues.

Workplace Ethics: Mandated Workplace Arbitration

Given the decline in U.S. private sector labor unions and the labor contract/labor arbitration protection they provide, numerous private sector employers have adopted their own internal/corporate guidance procedures and plans. Under these plans, employees having workplace grievances file complaints with company HR officials. If company HR officials are unable to successfully resolve the dispute, however, the grievance is ultimately heard by an outside labor arbitrator—often a retired state or federal judge. At the heart of the company procedures, though, is the requirement that employees waive their right to take their grievances to court by way of a lawsuit; instead, they must process them via the company's own grievance procedure culminating in labor arbitration.

In recent years, these company-mandated waivers have been challenged as being “unfair” because they deprive employees, particularly in sexual harassment situations, of going to court either individually or by grouping them together in a class action lawsuit. As with the yellow dog contracts of the 1930s, employees argue that they are essentially being “forced” into signing these lawsuit waivers mandating arbitration in order to get a job.

In May 2018, however, in the case of *Epic Systems Corp. v. Lewis*, the U.S. Supreme Court upheld the use of mandatory arbitration/lawsuit waivers in the work place, finding that such procedures were not legally preempted by national labor laws. The female justices of the Supreme Court, though,

strongly dissented from this opinion, arguing that, in particular, females subjected to workplace harassment should have the right to have their cases heard by a jury in a court of law. In 2021, Congress passed and the president signed the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act, giving employees the option of either going to court or arbitration in situations involving grievances alleging sexual harassment/assault.

Sources: Based on Daisuke Wakabayashi and Jessica Silver-Greenberg, “Facebook to Drop Forced Arbitration in Harassment Cases,” *New York Times*, November 9, 2018, www.nytimes.com; *Epic Systems Corp. v. Lewis*, 138 Sup. Ct. 1612 (2018); Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act, Public Law No. 117-80.

QUESTIONS

1. What are the advantages women may face in having sexual harassment cases heard by a jury in court rather than by a labor arbitrator?
2. What do you think prompted so many major corporations to have their employees' grievances heard by a labor arbitrator as opposed to them going to court?
3. What do you think provides a potential faster remedy for aggrieved employees, a lawsuit/court case or labor arbitration?

Advantages and Challenges of a Diverse Workforce

There are numerous obvious advantages to having a diverse workforce. Clearly, a highly diverse workforce can bring very helpful insights into marketing goods to a highly diverse customer base. A diverse workforce may also be more creative and innovative than a more homogeneous one. On the negative side of things, however, a diverse workforce may be less cohesive and have more communication problems than a homogenous work group. In addition, there may be some mistrust and tension in a diverse workforce, especially if some colleagues are seen as having gotten their jobs through preferential treatment.

Equal Employment Opportunity Versus Affirmative Action

Laws such as Title VII of the Civil Rights Act of 1964 are equal employment opportunity laws; these laws mandate that employees of all kinds of backgrounds be treated equally in the workplace. The concept of **equal employment opportunity** is considerably different, though, from the concept of **affirmative action**. Affirmative action involves an organization taking special steps to recruit, hire, and promote individuals from underrepresented minority groups. The primary basis for affirmative action in the U.S. workplace is a presidential executive order entitled **Executive Order 11246**, signed by President Lyndon B. Johnson in 1965 and mandating that companies that have contracts with the federal government of over \$50,000 per year, which covers most large U.S. companies, develop affirmative action goals and plans with respect to their workforce. One area of recent controversy has been the extent to which Executive Order 11246 applies to so-called LGBTQ rights. President Obama, for example, signed and ordered extending it to cover such rights, President Trump reversed it, and President Biden recently reinstated the requirement.²⁴

LEARNING OBJECTIVE 8

Analyze the difference between equal employment opportunity and affirmative action, and the impact of this difference on workplace diversity.

equal employment opportunity

The principle that all groups of employees should be treated equally in the employment relationship.

affirmative action The principle that some groups of employees should receive a degree of preference in the employment relationship.

Executive Order 11246 The presidential executive order mandating affirmative action in employment by large federal government contractors.

CASE IN POINT

Diversity on Corporate Boards of Directors

The top governing body of virtually all major corporations is its board of directors. Historically, however, the boards of leading corporations have been male bastions, with few, if any, female members. But, as the Bob Dylan song noted above, has stated, the times are indeed “changing.”

In 2021, for example, the NASDAQ Stock Exchange, the place where the shares of most leading technology companies are traded, adopted a requirement that all NASDAQ-traded companies with more than five directors must have at least two “diverse” directors (at least one female and one from an underrepresented minority group) on their corporate boards of directors. Various Scandinavian and European countries have gone even further. Thus, in the country of Norway, at least 40 percent of the directorships of Norwegian companies must be held by females. Some individual states in the United States (e.g., California) have been adopting stringent corporate board diversity requirements for companies based in their states.

A 2022 article titled “A Seat at the Table Is Not Enough” in the *Harvard Business Review*, however, questioned whether

simply increasing the number of female and minority group members on corporate boards is truly enough to achieve real corporate board diversity. The article cited research showing that female and minority group directors, perhaps to some extent intimidated by the overwhelming white male presence on such boards, often don’t speak out much during corporate board meetings. The article also contained an interview on this subject with prominent African American corporate director John W. Rogers Jr. (profiled in Chapter 3). Rogers noted that in his experience (as a member of the Boards of McDonald’s, Nike, the *New York Times*, and other leading corporations), female and minority board members are often particularly averse to speaking out about corporate diversity and social responsibility issues for fear of being “typecast.”

Sources: Based on Vanessa Fuhrmans, “California Becomes First State to Mandate Female Board Directors,” *New York Times*, October 1, 2018, www.nytimes.com; “Women on Corporate Boards Globally,” *Catalyst*, March 16, 2018, www.catalyst.org; “A Seat at the Table Is Not Enough,” *Harvard Business Review*, July–August 2022, www.hbr.org.

Executive Order 11246 has been highly controversial. Some individuals and groups argue that while it has helped women, African Americans, Hispanics, and other minority groups get a toehold in the workforce, it hasn’t done enough; women and minorities still hold relatively few top executive positions. Others, however, argue that the executive order has led employers to adopt workforce quotas for hiring different types of employees and led to some minority group members getting preferential treatment in hiring, promotions, and so on, thus helping create feelings of tension and mistrust on the part of white males and others. Moreover, some minority group members feel that affirmative action plans of the kind mandated by the executive order “stigmatize” them as being hired only to meet government mandates.

Workforce Diversity After 9/11

The tragic events of September 11, 2001, raised a variety of workplace diversity issues, ones that have lingered even more than a decade past the event. One important and continuing issue is to what extent companies should take special measures to prevent potential workplace harassment or discrimination against individuals of Arab descent or Muslim belief.²⁵ The EEOC has been particularly vigilant in this regard, urging employers to promote tolerance and guard against any misdirection of anger toward innocent employees because of their national origin, ethnicity, or religion. The EEOC has also brought lawsuits against employers accused of discriminating against Arab or Muslim employees.²⁶

Careers in Human Resources Management

The field of human resources management offers a wide range of career opportunities. Indeed, virtually all for-profit and not-for-profit organizations in the country offer professional opportunities in this field. A wide variety of governmental agencies, such as the EEOC, NLRB, and U.S. Department of Labor, also offer excellent career opportunities in the area. In addition, many individuals use employment with government agencies as a training ground where they can gain valuable experience before moving into the private sector. Most organizations hire students for human resources professional positions with either an associate or a bachelor’s degree. However, some organizations prefer the

✓ Reality Check

How diverse is the organization where you have most recently worked?

individuals they hire for these roles to have a master's degree, and a growing number of colleges and universities have started master's degree programs in human resources management. The Society for Human Resource Management (SHRM), formerly the American Society for Personnel Administration, is the world's largest association devoted to human resources management, and it provides its members with considerable information about careers in the field. Student memberships in SHRM are available at significantly discounted rates, and a number of colleges and universities have student SHRM chapters.

Summary

LEARNING OBJECTIVE 1

Describe how advances in technology and other factors have led to an increasingly strategic role in organizations and industries for human resources management.

In recent decades the U.S. economy has shifted from manufacturing to service. In a service economy, employees become the most important asset of a business, and thus the management of these employees—human resources management—plays a central role. Moreover, computer and Internet technologies have given human resources professionals the opportunity to devote less time to the traditional record-keeping and payroll-processing functions of HRM and enabled them to focus more on strategic business issues. New technologies have also changed the ways some industries do business. Today, HRM is a very integral part of nearly all business organizations.

LEARNING OBJECTIVE 2

Explain how human resources managers engage in planning and forecasting.

One important strategic role human resources managers play is in human resources planning. Such planning involves ascertaining what types of people the organization is going to need in the future. Sometimes forecasting future human resources demand can be rather tricky, as unexpected events may occur. Human resources managers also plan with respect to the future availability of needed employees, that is, the human resources supply. Good HR managers look at both the internal supply, people already working in the company who can be promoted or otherwise moved into needed positions, and the external supply, people outside the organization who will have to be hired to fill needed slots. Increasingly, HR managers are recruiting employees for both permanent and temporary employment.

LEARNING OBJECTIVE 3

Discuss the process of recruiting and selecting employees for an organization.

Once human resources hiring plans have been formulated, a very important role of HRM becomes coordinating the recruitment and selection of these employees. At the heart of recruiting is the development of a good applicant pool, or pool of people wanting to work in a given job. Employ-

ees are then selected from this applicant pool. Employers use a variety of techniques, such as job interviews and employment tests, in selecting employees for the organization. The goal is getting the best match for the job, with the understanding that different jobs in organizations require widely different skills and personalities.

LEARNING OBJECTIVE 4

Evaluate the types, value, and effectiveness of the compensation and benefit plans that organizations offer employees.

Businesses compensate employees in a wide variety of ways. Wages and salaries, which are monies directly paid for time worked or for fulfilling job responsibilities, are generally the most important part of employee compensation. Some employers put considerable emphasis on seniority, or longevity on the job, in determining wages and salaries, while others try to pay employees on individual performance without regard to years of service. Seniority-based pay clearly rewards employee loyalty, while pay based on individual performance is probably more likely to create incentives for all employees to work their hardest. Increasing numbers of employers have developed one type or another of profit sharing plans for their employees. In recent decades, employee benefits have become especially important to employees. Many employers offer employees some type of pension plan. Defined benefit pension plans are highly regulated by the government and offer employees a predetermined annual stipend when they retire. Defined contribution pension plans involve having employers and usually employees contribute certain percentages of employee pay to a pension fund that is managed by the employee. Employees enjoy far more control over their monies with a defined contribution plan, but unlike with a defined benefit plan, have no guaranty regarding future retirement income.

LEARNING OBJECTIVE 5

Analyze different methods for developing an effective workforce and providing workforce members with proper feedback.

Once employees are part of an organization, it becomes important for the organization to try to better develop their skills and give them meaningful feedback regarding their

job performance. Businesses have a wide range of employee training programs. Indeed, some large companies have even established their own universities. Businesses also engage in a wide variety of employee feedback and performance appraisal methods. Some jobs lend themselves well to objective performance evaluation; a salesperson is likely to be evaluated primarily on how many dollars of goods he or she has sold, and given feedback about whether this level of sales meets employer needs. Other jobs, however, such as service positions, do not lend themselves as easily to objective evaluation methods, and thus require a more subjective evaluation approach. A continuing challenge is to try to make sure that managerial bias such as favoritism is kept out of subjective performance appraisals. Increasingly, organizations are using full-circle, or 360-degree, feedback, which involves not only supervisors evaluating employees but also employees evaluating supervisors.

LEARNING OBJECTIVE 6

Describe the role of the National Labor Relations Act in abolishing company unions and the process by which “real” unions come into power and engage in collective bargaining.

In 1935, the U.S. Congress enacted the National Labor Relations Act, which for the first time made unions lawful in the United States. One fear when the law was enacted was that in response to the legalization of unions, employers would try to establish employer-supported unions known as company unions. To prevent this from happening, the NLRA contains a specific provision, Section 8(a)(2), which makes it unlawful for employers to play a role in forming, administering, or contributing financial support to any labor organization. Instead, the law encourages the establishment of “real” unions via secret ballot elections in designated employee bargaining units. A union is able to schedule such an election by garnering a show of interest from 30 percent of the employees in the designated bargaining unit. If the union wins a majority vote in the representation election, it becomes the exclusive representative of all employees in that bargaining unit. On winning, the union begins collective bargaining with the employer in an attempt to obtain a labor contract for these employees.

Typically, labor contracts cover a wide range of employment issues and are for three-year terms.

LEARNING OBJECTIVE 7

Discuss how and why the field of human resources management has become so highly legally regulated, especially by the federal government, in recent decades.

The shift of the U.S. economy away from manufacturing has led to a sharp decline in private sector unionization in the United States. Without the protection of union labor contracts, U.S. employees were increasingly left without any legal protections from potential unfair or discriminatory treatment by employers. Consequently, employees throughout the country put pressure on the U.S. Congress and state legislatures to pass various types of protective employment legislation. During the past few decades the U.S. Congress has responded by enacting a panoply of laws protecting the rights of employees to work in safe environments, take unpaid leave for family or medical reasons, not be discriminated against because of disability, and receive 60 days notice if the plant where they work is going to close.

LEARNING OBJECTIVE 8

Analyze the difference between equal employment opportunity and affirmative action, and the impact of this difference on workplace diversity.

Equal employment opportunity laws require that all employees be treated equally in the workplace. Title VII of the Civil Rights Act of 1964, for example, states that women must be treated equally to men in hiring and on the job. Under this law, a high-performing woman must be given the same opportunity for job advancement as an equally high-performing man. Affirmative action takes this concept a step further and states that organizations must take special steps to recruit, hire, and promote individuals from underrepresented groups. Under an affirmative action plan, a business may give a high-performing woman preference in obtaining promotions over an equally high-performing man. The idea behind such an approach is to help women and other underrepresented groups obtain supervisory jobs of the kind they ordinarily have not had, where they have been underrepresented.

Key Terms

360-degree feedback (p. 191)
 Affirmative action (p. 201)
 Applicant pool (p. 183)
 Bargaining unit (p. 192)
 Benefits (p. 187)
 Company unions (p. 192)
 Comparable worth (p. 186)

Defined benefit plans (p. 187)
 Defined contribution plans (p. 187)
 Duty of fair representation (p. 193)
 Employee Retirement Income Security Act (ERISA) (p. 188)
 Employer pay confidentiality rules (p. 186)

Employment at will (p. 192)
 Equal employment opportunity (p. 201)
 Equal Employment Opportunity Commission (EEOC) (p. 197)
 Equal Pay Act (p. 186)
 Executive Order 11246 (p. 201)
 External recruiting (p. 183)

Fair Labor Standards Act (FLSA) (p. 185)	Landrum–Griffin Act (p. 195)	Recruiting (p. 183)
Flexible, or cafeteria, benefit plans (p. 188)	Merit pay plans (p. 186)	Reference (p. 185)
Forced distribution methods (p. 190)	Montana Wrongful Discharge from Employment Act (p. 200)	Replacement charts (p. 182)
Gainsharing plans (p. 187)	National Labor Relations Act (NLRA) (p. 192)	Right-to-work laws (p. 195)
Good faith bargaining (p. 193)	National Labor Relations Board (NLRB) (p. 192)	Salary (p. 185)
Instructional-based programs (p. 189)	Needs analyses (p. 189)	Selection (p. 184)
Internal recruiting (p. 183)	Norris–La Guardia Act (p. 192)	Seniority (p. 186)
Job analysis (p. 181)	Objective evaluation methods (p. 190)	Skills inventory (p. 182)
Job description (p. 182)	Off-duty conduct statutes (p. 200)	Stock options (p. 188)
Job evaluation (p. 186)	Orientation (p. 185)	Structured interviews (p. 185)
Job specification (p. 182)	Pension Benefit Guaranty Corporation (PBGC) (p. 188)	Subjective evaluation methods (p. 190)
Just cause provision (p. 194)	Performance appraisals (p. 189)	Taft–Hartley Act (p. 194)
Knowledge- or skill-based pay (p. 187)	Profit sharing plans (p. 187)	Vestibule training (p. 189)
Labor arbitration (p. 194)		Wage and salary surveys (p. 186)
Labor organization (p. 192)		Wages (p. 185)
		Work-based programs (p. 189)
		Yellow dog contract (p. 192)

Chapter Questions

- How have increases in technology impacted the conduct of human resources management in the United States?
- Why have labor unions experienced such a decline in private sector membership? Why do you think the same dynamics have not occurred as dramatically in the public sector, that is, the government? Why would there be differences between the two sectors?
- What government information sources are available for human resources planning? How would you use or apply these resources?
- How can the Internet and other new technologies help employers with recruiting employees? Give some examples of hiring using such new technologies.
- Why are recruitment interviews often viewed as being a bad selection device? What can be done to overcome the problems involved with interviews?
- Is employee seniority a good criterion on which to base employee compensation and other rewards? Give the pros and cons of using seniority.
- Describe some different types of employee compensation, and discuss their effectiveness.
- What are stock options? Why might there be controversy regarding their use?
- Why might employees be better off having a defined benefit pension plan as opposed to a defined contribution plan?
- What is the doctrine of employment at will? What are the arguments that the application of this doctrine is good for U.S. business?
- What topics are employers required to bargain over with unions? Give some examples of such topics.
- Employer X fires employee Y for being seen by various people entering an adult entertainment strip club on Saturday night; the employee works only Monday through Friday. Is this discharge lawful? What different factors control this determination?
- Why was the Family and Medical Leave Act (FMLA) arguably controversial when its enactment was being considered by the U.S. Congress? Do you think employees should be given paid family and medical leave?
- Describe the differences between equal employment opportunity and affirmative action. Do you believe Executive Order 11246 should include the application of LGBTQ rights?
- The tragic events of September 11, 2001, have continued to impact many things in the United States. How have they impacted human resources management, especially in the area of workplace diversity?

Interpreting Business News

1. There continues to be controversy regarding the lack of African American head coaches in various major professional sports leagues. There have been only a relatively few African Americans holding these prestigious posts. Teams argue that they don't discriminate in hiring coaches and only try to hire the best possible coach for the team (equal employment opportunity model). Various groups, though, argue that teams should be very proactive in trying to hire African American coaches and generally have more diverse front offices (affirmative action model). Some observers have indeed argued that teams with African American coaches should get extra draft picks, while teams without African American coaches or other clear indications of having a diverse front office should lose draft picks. Others have argued that African American players should boycott playing for teams that have not been proactive in this regard. What do you think? Any ideas for positively addressing this issue?
2. Americans work harder than employees in almost every developed country in the world. While employees in countries like Germany, Italy, and France take an average of 35 to 40 vacation days, including public holidays, per year, Americans squeeze in an average of only about 14 vacation days. Americans also tend to work as many or more hours per week. The recent COVID-19 pandemic also led to many American workers rethinking the importance of work in their lives. Indeed, many employees resigned their jobs during the height of the pandemic, i.e., the so-called Great Resignation, in part with the desire to seek a better work-life balance. That said, American culture continues in many respects to view working long hours as a "badge of honor," despite some evidence that taking more vacation time can be good for your health. What do you think? Should the United States move toward the European model of more annual employee vacation time?

Web Assignments

1. The Society for Human Resource Management (SHRM) is the world's largest association devoted to HRM, with over 300,000 members. It was founded in 1948 and nearly 600 affiliated chapters in the United States and members in more than 165 countries. Go to its website at www.shrm.org, and find a list of the 575 affiliated chapters. Also, find and read SHRM's most recent annual report and make a list of its top priorities and initiatives. And if you're interested, look to see if they have any jobs or internships open!
2. The U.S. Equal Employment Opportunity Commission (EEOC) plays a major role in regulating today's workplace. Go to the EEOC website, www.eeoc.gov, and prepare short one-paragraph summaries of five current posted news items involving the EEOC. Also, write a one-page history and evaluation of the success of the EEOC's mediation program.
3. The International Labor Organization (ILO) is a branch of the United Nations dealing with the rights of workers throughout the world. Go to its website, www.ilo.org, and familiarize yourself with the general goals and operations of this agency. What are some of the global HRM problems the ILO is currently addressing?

Portfolio Projects

Exploring Your Own Case in Point

In this chapter we presented a comprehensive overview of the human resource function of major corporations. Answering these questions will help you better understand this important dimension of your company's operations.

1. What types of employee staffing needs is your company going to have during the coming decade? What are some of the primary places your company recruits for new employees?
2. Does your company have pension/retirement plans for its employees? If it has a defined benefit plan, is this plan adequately funded?
3. Are any of your company's employees represented by labor unions? If so, when do its current collective bargaining agreements expire?

4. How diverse is your company's workforce? Are any of its top executives females or minority group members?

Starting Your Own Business

1. Will your business need to hire employees? If so, what types of individuals will have to be hired initially?
2. How do you intend to recruit the initial employees your business will need? Do you already have any individuals in mind?
3. Do you plan to offer a pension or retirement plan for employees? If so, what kind?
4. Is there a chance your business might face an early union organizing drive or request for recognition by a labor union? How do you plan to react to such a unionization effort by your employees?



TEST PREPPER

You've read the chapter, studied the key terms, and the exam is any day now. Think you are ready to ace it? Take this sample test to gauge your comprehension of chapter material. You can check your answers at the back of the book.

True/False Questions

Please indicate if the following statements are true or false:

- _____ 1. Few female attorneys have shown any interest in part-time legal employment.
 - _____ 2. With the increased movement of the United States toward being a knowledge economy, the human resources management function has taken on greater importance in businesses.
 - _____ 3. Southwest Airlines Company puts a strong emphasis on developing a very large job applicant pool.
 - _____ 4. Stockbrokers generally receive all fixed compensation.
 - _____ 5. The growth in employee benefit packages dates back to World War I.
 - _____ 6. The process of 360-degree feedback involves employees evaluating their bosses.
 - _____ 7. Unions are under a duty to fairly represent all employees in a given NLRB-certified collective bargaining unit, including employees who did not support the union.
 - _____ 8. Labor issues were not a highly controversial part of NAFTA.
 - _____ 9. The Equal Pay Act says that men and women must be paid the same if they are doing essentially the same work.
 - _____ 10. The Family and Medical Leave Act entitles employees to up to 12 weeks of paid leave in the case of family situations or illness.
- 3. One problem with rewarding employees on the basis of seniority is
 - a. it takes away incentives for individual employee performance.
 - b. it rewards employee loyalty.
 - c. it is seen as being fair and equitable.
 - d. unions do not like this approach.
 - e. it promotes pay confidentiality.
 - 4. An example of knowledge- or skill-based pay is
 - a. getting paid more for selling more of a product.
 - b. getting paid more for earning a master's degree at a university.
 - c. being paid a commission.
 - d. getting paid a profit sharing bonus.
 - e. being paid above the minimum wage.
 - 5. In defined contribution pension plans, investment decisions are generally made by
 - a. the employer.
 - b. the PBGC.
 - c. ERISA.
 - d. the employee.
 - e. the NLRB.
 - 6. In a forced distribution employment evaluation process
 - a. all employees get bonuses.
 - b. some employees are forced to earn graduate university degrees.
 - c. all employees can receive high performance rankings.
 - d. FLSA problems tend to exist.
 - e. some employees will receive poor performance rankings.
 - 7. The final step in a labor contract's grievance procedure is usually
 - a. mediation.
 - b. arbitration.
 - c. fact-finding.
 - d. collective bargaining.
 - e. a pay raise.
 - 8. The Landrum-Griffin Act deals with
 - a. collective bargaining.
 - b. the minimum wage.
 - c. part-time employment.
 - d. internal union affairs.
 - e. comparable worth.

Multiple-Choice Questions

Choose the best answer.

- 1. A job specification involves a
 - a. systematic evaluation of the elements required for a job.
 - b. list of the duties of a job.
 - c. detailed list of the skills, education, and other credentials needed for a job.
 - d. forecast of human resources demand.
 - e. type of employment outsourcing.
- 2. Enterprise Rent-A-Car Corporation likes to hire
 - a. high school dropouts.
 - b. only people from New Jersey.
 - c. college students ranking in the top 5 percent of their class.
 - d. scientists.
 - e. college students with average grades.

9. The doctrine of employment at will has been chipped away at primarily by
- federal courts.
 - state courts.
 - state governors.
 - the president of the United States.
 - city councils.
10. Executive Order 11246 is an example of
- an affirmative action regulation.
 - an equal employment opportunity regulation.
 - comparable worth in action.
 - state employment legislation.
 - collective bargaining regulation.