

Human Resource Management

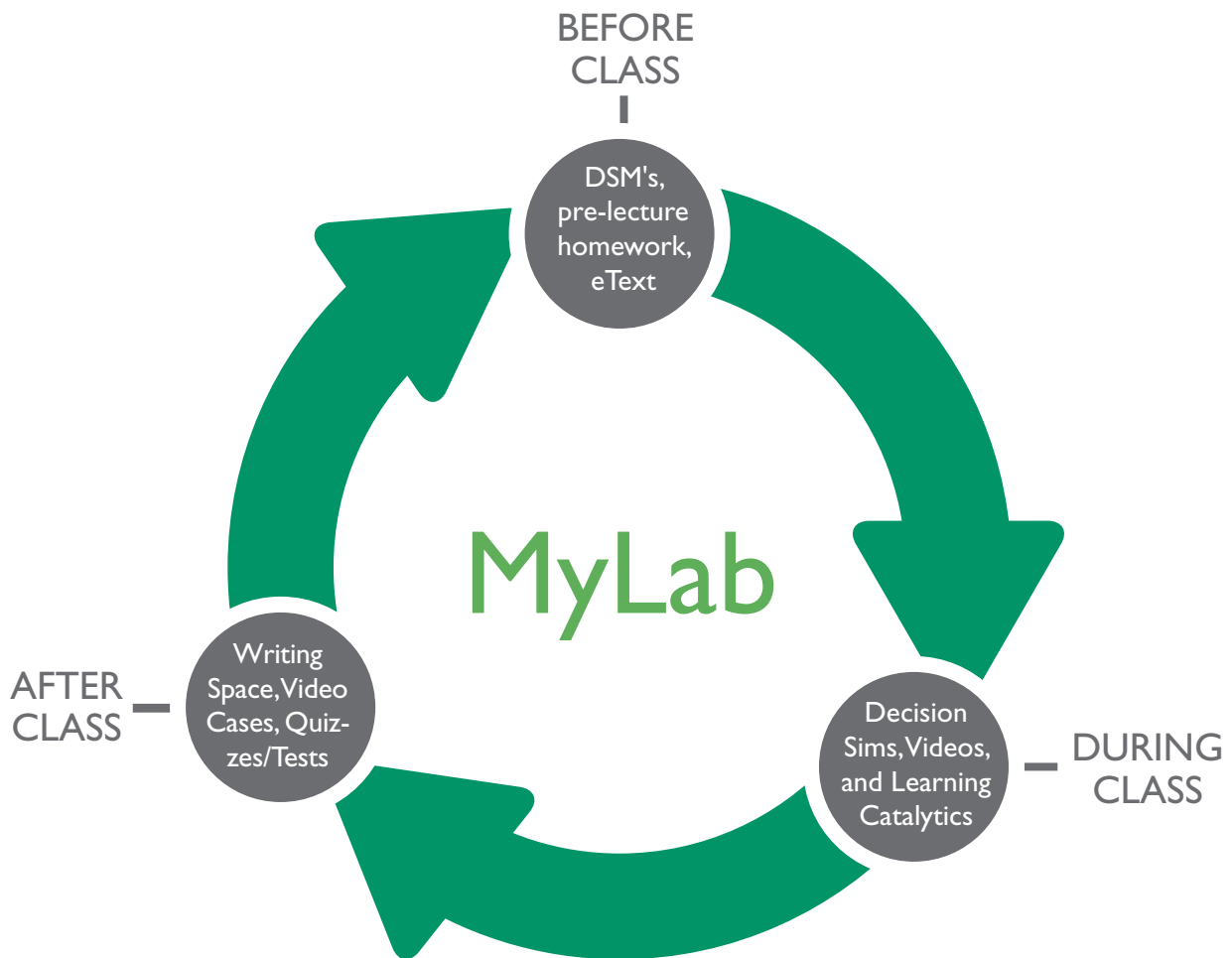
R. Wayne Mondy Joseph J. Martocchio



F o u r t e e n t h E d i t i o n

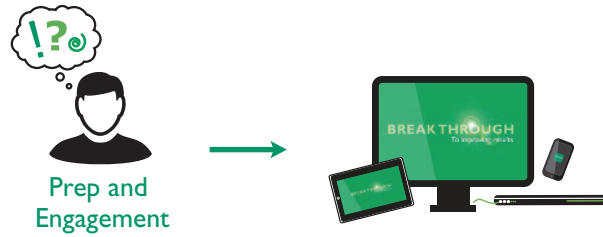
Full-Circle Learning

MyLab™: Learning Full Circle for Marketing, Management, Business Communication, Intro to Business, and MIS



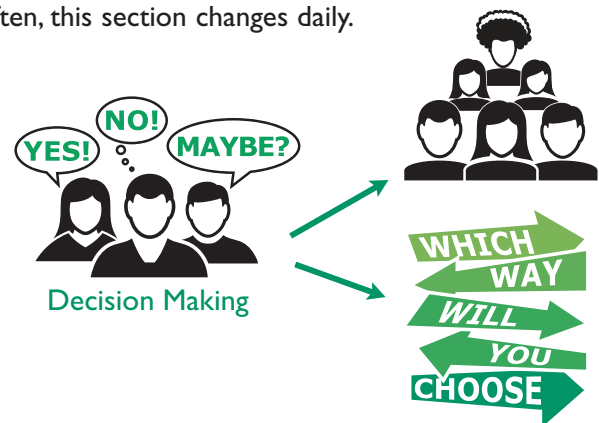
This page intentionally left blank

MyManagementLab™: Improves Student Engagement Before, During, and After Class



- **Video exercises** – engaging videos that bring business concepts to life and explore business topics related to the theory students are learning in class. Quizzes then assess students’ comprehension of the concepts covered in each video.
- **Learning Catalytics** – a “bring your own device” student engagement, assessment, and classroom intelligence system helps instructors analyze students’ critical-thinking skills during lecture.
- **Dynamic Study Modules (DSMs)** – through adaptive learning, students get personalized guidance where and when they need it most, creating greater engagement, improving knowledge retention, and supporting subject-matter mastery. Also available on mobile devices.
- **Business Today** – bring current events alive in your classroom with videos, discussion questions, and author blogs. Be sure to check back often, this section changes daily.

- **Decision-making simulations** – place your students in the role of a key decision-maker. The simulation will change and branch based on the decisions students make, providing a variation of scenario paths. Upon completion of each simulation, students receive a grade, as well as a detailed report of the choices they made during the simulation and the associated consequences of those decisions.



- **Writing Space** – better writers make great learners—who perform better in their courses. Providing a single location to develop and assess concept mastery and critical thinking, the Writing Space offers automatic graded, assisted graded, and create your own writing assignments, allowing you to exchange personalized feedback with students quickly and easily.

Writing Space can also check students’ work for improper citation or plagiarism by comparing it against the world’s most accurate text comparison database available from **Turnitin**.

- **Additional Features** – included with the MyLab are a powerful homework and test manager, robust gradebook tracking, comprehensive online course content, and easily scalable and shareable content.

<http://www.pearsonmylabandmastering.com>

This page intentionally left blank

Human Resource Management

R. Wayne Mondy

Joseph J. Martocchio

Fourteenth Edition

PEARSON

Boston Columbus Indianapolis New York San Francisco Amsterdam Cape Town
Dubai London Madrid Milan Munich Paris Montreal Toronto Delhi
Mexico City São Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo

Vice President, Business Publishing: Donna Battista
Editor-in-Chief: Stephanie Wall
Acquisitions Editor: Kristin Ellis-Levy
Program Manager Team Lead: Ashley Santora
Program Manager: Sarah Holle
Editorial Assistant: Bernard Ollila
Director of Marketing: Maggie Moylan
Executive Marketing Manager: Erin Gardner
Project Manager Team Lead: Judy Leale
Project Manager: Tom Benfatti
Operations Specialist: Diane Peirano
Senior Art Director: Jon Boylan
Interior and Cover Designer: Integra Software Services Pvt. Ltd.
Cover Image: Robert Adrian Hillman/Shutterstock

VP, Director of Digital Strategy & Assessment: Paul Gentile
Manager of Learning Applications: Paul Deluca
Digital Editor: Brian Surette
Digital Studio Manager: Diane Lombardo
Digital Studio Project Manager: Robin Lazrus
Digital Studio Project Manager: Alana Coles
Digital Studio Project Manager: Monique Lawrence
Digital Studio Project Manager: Regina DaSilva
Full-Service Project Management and Composition: Integra Software Services Pvt. Ltd.
Printer/Binder: Courier/Kendallville
Cover Printer: Courier/Kendallville
Text Font: 10/12 Times LT Std Roman

Copyright © 2016, 2014, 2012 by Pearson Education, Inc. All rights reserved. Manufactured in the United States of America. This publication is protected by Copyright, and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. For information regarding permissions, request forms and the appropriate contacts within the Pearson Education Global Rights & Permissions department, please visit www.pearsoned.com/permissions/.

Acknowledgements of third party content appear on the appropriate page within the text, which constitutes an extension of this copyright page.

Unless otherwise indicated herein, any third-party trademarks that may appear in this work are the property of their respective owners and any references to third-party trademarks, logos or other trade dress are for demonstrative or descriptive purposes only. Such references are not intended to imply any sponsorship, endorsement, authorization, or promotion of Pearson's products by the owners of such marks, or any relationship between the owner and Pearson Education, Inc. or its affiliates, authors, licensees or distributors.

Library of Congress Cataloging-in-Publication Data

Mondy, R. Wayne

Human resource management / R. Wayne Mondy, Joseph Martocchio.—14e [edition].
pages cm

ISBN 978-0-13-384880-9

1. Personnel management—United States. 2. Personnel management. I. Martocchio, Joseph J. II. Title.
HF5549.2.U5M66 2016
658.3—dc23

2014023872

10 9 8 7 6 5 4 3 2 1

PEARSON

ISBN 10: 0-13-384880-9
ISBN 13: 978-0-13-384880-9

To Judy Bandy Mondy, my love, my inspiration, and my travel partner.

—R. Wayne Mondy

To my parents, for their sacrifices, which have provided me with
great opportunities.

—Joe Martocchio

This page intentionally left blank

Brief Contents

Part One **Setting the Stage** 1

- Chapter 1** Human Resource Management: An Overview 2
- Chapter 2** Business Ethics and Corporate Social Responsibility 24
- Chapter 3** Equal Employment Opportunity, Affirmative Action, and Workforce Diversity 42

Part Two **Staffing** 77

- Chapter 4** Strategic Planning, Human Resource Planning, and Job Analysis 78
- Chapter 5** Recruitment 108
- Chapter 6** Selection 132

Part Three **Performance Management and Training** 163

- Chapter 7** Performance Management and Appraisal 164
- Chapter 8** Training and Development 190

Part Four **Compensation** 223

- Chapter 9** Direct Financial Compensation (Core Compensation) 224
- Chapter 10** Indirect Financial Compensation (Employee Benefits) 256

Part Five **Labor Relations, Employee Relations, Safety, and Health** 283

- Chapter 11** Labor Unions and Collective Bargaining 284
- Chapter 12** Internal Employee Relations 316
- Chapter 13** Employee Safety, Health, and Wellness 338

Part Six **Operating in a Global Environment** 365

- Chapter 14** Global Human Resource Management 366

This page intentionally left blank

Contents

Part One Setting the Stage 1

Chapter 1 Human Resource Management: An Overview 2

Defining Human Resource Management 3

Human Resource Management Functions 3

- Staffing 3
- Performance Management 4
- Human Resource Development 4
- Compensation 5
- Employee and Labor Relations 5
- Safety and Health 5
- Human Resource Research 5
- Interrelationships of Human Resource Management Functions 5

Who Performs Human Resource Management Activities? 6

- Human Resource Management Professional 6
- Line Managers 6
- Human Resources Outsourcing 7
- Human Resources Shared Service Centers 8
- Professional Employer Organizations 8

■ HR BLOOPERS: Staffing Stone Consulting 8

Human Resources as a Strategic Business Partner 9

Dynamic Human Resource Management Environment 10

- Legal Considerations 11
- Labor Market 11
- Society 11
- Political Parties 11
- Unions 11
- Shareholders 11
- Competition 12
- Customers 12
- HR Technology 12
- Economy 13
- Unanticipated Events 13

Corporate Culture and Human Resource Management 13

Employer Branding 14

Human Resource Management in Small Businesses 15

Country Culture and Global Business 15

Human Resource Management Profession 16

Scope of This Book 19

- Summary 20 • Key Terms 21 • Exercises 21 • Questions for Review 22 • Incident 1: HR after a Disaster 22 • Incident 2: Downsizing 23

Chapter 2 Business Ethics and Corporate Social Responsibility 24

Defining Ethics, Corporate Social Responsibility, and Corporate Sustainability 25

Business Ethics 25

Sources of Ethical Guidance 26

■ ETHICAL DILEMMA: A Selection Quandary 27

Legislating Ethics 27

- Procurement Integrity Act 28
- Federal Sentencing Guidelines for Organizations Act 28
- Corporate and Auditing Accountability, Responsibility and Transparency Act 28
- Dodd–Frank Wall Street Reform and Consumer Protection Act 29
- Whistleblower Protection 29

Creating an Ethical Culture and a Code of Ethics 30

Human Resource Ethics 31

Linking Pay to Ethical Behavior 32

Ethics Training 32

■ HR BLOOPERS: Sales Incentives at Pinser Pharmaceuticals 33

Corporate Social Responsibility 33

Corporate Sustainability 35

Conducting a Social Audit 37

Can Corporate Social Responsibility Succeed in the Global Environment? 38

- Summary 39 • Key Terms 39 • Questions for Review 40 • Incident 1: An Ethical Flaw 40
- Incident 2: “You Can’t Fire Me” 40

Chapter 3 Equal Employment Opportunity, Affirmative Action, and Workforce Diversity 42

Equal Employment Opportunity: An Overview 44

Federal Laws Affecting Equal Employment Opportunity 44

- Constitutional Amendments and the Civil Rights Act of 1866 44
- Title VII of the Civil Rights Act of 1964, Amended in 1972 44
- Equal Pay Act of 1963, Amended in 1972 47
- Lilly Ledbetter Fair Pay Act of 2009 47
- Pregnancy Discrimination Act of 1978 47
- Civil Rights Act of 1991 48
- Age Discrimination in Employment Act of 1967, Amended in 1978 and 1986 48
- Age Can Actually Be a Bona Fide Occupational Qualification 49
- Rehabilitation Act of 1973 49
- Vietnam Era Veteran’s Readjustment Assistance Act of 1974 49
- Vietnam Era Veterans’ Readjustment Assistance Act of 1974, as Amended 50
- Americans with Disabilities Act of 1990 50
- Americans with Disabilities Act Amendments Act of 2008 50
- Immigration Reform and Control Act of 1986 51
- Uniformed Services Employment and Reemployment Rights Act of 1994 51
- Genetic Information Nondiscrimination Act of 2008 51
- State and Local Laws 52

Who’s Responsible for Ensuring Equal Employment Opportunity? 52

- Equal Employment Opportunity Commission 52

Office of Federal Contract Compliance Programs 52
Employers 53

Defining and Operationalizing Illegal Discrimination 54
Uniform Guidelines on Employee Selection Procedures 54
Concept of Disparate Treatment 54
Concept of Adverse Impact 55

Affirmative Action 56
Uniform Guidelines on Preventing Specific Illegal Employment Discrimination 59
Guidelines on Sexual Harassment 59
Guidelines on Discrimination Because of National Origin 60
Guidelines on Discrimination Because of Religion 61
Guidelines on Caregiver (Family Responsibility) Discrimination 62
Discrimination Because of Disability 62

■ **ETHICAL DILEMMA: What Was the Real Message? 63**

Global Sexual Harassment 63

Diversity 64

Diversity Management 64

Elements of the Diverse Workforce 65
Single Parents and Working Mothers 65
Women in Business 65
Mothers Returning to the Workforce (on Ramping) 66
Dual-Career Families 66
Ethnicity and Race 67
Older Workers 67
People with Disabilities 67
Immigrants 68
Foreign Workers 68
Young Persons, Some with Limited Education or Skills 68
Baby Boomers, Gen X, Gen Y, and Gen Z 69

■ **HR BLOOPERS: Affirmative Action and Workforce Diversity 69**
Multigenerational Diversity 71
Lesbian, Gay, Bisexual, and Transgender Employees 71

Summary 72 • Key Terms 73 • Exercises 73 • Questions for Review 73 • Incident 1: I Feel Great 74 • Incident 2: So, What's Affirmative Action? 74

Part Two Staffing 77

Chapter 4 Strategic Planning, Human Resource Planning, and Job Analysis 78

Strategic Planning Process 79

Mission Determination 80
Environmental Assessment 81
Objective Setting 82
Strategy Setting 82
Employee Roles Associated with Competitive Strategies 83
Strategy Implementation 83

Human Resource Planning 84

■ **HR BLOOPERS: Workforce Planning at Master Cleaners 85**

Forecasting Human Resource Requirements 86
Zero-Base Forecast 86
Bottom-Up Forecast 86
Relationship between Volume of Sales and Number of Workers Required 86

Forecasting Human Resource Availability 86

Shortage or Surplus of Workers Forecasted 87
■ **ETHICAL DILEMMA: Which "Thinker" Should Go? 87**
Innovative Recruiting 88
Compensation Incentives 88
Alternatives to Layoffs 88

Succession Planning: A Component of Strategic Planning 90

Job Analysis: A Basic Human Resource Management Tool 91
Reasons for Conducting Job Analysis 92
Staffing 92
Training and Development 92
Performance Appraisal 92
Compensation 93
Safety and Health 93
Employee and Labor Relations 93
Legal Considerations 93

Types of Job Analysis Information 93

Job Analysis Methods 93
Questionnaires 94
Observation 94
Interviews 94
Employee Recording 94
Combination of Methods 94

Job Descriptions 94
Job Identification 96
Date of the Job Analysis 96
Job Summary 96
Duties Performed 96
Job Specification 96

Standard Occupational Classification (SOC) and the Occupational Information Network (O*NET) 97
The Occupational Information Network (O*NET) 98

Job Analysis for Team Members 98

Job Analysis and the Law 100

Competencies and Competency Modeling 100

Job Design Concepts 101
Job Enrichment 102
Job Enlargement 102
Job Rotation 102
Reengineering 103

Global Talent Management 103
Summary 104 • Key Terms 105 • Exercises 106
Questions for Review 106 • Incident 1: A Degree for Meter Readers 106 • Incident 2: Strategic HR? 107

Chapter 5 Recruitment 108

Recruitment Defined 109
Recruitment Process 109
Internal Recruitment Methods 110
Human Resource Databases 110
Job Posting and Job Bidding 110

■ **HR BLOOPERS: Recruiting Skilled Machinists 111**
Employee Referrals 111

External Recruitment Sources 112
High Schools and Vocational Schools 112
Community Colleges 112

Colleges and Universities	113
Competitors in the Labor Market	113
Former Employees	114
Unemployed	114
Military Personnel	114
■ ETHICAL DILEMMA: Unfair Advantage?	114
Self-Employed Workers	115
Ex-Offenders	115
Recruiting Technology	115
Mobile Recruiting	115
Internet Recruiter	116
Virtual Job Fair	116
Corporate Career Web Sites	116
Weblogs (Blogs for Short)	116
General-Purpose Job Boards	116
NACElink Network	117
Jobs	117
AllianceQ	117
Niche Sites	117
Contingent Workers' Sites	118
Hourly Workers' Sites	119
Traditional External Recruitment Methods	119
Media Advertising	119
Private Employment Agencies	120
Public Employment Agencies	120
Executive Search Firms	120
Recruiters	121
Job Fairs	121
Internships	121
Professional Associations	122
Unsolicited Applicants	122
Open Houses	122
Event Recruiting	122
Sign-on Bonuses	122
Competitive Games	123
Tailoring Recruitment Methods to Sources	123
Environment of Recruitment	124
Labor Market Conditions	124
Active or Passive Job Seekers	125
Legal Considerations	125
Alternatives to Recruitment	126
Promotion Policies	126
Overtime	126
Onshoring	127
Global Implications for Recruitment	127
Summary	128 • Key
Terms	129 • Exercises 129 • Questions for
Review	129 • Incident 1:
A Problem Ad?	130 • Incident 2: I Am Qualified, Why Not
Me?	130
Chapter 6 Selection	132
Significance of Employee Selection	133
Selection Process	133
Preliminary Screening	134

Review of Applications and Review of Résumés 135■ **ETHICAL DILEMMA: Employee Selection Criteria?** 137**Selection Tests 137**

Preliminary Considerations	137
Advantages and Disadvantages of Selection Tests	137
Characteristics of Properly Designed Selection Tests	138
Test Validation Approaches	139
Employment Tests	140
Unique Forms of Testing	142

Employment Interview 143

Interview Planning	143
■ HR BLOOPERS: The First Interview	143
Content of the Interview	144
Candidate's Role and Expectations	144
General Types of Interviews	145
Methods of Interviewing	146
Potential Interviewing Problems	147
Concluding the Interview	149

Pre-employment Screening and Background Checks 149

Employment Eligibility Verification (Form I-9)	149
Continuous Background Investigation	150
Background Investigation with Social Networking	150
Remembering Hiring Standards to Avoid	150

Selection Decision 152

Medical Examination	152
Notification of Candidates	153

Metrics for Evaluating the Effectiveness of Recruitment/Selection 153

Quality of Hire	153
Time Required to Hire	153
New-Hire Retention	153
Hiring Manager Overall Satisfaction	154
Turnover Rate	154
Cost Per Hire	154
Selection Rate	154
Acceptance Rate	154
Yield Rate	154

Environmental Factors Affecting the Selection Process 155

Other HR Functions	155
Legal Considerations	155
Speed of Decision Making	156
Organizational Hierarchy	156
Applicant Pool	156
Type of Organization	157
Probationary Period	157
Organizational Fit	157
Selection Technology	157

Selection in a Global Environment 158

Summary	159 • Key Terms 160 • Exercises 161
Questions for Review	161 • Incident 1: A Matter of
Priorities	162 • Incident 2: But I Didn't Mean To! 162

Part Three Performance Management and Training 163

Chapter 7 Performance Management and Appraisal 164

Performance Management 165

Performance Appraisal 166

Uses of Performance Appraisal 166

Human Resource Planning 166

Training and Development 166

Career Planning and Development 167

Compensation Programs 167

Internal Employee Relations 167

Assessment of Employee Potential 167

Performance Appraisal Process 167

Establish Performance Criteria (Standards) 168

Traits, Behaviors, and Competencies 168

Goal Achievement 169

Improvement Potential 169

Responsibility for Performance Appraisal 169

Immediate Supervisor 170

Subordinates 170

Peers and Team Members 170

Self-Appraisal 170

Customer Appraisal 171

360-Degree Feedback 171

Performance Appraisal Period 172

Choosing a Performance Appraisal Method 172

Trait Systems 173

Comparison Systems 173

Behavioral Systems 175

Results-Based Systems 177

■ **HR BLOOPERS: Appraising Performance at Global Insurance** 177

Problems in Performance Appraisal 179

Appraiser Discomfort 179

Subjectivity of Performance Evaluations 179

Employee Anxiety 181

Characteristics of an Effective Appraisal System 181

Job-Related Criteria 181

Performance Expectations 181

■ **ETHICAL DILEMMA: Abdication of Responsibility** 182

Standardization 182

Trained Appraisers 182

Continuous Open Communication 182

Conduct Performance Reviews 183

Due Process 183

Legal Considerations in Performance Appraisal 183

Performance Appraisal Interview 184

Scheduling the Interview 184

Interview Structure 184

Use of Praise and Criticism 184

Employees' Role 185

Concluding the Interview 185

National Culture and Performance Appraisal 185

Summary 186 • Key Terms 187 • Exercises 187

Questions for Review 187 • Incident 1: These Things Are

a Pain 188 • Incident 2: Performance Appraisal? 188

Chapter 8 Training and Development 190

Training and Development Process 192

Determine Specific Training and Development Needs 193

Organizational Analysis 193

Task Analysis 193

Person Analysis 193

Establish Training and Development Program Objectives 194

Training Methods 194

Classroom Method 195

E-Learning 195

Case Study 196

Behavior Modeling and Tweeting 196

Role-Playing 196

Training Games 196

In-Basket Training 197

On-the-Job Training 197

Apprenticeship Training 197

Team Training 198

Training and Development Delivery Systems 198

Corporate Universities 198

Colleges and Universities 199

Community Colleges 199

Online Higher Education 199

Vestibule System 200

Video Media 200

Simulators 200

Social Networking 200

Implementing Training and Development Programs 201

Metrics for Evaluating Training and Development 201

Reactions 201

Learning 201

Behavior 202

Organizational Results 202

Factors Influencing Training and Development 203

Top Management Support 203

Shortage of Skilled Workers 203

Technological Advances 204

Global Complexity 204

Learning Styles 204

■ **ETHICAL DILEMMA: The Tough Side of Technology** 205

Other Human Resource Functions 205

Human Resource Management Training Initiatives 205

Careers and Career Paths 207

Traditional Career Path 207

Network Career Path 207

Lateral Skill Path 208

Dual-Career Path 208

Adding Value to Your Career 208

Demotion 208

Free Agents (Being Your Own Boss) 209

Career Planning Approaches 209

- Self-Assessment 209
- Formal Assessment 210

Career Development and Career Development Methods 212

- Manager/Employee Self-Service 213
- Discussions with Knowledgeable Individuals 213
- Company Material 213
- Performance Appraisal System 213
- Workshops 213

Management Development 213

- Mentoring and Coaching 214

- **HR BLOOPERS: Management Development at Trends Apparel 215**

- Reverse Mentoring 215

Organization Development: A Strategic Human Resources Tool 215

- Survey Feedback 216
- Quality Circles 216
- Team Building 216

Learning Organization as a Strategic Mindset 217**Training in the Global Context 217**

- Summary 218 • Key Terms 219 • Exercises 219
- Questions for Review 220 • Incident 1: Training at Keller-Globe 220 • Incident 2: There's No Future Here! 220

Part Four Compensation 223**Chapter 9 Direct Financial Compensation (Core Compensation) 224****Compensation: An Overview 225****Components of Direct Financial Compensation 227**

- Employee Base Pay 227
- Base Pay 227
- Cost-of-Living Adjustments 227
- Seniority Pay 227
- Performance-Based Pay 229

- **HR BLOOPERS: Motivating Software Development Teams 234**

- Person-Focused Pay 235

Determinants of Direct Financial Compensation 236**Contextual Influences on Direct Financial****Compensation 237**

- Labor Market 237
- Labor Unions 237
- Economy 237
- Interindustry Wage Differentials 237
- Legislation 238

Build Job Structures Using Job Evaluation 240

- Ranking Method 240
- Classification Method 240
- Factor Comparison Method 241
- Point Method 241

Competitive Compensation Policies 241

- Pay Level Compensation Policies 242
- Pay Mix 243
- Ability to Pay 243

Market Competitive Pay Structures: Job Pricing Using Compensation Surveys 244

- Pay Grades 244
- Pay Ranges 245
- Broadbanding 246
- Two-Tier Wage System 246
- Adjusting Pay Rates 246
- Salary Compression 247

- **ETHICAL DILEMMA: But He's a Friend 247**

Sales Representative Compensation 248**Contingent Worker Compensation 248****Executive Compensation 248**

- Base Salary 249
- Bonuses and Performance-Based Pay 249
- Stock Option Plans 249
- Perquisites (Perks) 249
- Severance Packages 249
- Executive Compensation Issues in the United States 250
- Executive Compensation in the Global Environment 251
- Summary 252 • Key Terms 253 • Exercises 253
- Questions for Review 254 • Incident 1: A Motivated Worker 254 • Incident 2: The Controversial Job 255

Chapter 10 Indirect Financial Compensation (Employee Benefits) 256**Indirect Financial Compensation (Employee Benefits) 257****Legally Required Benefits 258**

- Social Security 258
- Unemployment Insurance 259

- **ETHICAL DILEMMA: A Poor Bid 259**

- Workers' Compensation 260

Discretionary Benefits 260**Health Care 260**

- Fee-for-Service Plans 261
- Managed Care Plans 261
- Specialized Insurance Plans 262
- Consumer-Driven Health Care Plans 263

Retirement Plans 264

- Defined Benefit Plans 264
- Defined Contribution Plans 264
- Cash Balance Plans 265

Life Insurance and Disability Insurance 265**Paid Time-Off 265**

- Vacation 265
- Sick Pay and Paid Time Off Banks 266
- Sabbaticals 266
- Other Types of Paid Time Off 267

Employee Services 267

- Child Care 267
- Educational Assistance 267
- Food Services/Subsidized Cafeterias 268
- Scholarships for Dependents 268
- Relocation 268
- Domestic Partner Benefits and Same-Sex Marriage 268
- Premium Pay 269

Voluntary Benefits 269

Employee Benefits Legislation 270

- Employee Retirement Income Security Act 270
- Consolidated Omnibus Budget Reconciliation Act 270
- Older Workers Benefit Protection Act 270
- Health Insurance Portability and Accountability Act 270
- Family and Medical Leave Act 271
- Pension Protection Act 271
- Patient Protection and Affordable Care Act 271

Customized Benefit Plans 273

Global Customized Benefits 273

Communicating Information about the Benefits Package 274

Workplace Flexibility (Work–Life Balance) 274

- Flextime 275
- Compressed Workweek 276
- Job Sharing 276
- Two-in-a-Box 276

■ **HR BLOOPERS: The Job-Sharing Problem at SunTrust Bank 277**

- Telecommuting 277
- Part-Time Work 278

- Summary 278 • Key Terms 279 • Exercises 280
- Questions for Review 280 • Incident 1: Flextime 280
- Incident 2: A Benefits Package Designed for Whom? 281

Part Five Labor Relations, Employee Relations, Safety, and Health 283

Chapter 11 Labor Unions and Collective Bargaining 284

Why Do Unions Exist? 285

Why Employees Join Unions 286

- Compensation and Employee Benefits 286
- Job Security 287
- Attitude of Management 287

Union Structure 287

- Local Union 287
- National Union 288
- American Federation of Labor and Congress of Industrial Organizations 288
- Change to Win Coalition 288

Prevalence of Unions 289

Organized Labor’s Strategies for a Stronger Movement 290

- Strategically Located Union Members 290
- Pulling the Union Through 290
- Political Involvement 290
- Union Salting 291
- Flooding the Community 291
- Public Awareness Campaigns 291
- Building Organizing Funds 291
- Unions Partnering with High Schools 291
- Organizing Younger Workers 291
- Organizing through the Card Check 292

Laws Affecting Collective Bargaining 292

- National Labor Relations Act 292
- **ETHICAL DILEMMA: A Strategic Move 292**
- **HR BLOOPERS: Stopping Unionization at Packer Industries 293**
- Labor—Management Relations Act 294
- Antidiscrimination Laws and Executive Orders 294

Steps that Lead to Forming a Bargaining Unit 294

- Signing of Authorization Cards 295
- Petition for Election 295
- Election Campaign 296
- Election and Certification 296
- Collective Bargaining 297

Collective Bargaining Process 297

Bargaining Issues 298

- Recognition 298
- Management Rights 298
- Union Security 299
- Compensation 299
- Grievance Procedure 300
- Employee Security 300
- Job-Related Factors 300

Preparation for Negotiations 300

Negotiating the Agreement 301

Breakdowns in Negotiations 303

- Third-Party Intervention 303
- Union Strategies for Overcoming Negotiation Breakdowns 304
- Management Strategies for Overcoming Negotiation Breakdowns 305

Reaching the Labor–Management Agreement 305

Ratifying the Labor–Management Agreement 306

Administration of the Labor–Management Agreement 306

Grievance Procedure in a Union Environment 306

Union Decertification 308

Collective Bargaining in the Public Sector 309

Labor Unrest in China 310

- Summary 311 • Key Terms 312 • Exercises 313
- Questions for Review 313 • Incident 1: Break Down the Barrier 314 • Incident 2: You Are Out of What? 314

Chapter 12 Internal Employee Relations 316

Employment at Will 317

Discipline and Disciplinary Action 318

Disciplinary Action Process 318

Approaches to Disciplinary Action 320

- Hot Stove Rule 320
- Progressive Disciplinary Action 320
- Disciplinary Action without Punishment 322

Problems in the Administration of Disciplinary Action 322

■ **ETHICAL DILEMMA: To Fire or Not to Fire 323**

Termination 323

- “Just Cause” as a Standard for Choosing to Terminate Employment 323

Considerations in Communicating the Termination Decision 324

■ **HR BLOOPERS: Effective Discipline at Berries Groceries** 324

Termination of Employees at Various Levels 325

Termination of Nonmanagerial/Nonprofessional Employees 325

Termination of Middle- and Lower-Level Managers and Professionals 325

Termination of Executives 325

Demotion as an Alternative to Termination 326

Downsizing 326

Negative Aspects of Downsizing 327

Worker Adjustment and Retraining Notification Act 327

Outplacement 328

Severance Pay 328

Ombudsperson 329

Alternative Dispute Resolution 329

Transfers 330

Promotions 330

Resignations 331

Analyzing Voluntary Resignations 331

Attitude Surveys: A Means of Retaining Quality Employees 332

Offboarding 332

Retirements 332

Administering Disciplinary Action in Other Countries 333

Summary 334 • Key Terms 335 • Exercises 335

Questions for Review 335 • Incident 1: Should He Be Fired? 336 • Incident 2: To Heck with Them! 336

Chapter 13 Employee Safety, Health, and Wellness 338

Nature and Role of Safety, Health, and Wellness 339

Occupational Safety and Health Administration 340

OSHA and Whistle-blowers 342

OSHA and the Small Business 343

■ **HR BLOOPERS: Health and Safety Problems at XIF Chemicals** 343

Safety: The Economic Impact 344

Focus of Safety Programs 344

Unsafe Employee Actions 344

Unsafe Working Conditions 344

Developing Safety Programs 344

■ **ETHICAL DILEMMA: Illegal Dumping** 345

Accident Investigation 346

Evaluation of Safety Programs 346

Musculoskeletal Disorders 347

Ergonomics 347

Workplace Bullying and Violence 348

Workplace Bullying 348

Workplace Violence 349

Vulnerable Employees 349

Legal Consequences of Workplace Violence 350

Individual and Organizational Characteristics to Monitor 350

Preventive Actions 350

Employee Wellness 351

Social Networking and Wellness 352

Nature of Stress 353

Potential Consequences of Stress 353

Stressful Jobs 353

Burnout 354

Physical Fitness Programs 355

Substance Abuse 355

Alcohol Abuse 356

Drug Abuse 356

Substance-Abuse-Free Workplace 356

Implementing a Drug-Testing Program 358

Employee Assistance Programs 359

Health Care in the Global Environment 359

Summary 360 • Key Terms 361 • Exercises 361

Questions for Review 362 • Incident 1: What a

Change! 362 • Incident 2: A Commitment to Safety? 362

Part Six Operating in a Global Environment 365

Chapter 14 Global Human Resource Management 366

Evolution of Global Business 367

Exporting 368

Licensing 368

Franchising 368

Multinational Corporation 369

Global Corporation 369

Global Strategic Human Resource Management 369

Setting the Stage for Global HR Practice 370

Country Politics and Economic Structure 370

Legal System 371

National Cultural Norms 371

Labor Force Characteristics and Dynamics 372

Global Staffing 373

Expatriate 373

Host-Country National 373

Third-Country National 373

Approaches to Global Staffing 373

Recruiting Host-Country Nationals 374

Selecting Expatriates 374

Background Investigation 375

■ **HR BLOOPERS: United Architect's Expatriate Problems** 375

Global Performance Management and Human Resource Development 376

Performance Management 376

Expatriate Human Resource Development 377

Pre-Move Orientation and Training 377

Continual Development: Online Assistance and Training 377
Repatriation Orientation and Training 377
Global E-learning 378
Virtual Teams in a Global Environment 379
Global Compensation 379
 Compensation for Host-Country Nationals 379
 Expatriate Compensation 380
Global Safety and Health 381
Global Employee and Labor Relations 382
 ■ **ETHICAL DILEMMA: Mordita 382**
Globalization for Small to Medium-Sized Businesses 383

Summary 384 • Key Terms 384 • Exercises 385
Questions for Review 385 • Incident 1: The Overseas
Transfer 385 • Incident 2: Was There Enough Preparation? 386

Glossary 387
Name Index 398
Company Index 399
Subject Index 401

Preface

Approach to Writing *Human Resource Management*

We approach the study of human resource management (HRM) in a realistic, practical, interesting, and stimulating manner. We focus on showing how HRM is practiced in the real world. Throughout the book, you will see examples of how organizations practice HRM. In explaining a concept, we often quote human resources (HR) professionals, yet all HR discussion is based on sound theoretical concepts and practice. Throughout this book, the strategic role of HR is apparent in the discussion of each major HRM function. In addition, we show how HR topics are related to other HR topics. For instance, a firm that emphasizes recruiting top-quality candidates but neglects to provide satisfactory compensation is wasting time, effort, and money. A firm's compensation system will be inadequate unless employees are provided a safe and healthy work environment. If a firm's compensation system pays below-market wages, the firm will always be hiring and training new employees only to see the best leave for a competitor's higher wages. This interrelationship will become more obvious as these topics are addressed throughout the book. These interrelationships are also shown to be important as organizations work within the global environment.

Course Prerequisite

This book is designed primarily for the first undergraduate course in HRM. It is intended primarily for students who are being exposed to HRM for the first time. It is designed to put them in touch with the field through the use of numerous examples and company material and will reinforce the notion that, by definition, all managers are necessarily involved with HR. The book provides helpful insights for those students who aspire to management positions.

Overview of the 14th Edition of *Human Resource Management*

HRM is arguably the most exciting area in business. Much has changed in the world since the writing of the 13th edition. The continuing uncertainty of the economy affected many aspects of HRM. Debates about whether to raise the minimum wage pay rate rage on at the national and local levels. Provisions of health-care reform have been implemented with many more to come online. Major technological changes appear to be increasing with no end in sight. These changes have dramatically affected how the work of the HR professional is performed such as with mobile recruiting and learning. Social media tools such as wikis, blogs, LinkedIn, Facebook, and Twitter have become an integral part of the world of the HR professional. Each edition seems to provide new examples to be discussed. The need for companies to operate in the global environment continues to expand. The interrelationship of the HRM functions and the increasing use of technology and the importance of global influences is reflected throughout this book.

The 14th edition of *Human Resource Management* reveals HR as strategically important to management in a practical, realistic manner yet maintains a balance of pragmatism and theoretical concepts. As will be noted throughout this edition, much continues to be done regarding who performs the HR tasks. HR outsourcing, HR shared service centers, professional employer organizations, and line managers now assist in the accomplishment of HR activities. As a shift is made in the allocation of those who perform the HR function, many HR departments continue to get smaller. This shift should permit HR to shed its administrative image and focus on mission-oriented activities.

Dr. Joseph J. Martocchio, a professor of HR at the University of Illinois, Urbana–Champaign for 25 years, has joined Dr. R. Wayne Mondy as a co-author. Their efforts have built on the excellence of previous editions of this textbook.

What's New to This Edition

- A new section on competencies and competency modeling has been added to Chapter 4.
- Selection test reliability has been expanded; drug testing has been added to chapter 6.

- HR Bloopers, a scenario-based exercise, has been added to every chapter.
- The ordering of Chapters 7 and 8 has been reversed. Chapter 7 addresses performance management and appraisal, whereas Chapter 8 focuses on HR development and training.
- A new section on team training and the types and applications of team training has been added to chapter 8.
- Chapters 11 through 13 have been reordered to emphasize the role of labor unions.
- A new section on Global HR has been added to chapter 14.

Features of the Book

- **HR Bloopers** present scenarios that describe potential mistakes that may occur in HR practice. Questions that follow in **MyManagement Lab**[®] provide students with the opportunity to test their understanding and recall of the chapter material based on the information contained in the scenario.
- **Ethical Dilemma** offers challenging ethical considerations in HR practice when HR professionals must make choices between what is right and wrong as well as appropriate versus inappropriate application of HR practices. Questions that follow provide students with the opportunity to express what they would do and to consider the factors in the ethical dilemma that might influence a person to make an unethical choice.
- **Social media** topics are examined throughout the text. Many HR professionals use social media for recruitment. Employees and HR professionals use social media to share knowledge. Increasingly, HR professionals understand social media as a communication tool that distinguishes between generations in the workplace, which is an element of diversity management. Understanding applications of social media is essential to effective HR activities.
- **End-of-chapter exercises** provide in-depth, thought-provoking questions to the material covered in the text.
- **Dodd–Frank Wall Street Reform and Consumer Protection Act** addresses a variety of executive compensation issues with which HR professionals should be familiar. Executive compensation is determined quite differently than compensation for other employee groups. We highlight these differences in the relevant chapters.
- **Patient Protection and Affordable Care Act** has created requirements that employers provide health insurance to their employees or pay substantial penalties. This law has influenced the minimum benefits that must be included in health insurance. Prior to the passage of this law, health insurance was offered as a discretionary benefit.
- **New tables and figures** are included throughout the text to enhance student learning by providing visual examples of HR practices or analytical tools (for example, the series of “what-if” questions that help companies to determine whether individuals are contingent workers or full-fledged employees).
- **Small business and HR** provides students with an appreciation of how HR practices in small businesses are often different than in larger companies because not all students will choose to work for large corporations. Topics relevant to small businesses are brought up throughout the text where relevant differences are evident. For example, some employment laws do not apply to small businesses.

MyManagementLab Suggested Activities

For the 14th edition we the authors are excited that Pearson’s My Management Lab has been integrated fully into the text. These new features are outlined below. Making assessment activities available online for students to complete before coming to class will allow you the professor more discussion time during the class to review areas that students are having difficulty in comprehending.

Learn it

Students can be assigned the Chapter Warm-Up before coming to class. Assigning these questions ahead of time will ensure that students are coming to class prepared.

Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or that can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that re-enforce student’s comprehension of the chapter content.

Try It

Recommends a mini simulation that can be assigned to students as an outside classroom activity or it can be done in the classroom.. As the students watch the simulation they will be asked to make choices based on the scenario presented in the simulation. At the end of the simulation the student will receive immediate feedback based on the answers they gave. These simulations re-enforces the concepts of the chapter and the students comprehension of those concepts.

Talk About It

These are discussion type questions which can be assigned as an activity within the classroom.

Assisted Graded Writing Questions

These are short essay questions which the students can complete as an assignment and submit to you the professor for grading.

New or Substantially Updated Topics by Chapter

We especially appreciate the efforts of the professionals who reviewed and provided valuable suggestions for this edition. Many of the changes listed are based on their suggestions.

Chapter 1

Expanded discussions of the HR profession and HR as a strategic business partner are included. A competency model for the work HR professionals perform has been added as well as a brief introduction to the idea that employees are assets (human capital) and necessary to business success like other forms of business capital such as manufacturing equipment and monetary resources. HR Bloopers: Staffing Stone Consulting.

Chapter 2

Several new examples are added throughout the chapter to put corporate social responsibility and corporate sustainability practices in context. HR Bloopers: Sales Incentives at Pincer Pharmaceutical.

Chapter 3

The introduction compares and contrasts equal employment opportunity (EEO) and workforce diversity. The order of presentation of the two main topics has been changed. EEO precedes diversity management to better correspond with the unfolding of societal changes. A discussion of the Genetic Information Nondiscrimination Act (GINA) of 2008 has been added. The discussion of the role of the Office of Federal Contract Compliance Programs (OFCCP) has been expanded. HR Bloopers: Affirmative Action and Workforce Diversity.

Chapter 4

The discussion of strategic planning takes place at the beginning of the chapter and the logic for how HR planning and job analysis are informed by the strategic planning process is presented. The material on strategic planning has been enhanced with additional concepts (for example, different types of strategies) and business examples. A new section on competencies and competency modeling has been added given the increased use along with or instead of traditional job analysis. HR Bloopers: Workforce Planning at Master Cleaner.

Chapter 5

The discussion of contingent workers has been expanded. Explicit criteria for distinguishing between contingent workers and employees are now included. HR Bloopers: Recruiting Skilled Machinists.

Chapter 6

The discussions of selection norms and selection test reliability have been expanded. Drug testing has been added as a possible component of the selection process. The discussion of legal considerations has been expanded and points to specific legal concerns and particular selection tests. HR Bloopers: The First Interview.

Chapter 7

The ordering of Chapters 7 and 8 in the 13th edition have been reversed in the 14th edition. Chapter 7 addresses performance management and appraisal, whereas Chapter 8 focuses on HR development and training. This change was made because performance management and appraisal often inform the need for training. The discussion of performance appraisal methods has been expanded greatly and organized into four categories: trait, comparison systems, behavioral systems, and results-based systems. In addition, samples of many of the methods have been added to this chapter. HR Bloopers: Appraising Performance at Global Insurance.

Chapter 8

The presentation of training needs assessment was expanded. A brief discussion of massive open online courses has been added to the e-learning section. A new section on team training and the types and applications of team training has been included. HR Bloopers: Management Development at Trends Apparel.

Chapter 9

The focus on components of compensation system design has been enhanced. The discussions on seniority pay, merit pay, incentive pay, and person-focused pay (skill-based and competency-based) have been expanded. The discussion of pay policy incorporates the role of pay mix as an important element. Interindustry wage differentials are introduced as an explanation to further help understand why pay differs from company to company. HR Bloopers: Motivating Software Development Teams.

Chapter 10

A brief historical explanation has been added to help students understand the existence of some employee benefit offerings as well as why some are required by law and others are not. The discussion of health-care plans has been expanded to include fee-for-service plans. Additional information has been added to the section on consumer-driven health care. The life insurance section has been expanded by including specific kinds of life insurance options. HR Bloopers: The Job-Sharing Problem at SunTrust Bank.

Chapter 11

Chapters 11 through 13 have been reordered to emphasize the role of labor unions (Chapter 11), internal employee relations (Chapter 12), and employee safety, health, and wellness (Chapter 13). A brief historical perspective on the economy and nature of the workplace is presented to help set the context for unionization. An expanded discussion to help explain the rise of unionization is included. An expanded discussion of the challenges to the status of unions today is added. Additional reasons for union decertification are discussed. HR Bloopers: Stopping Unionization at Packer Industries.

Chapter 12

The discussion of employment at will has been expanded to more fully explain the three exceptions. The just cause standard for terminations is introduced. Along with this discussion, the seven tests to determine whether a planned termination decision meets the just cause standard are included. HR Bloopers: Effective Discipline at Berries Groceries.

Chapter 13

Several new examples are added throughout the chapter to enhance the context of safety, health, and wellness in companies. HR Bloopers: Health and Safety Problems at XIF Chemicals.

Chapter 14

A new section that more effectively sets the context for global HR has been added. It is organized into four areas—country politics and economic structure, national cultural norms, legal system, and labor force characteristics and dynamics. HR Bloopers: United Architect's Expatriate Problems

Instructor Resources

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany

this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Instructor’s Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

CourseSmart

CourseSmart eTextbooks were developed for students looking to save the cost on required or recommended textbooks. Students simply select their eText by title or author and purchase immediate access to the content for the duration of the course using any major credit card. With a CourseSmart eText students can search for specific keywords or page numbers, take notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information or to purchase a CourseSmart eTextbook, visit www.coursesmart.com

2015 Qualitative BusinessVideo Library

Additional videos illustrating the most important subject topics are available in MyManagementLab, under Instructor Resources: Business Today.

Acknowledgments

As with the previous editions, the support and encouragement of many practicing HRM professionals and faculty members has helped to make this book possible. The reviewers for this edition were especially valuable. These individuals are:

Bruce Louis Rich
California State University–Saint Marcos

Thomas Norman
California State University–Dominguez Hills

Carolyn A. Waits
Cincinnati State Technical & Community College

Dr. Darlene M. Andert
Florida Gulf Coast University

Denise H. Barton
Wake Technical Community College

Bobbie Knoblauch
Wichita State University

Nancy Zimmerman
Community College of Baltimore
County–Cantonsville

The authors would also like to acknowledge the following contributors for the hard work they did in providing content for the MyLab activities:

Dan Morrell,
Middle Tennessee State University

Gordon Schmidt,
Indiana University-Purdue University Fort Wayne

Susan C. Schanne,
Eastern Michigan University

About R. Wayne Mondy

I have always had a strong interest in business practices as evidenced by my many years of academic and professional experience. I believe that managing people is the crucial side of business because a firm’s human resources are the foundation on which everything is accomplished. Prior to entering academics, I had business experience with such companies as Peat, Marwick, Mitchell, and Co. (now KPMG), General Electric Corporation, Gulf South Research Institute, and Houston Data Center. In addition, I served in the U.S. Air Force as a management analysis officer. Several examples in your text relate to my business experience.

I received my DBA from Louisiana Tech University and have enjoyed many years of teaching and administration, having served as professor, department head of the Department of Management & Marketing, and Dean of the College of Business. I have authored or co-authored seven college textbooks in a total of thirty-one editions, fifty-four articles, and twenty papers. The textbooks are *Management: Concepts, Practices, and Skills*

(8th edition); *Human Resource Management* (14th edition); *Personal Selling: Function, Theory and Practice* (4th edition); *Supervision* (3rd edition); *Management Concepts and Canadian Practices* (2nd edition); *Staffing the Contemporary Organization*; and *Management and Organizational Behavior*. In addition to the 14th edition of *Human Resource Management*, the book has been translated into Spanish (*Administración de Recursos Humanos*, Prentice Hall, 1997, 2001, and 2005), and Chinese (Prentice Hall, 1998, 2002, 2005, and 2011). A special 2008 two-part international edition of the 10th edition was prepared for India, Bangladesh, Bhutan, Pakistan, Nepal, Sri Lanka, and the Maldives. In addition, a Pearson International Edition was prepared for the 10th edition. A 2010 international edition was prepared for the 11th edition. Articles have been published in such journals as *Business Journal*, *Journal of Education for Business*, *HR Magazine*, and *The Journal of Business Ethics*.

I am also Life Certified as a Senior Professional in Human Resources (SPHR) by the Human Resource Certification Institute. During my career at various universities, I have had the opportunity to charter three student chapters of the Society for Human Resource Management. In one instance, about 20 students wanted to take the certification examination. I was excited about their enthusiasm until they informed me, “Dr. Mondy, you have to take it, too.” I have never studied so hard but we all were successful in achieving our objectives. That is how I received my SPHR designation—I earned it.

R. Wayne Mondy, SPHR

About Joseph J. Martocchio

My interest in the human resource management field began while I was a junior at Babson College. I found myself wanting to practice in the field as well as to become a university professor and researcher. I pursued both professional desires by working at Cameron and Colby (a reinsurance company) in Boston and for General Electric’s Aerospace business group in Valley Forge, Pennsylvania.

I advanced my education in the HR field by earning a master’s degree and Ph.D. degree at Michigan State University. My master’s degree enabled me to build an even stronger foundation in practice and my doctoral degree provided me with the skills to conduct scholarly research and teach college-level courses. Since earning my graduate degrees, I have been a professor in the School of Labor and Employment Relations at the University of Illinois, Urbana–Champaign and assumed administrative roles as a Provost Fellow, Associate Dean for Academic Affairs, and Interim Dean. All the while, I have taught a variety of courses in the HR field. These include compensation systems, employee benefits, employment systems (HR and labor relations), HR planning and staffing, and statistics. For many years, I served as the faculty advisor to the student chapter of the Society for Human Resource Management at the University of Illinois during which time students earned Merit Awards and Superior Merit awards on multiple occasions.

As a researcher, I have studied a variety of topics that include employee absenteeism, employee training and development, compensation systems, employee benefits, and generational diversity. My work appears in leading scholarly journals such as *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Journal of Management*, and *Personnel Psychology*. I received the Ernest J. McCormick Award for Distinguished Early Career Contributions from the Society for Industrial and Organizational Psychology (SIOP), and I was subsequently elected as a Fellow in both the American Psychological Association and SIOP. Following the attainment of this recognition, I served as the Chair of the HR Division of the Academy of Management as well as in various other leadership roles within that organization.

Besides writing scholarly articles, I have two sole-authored textbooks: *Strategic Compensation: A Human Resource Management Approach* (Pearson Higher Education), which is in its 8th edition, and *Employee Benefits: A Primer for Human Resource Professionals* (McGraw-Hill), which is in its 5th edition. The compensation textbook was translated for use in China and India. Joining as a co-author on the 14th edition of *Human Resource Management* has been an exciting opportunity.

Joe Martocchio

Part One

Setting the Stage

Chapter 1

Human Resource Management: An Overview

Chapter 2

Business Ethics and Corporate Social
Responsibility

Chapter 3

Equal Employment Opportunity, Affirmative
Action, and Workforce Diversity



1

Human Resource Management: An Overview

CHAPTER OBJECTIVES After completing this chapter, students should be able to:

- 1 Define human resource management.
- 2 Identify the human resource management functions.
- 3 Describe who performs human resource management activities.
- 4 Explain how HR serves as a strategic business partner.
- 5 Identify the elements of the dynamic HRM environment.
- 6 Explain the importance of corporate culture and human resource management.
- 7 Describe the importance of employer branding.
- 8 Discuss human resource management issues for small businesses.
- 9 Identify ways that country culture influences global business.
- 10 Describe the human resource management profession.

MyManagementLab®

★ **Improve Your Grade!**

Over 10 million students improved their results using the Pearson MyLabs. Visit mymanagementlab.com for simulations, tutorials, and end-of-chapter problems.

★ **Learn It**

If your professor has chosen to assign this, go to mymanagementlab.com to see what you should particularly focus on and to take the Chapter 1 Warm-Up.



OBJECTIVE 1.1

Define *human resource management*.

human resource management (HRM)

Utilization of individuals to achieve organizational objectives.

OBJECTIVE 1.2

Identify the human resource management functions.

staffing

Process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives.

Defining Human Resource Management

Human resource management (HRM) is the use of individuals to achieve organizational objectives. Basically, all managers get things done through the efforts of others. Consequently, managers at every level must concern themselves with HRM. Individuals dealing with human resource matters face a multitude of challenges, ranging from a constantly changing workforce to ever-present government regulations, a technological revolution, and the economy of the United States and the world. Furthermore, global competition has forced both large and small organizations to be more conscious of costs and productivity. Because of the critical nature of human resource issues, these matters must receive major attention from upper management.

The remainder of this chapter will enable you to gain an appreciation of HRM as a critical business function. In the next sections, we will introduce you to the functions that make up HRM and identify who is responsible for managing human resources (HR). Then, we will discuss HR as a strategic business partner and the dynamic role of the environment that influences HRM practice. Finally, we turn our attention to the importance of corporate and national culture and discuss the HRM profession.

Human Resource Management Functions

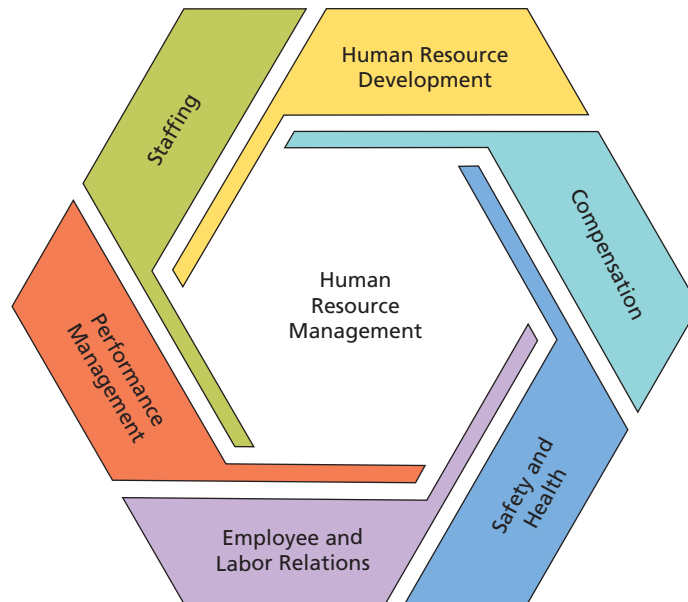
People who are engaged in managing HR develop and work through an integrated HRM system. As Figure 1-1 shows, six functional areas are associated with effective HRM: staffing, human resource development, performance management, compensation, safety and health, and employee and labor relations. These functions are discussed next.

Staffing

Staffing is the process through which an organization ensures that it always has the proper number of employees with the appropriate skills in the right jobs, at the right time, to achieve organizational objectives. Staffing involves job analysis, human resource planning, recruitment, and selection, all of which are discussed in this text.¹



FIGURE 1-1
Human Resource Management Functions



HR Web Wisdom

Pearson Web site for 14th Edition of *Human Resource Management*

www.pearsonhighered.com/mondy

Students can visit this Web site to get additional HR Web Wisdoms, in-the-news articles, cases, and chapter quizzes.

performance management (PM)

Goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization.

human resource development (HRD)

Major HRM functions consisting not only of training and development but also of individual career planning and development activities, organization development, and performance management and appraisal.

Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization. It impacts virtually every aspect of HRM, including planning, recruitment, and selection. *Human resource planning* is the systematic process of matching the internal and external supply of people with job openings anticipated in the organization over a specified period. The data provided set the stage for recruitment or other HR actions. *Recruitment* is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization. *Selection* is the process of choosing the individual best suited for a particular position and the organization from a group of applicants. Successful accomplishment of the staffing function is vital if the organization is to effectively accomplish its mission. These topics are collectively often referred to as staffing.

Performance Management

Performance management is a goal-oriented process that is directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. *Performance appraisal* is a formal system of review and evaluation of individual or team task performance. It affords employees the opportunity to capitalize on their strengths and overcome identified deficiencies, thereby helping them to become more satisfied and productive employees.

Human Resource Development

Human resource development is a major HRM function consisting not only of training and development but also of career planning and development activities, organization development, and performance management and appraisal. *Training* is designed to provide learners with the knowledge and skills needed for their present jobs. *Development* involves learning that goes beyond today's job and has a more long-term focus.

Organization development (OD) is planned and systematic attempts to change the organization (corporate culture), typically to a more behavioral environment. OD applies to an entire system, such as a company or a plant. A number of OD methods are discussed that serve to improve a firm's performance.

Career planning is an ongoing process whereby an individual sets career goals and identifies the means to achieve them. According to the U.S. Bureau of Labor Statistics, today's employees will work for approximately 9 to 11 companies during their careers based on the assumption that

most people will work 30 to 40 years.² A survey conducted by NYU's School of Continuing and Professional Studies showed that on average, individuals will change careers (not merely "jobs") three times in their life.³ Employee loyalty loses its meaning in this environment.

Career development is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Individual careers and organizational needs are not separate and distinct. Organizations should assist employees in career planning so the needs of both can be satisfied.

Compensation

The question of what constitutes a fair day's pay has plagued management, unions, and workers for a long time. A well-thought-out compensation system provides employees with adequate and equitable rewards for their contributions to meeting organizational goals. As used in this book, the term *compensation* includes the total of all rewards provided to employees in return for their services. The rewards may be one or a combination of the following:

- **Direct Financial Compensation (Core Compensation):** Pay that a person receives in the form of wages, salaries, commissions, and bonuses.
- **Indirect Financial Compensation (Employee Benefits):** All financial rewards that are not included in direct compensation, such as paid vacations, sick leave, holidays, and medical insurance.
- **Nonfinancial Compensation:** Satisfaction that a person receives from the job itself or from the psychological or physical environment in which the person works.

direct financial compensation (core compensation)

Pay that a person receives in the form of wages, salary, commissions, and bonuses.

indirect financial compensation (employee benefits)

All financial rewards that are not included in direct financial compensation.

nonfinancial compensation

Satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.

safety

Protection of employees from injuries caused by work-related accidents.

health

Employees' freedom from physical or emotional illness.

Employee and Labor Relations

Businesses are required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. In the past, this relationship was an accepted way of life for many employers, but most firms today would rather have a union-free environment. When a labor union represents a firm's employees, the human resource activity is often referred to as labor relations, which handles the job of collective bargaining. Internal employee relations comprise the HRM activities associated with the movement of employees within the organization such as promotions, demotion, termination, and resignation.

Safety and Health

Safety involves protecting employees from injuries caused by work-related accidents. **Health** refers to the employees' freedom from physical or emotional illness. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. Today, because of federal and state legislation that reflect societal concerns, most organizations have become attentive to their employees' safety and health needs.

Human Resource Research

Although human resource research is not a distinct HRM function, it pervades all functional areas, and the researcher's laboratory is the entire work environment. For instance, a study related to recruitment may suggest the type of worker most likely to succeed in the culture of a particular firm. Research on job safety may identify the causes of certain work-related accidents. The reasons for problems such as excessive absenteeism or excessive grievances may not be readily apparent. However, when such problems occur, human resource research can often find the causes and offer possible solutions. Human resource research is clearly an important key to developing the most productive and satisfied workforce possible.

Interrelationships of Human Resource Management Functions

All HRM functional areas are highly interrelated. Management must recognize that decisions in one area will affect other areas. For instance, a firm that emphasizes recruiting top-quality candidates but neglects to provide satisfactory compensation is wasting time, effort, and money.

In addition, a firm's compensation system will be inadequate unless employees are provided a safe and healthy work environment. If a firm's compensation system pays below-market wages, the firm will always be hiring and training new employees only to see the best leave for a competitor's higher wages. The interrelationships among the HRM functional areas will become more obvious as these topics are addressed throughout the book.

OBJECTIVE 1.3

Describe who performs human resource management activities.

Who Performs Human Resource Management Activities?

The person or units who perform the HRM tasks have changed dramatically in recent years, and today there is no typical HR department. Many of these changes are being made so that HR professionals can accomplish a more strategic role. Also, the recent recession forced some HR departments to accomplish more with less, and some companies have downsized the HR department to keep production-oriented people. This restructuring often resulted in a shift in who carries out each function, not the elimination of the previously identified HR functions. Some organizations continue to perform the majority of HR functions within the firm. However, as internal operations are reexamined, questions are raised, such as: Can some HR tasks be performed more efficiently by line managers or outside vendors? Can some HR tasks be centralized or eliminated altogether? Can technology improve the productivity of HR professionals? One apparent fact is that all functions within today's organizations are being scrutinized for cost cutting, including HR. All units must operate under a lean budget in this competitive global environment, and HR is no exception.

Evidence provided by The Hackett Group shows that the HR functions have been impacted more than other support functions with regard to reductions in staff and operating budgets.⁴ In fact, the most efficient companies typically spend nearly 30 percent less per employee on HR and operate with 25 percent fewer HR employees.⁵ Mobile HR has been a major factor in this trend as we discuss later in the chapter. Many HR departments continue to get smaller because others outside the HR department now perform certain functions. HR outsourcing, shared service centers, professional employer organizations, and line managers now assist in the accomplishment of many traditional HR activities. Let us first look at the role of the traditional HR professional.

Human Resource Management Professional

Historically, the HR manager was responsible for each of the six HR functions. A **human resource management professional** is an individual who normally acts in an advisory or staff capacity, working with other managers to help them address human resource matters. Often, HR departments are created, with the central figure being the HR manager or executive. The HRM professional is primarily responsible for coordinating the management of HR to help the organization achieve its goals. Figure 1-2 displays a summary of a typical human resource professional's job along with the typical tasks performed by these professionals.

Line Managers

All managers get things done through the efforts of others. Consequently, managers at every level naturally concern themselves with HRM, for example, making decisions about which job candidates are likely to meet the needs of company, conducting employee performance evaluations, and determining pay raise amounts. Individuals directly involved in accomplishing the primary purpose of the organization are **line managers**. As the traditional work of HR managers evolves, line managers have assumed some tasks typically done by HR professionals.⁶ Automation has assisted greatly in this process. Managers are being assisted by manager self-service, the use of software, and the corporate network to automate paper-based human resource processes that require a manager's approval, recordkeeping or input, and processes that support the manager's job. Everything from recruitment, selection, and performance appraisal to employee development has been automated to assist line managers in performing traditional HR tasks.

There is a shared responsibility between line managers and HR professionals. Frequently, the line manager looks to HR for guidance in topics such as selection, training, promotion, and

human resource professional

Individual who normally acts in an advisory or staff capacity, working with other professionals to help them deal with human resource matters.

line managers

Individuals directly involved in accomplishing the primary purpose of the organization.

FIGURE 1-2**Human Resource Professional Job Description**

Source: National Center for O*NET Development. 11-3121.00. *O*NET OnLine*. Retrieved January 14, 2014, from <http://www.onetonline.org/link/summary/11-3121.00>

Plan, direct, or coordinate HR activities and staff of an organization.

Sample of reported job titles: Human Resources Manager (HR Manager), Director of Human Resources, Human Resources Director (HR Director), Employee Benefits Manager, Human Resources Vice President, Employee Relations Manager

Tasks

- Serve as a link between management and employees by handling questions, interpreting and administering contracts and helping resolve work-related problems.
- Analyze and modify compensation and benefits policies to establish competitive programs and ensure compliance with legal requirements.
- Advise managers on organizational policy matters such as equal employment opportunity and sexual harassment, and recommend needed changes.
- Perform difficult staffing duties, including dealing with understaffing, refereeing disputes, firing employees, and administering disciplinary procedures.
- Plan and conduct new employee orientation to foster positive attitude toward organizational objectives.
- Identify staff vacancies and recruit, interview, and select applicants.
- Plan, direct, supervise, and coordinate work activities of subordinates and staff relating to employment, compensation, labor relations, and employee relations.
- Plan, organize, direct, control, or coordinate the personnel, training, or labor relations activities of an organization.
- Represent organization at personnel-related hearings and investigations.
- Administer compensation, benefits and performance management systems, and safety and recreation programs.

taking disciplinary action. The relationship between HR professionals and line managers is illustrated by the following account:

Bill Brown, the production supervisor for Ajax Manufacturing, has just learned that one of his machine operators has resigned. He immediately calls Sandra Williams, the HR manager, and says, “Sandra, I just had a Class A machine operator quit down here. Can you find some qualified people for me to interview?” “Sure Bill,” Sandra replies. “I’ll send two or three down to you within the week, and you can select the one that best fits your needs.”

In this instance, both Bill and Sandra are concerned with accomplishing organizational goals, but from different perspectives. As an HR manager, Sandra identifies applicants who meet the criteria specified by Bill. Yet, Bill will make the final decision about hiring because he is responsible for the machine operators’ performance. His primary responsibility is production; hers is human resources. As an HR manager, Sandra must constantly deal with the many problems related to HR that Bill and the other managers face. Her job is to help them meet the human HR needs of the entire organization.

Human Resources Outsourcing**HR outsourcing (HRO)**

Process of hiring external HR professionals to do the HR work that was previously done internally.

HR outsourcing (HRO) is the process of hiring external HR professionals to do the HR work that was previously done internally. It is estimated that HRO is a \$42 billion industry with expected future annual growth to be approximately 5 percent.⁷ In the early days of HRO, cost savings was the primary driver in determining which activities to outsource. Today, outsourcing agreements are focusing more on quality of service and saving time, which is often more important than saving money.⁸ Ron Gier, vice president of human capital planning and employee relations for Sprint, said, “Outsourcing is about concentrating where you are going to put your energy, where you are going to build competency as a company and where you can use a partner to perform activities that are not core to your business.”⁹ This permits HR to focus on strategic organizational issues.¹⁰ As will be stressed throughout the text, strategic HR has become a major driver for HR professionals.¹¹

Discrete services outsourcing involves one element of a business process or a single set of high-volume repetitive functions to be outsourced.¹² Benefits have often been the HR task

most likely to be outsourced. Dan Thomas, president of Trivalent Benefits Consulting Inc., said, “Benefits administration has become so complex that it really takes someone who works with it every single day to keep track of all of the different laws and changes that are going on.”¹³ For example, a survey conducted by the ADP Institute revealed that more than half of employers (52 percent of midsized and 54 percent of large) believe that benefits administration will be more complex as a result of the Affordable Care Act. An even higher percentage of employers (57 percent of midsized and 64 percent of large) believe that health care reform will cause the time spent on benefits administration to increase.¹⁴

Business process outsourcing (BPO) is the transfer of the majority of HR services to a third party. Typically larger companies are involved with BPO, both as a provider and a user. A major HR outsourcer is IBM that has more than \$100 billion in revenue.¹⁵ Kraft Foods Inc. and IBM signed a multiyear BPO agreement in which IBM took over workforce administration, compensation, and performance reporting for all of Kraft’s 98,000 employees spread across 72 countries.¹⁶ Florida created a Web-based HR information system and outsourced administration of most HR functions for approximately 240,000 state employees and retirees. Outsourced services included recruiting, payroll, and HR administration services and benefits administration.¹⁷

Human Resources Shared Service Centers

A **shared service center (SSC)**, also known as a center of expertise, takes routine, transaction-based activities dispersed throughout the organization and consolidates them in one place. For example, a company with 20 strategic business units might consolidate routine HR tasks and perform them in one location. Shared service centers provide an alternative to HRO and can often provide the same cost savings and customer service. Fewer HR professionals are needed when shared service centers are used, resulting in significant cost savings. The most common HR functions that use SSCs are benefits and pension administration, payroll, relocation assistance and recruitment support, global training and development, succession planning, and talent retention.

Professional Employer Organizations

A **professional employer organization (PEO)** is a company that leases employees to other businesses. When a decision is made to use a PEO, the company releases its employees, who are then hired by the PEO. The PEO then manages the administrative needs associated with employees. It is the PEO that pays the employees’ salaries; it also pays workers’ compensation premiums, payroll-related taxes, and employee benefits. The PEO is responsible to the IRS if, for example, the payroll taxes go unpaid. The company reimburses the PEO, which typically charges a fee

shared service center (SSC)

A center that takes routine, transaction-based activities dispersed throughout the organization and consolidates them in one place.

professional employer organization (PEO)

A company that leases employees to other businesses.



HR BLOOPERS

Staffing Stone Consulting

Business at Stone Consulting is growing faster than Shelly Stone expected. She just signed a contract on another big project that she believes secures her future in the consulting business.

However, she has been so busy selling the firm’s services that she has put little thought into how she is going to staff the projects she has recently sold. She opened the firm more than a year ago and quickly hired five consultants and an office manager to help her get the business off the ground.

Unfortunately, one of the consultants has already left the firm after making a huge mistake that caused Shelly to lose a client. Some of the other consultants have raised some concerns with Shelly as

well. They’ve asked about pay increases and also her promise to eventually provide them with health insurance. However, she hasn’t had time to even think about these issues because she has focused her attention on finding new clients. As she looks over her project list she realizes she needs to start thinking about staffing fast. Her current team is already committed to other projects and the new projects she has secured need to get started right away. The office manager interrupts her thoughts to tell her a potential client is on the line. Excited about yet another opportunity, Shelly jumps on the call, quickly forgetting her staffing concerns.

★ If your professor has assigned this, go to mymanagementlab.com to complete the HR Bloopers exercise and test your application of these concepts when faced with real-world decisions.

of from 2 to 7 percent of the customer's gross wages, with percentages based on the number of leased employees. Because the PEO is the employees' legal employer it has the right to hire, fire, discipline, and reassign an employee. However, the client company maintains enough control so it can run the day-to-day operations of its business. Although PEOs have been available since the early 1980s, they have recently become a multibillion dollar industry. In fact, there is an estimated two to three million U.S. workers employed under a PEO-type arrangement and that number is certain to grow.¹⁸ PEOs permit business owners to focus on their core business, whereas the PEO handles HR activities.¹⁹ Companies using a PEO typically have a high level of benefits and greater HR expertise than they could possibly have had on their own.

OBJECTIVE 1.4

Explain how HR serves as a strategic business partner.

Human Resources as a Strategic Business Partner

In the environment presently confronting HR, many HR professions are increasingly taking on the role of being a strategic partner with upper management.²⁰ In this role, HR professionals are able to focus on matters that are truly important to the company as a whole.²¹ For example, increasing sales and building customer loyalty to the brand are important goals of soft drink companies such as Coca Cola and PepsiCo. Increasing sales require hiring highly dedicated and motivated sales and distribution employees. As a strategic business partner, HR helps to identify and develop the employees necessary for excellent performance, builds recruitment systems, training programs for product distribution and interactions with customers, constructs performance management, and structures compensation programs that will greatly incentivize these employees to excel. The rapidly evolving world of HR will increasingly require HR professionals to thoroughly understand all aspects of what the companies they work for do. Essentially, they must know more than just HR work.²² In moving from a transactional to a strategic model, HR professionals work toward solving strategic problems in the organization. No longer is an administrative and compliance role appropriate as their primary jobs. For instance, preparing the company's affirmative action plan or administering the payroll system are compliance and administrative tasks. HR executives today need to think like the CEO to become a strategic partner in achieving organizational plans and results.²³ In doing so, they understand the production side of the business and help to determine the strategic capabilities of the company's workforce, both today and in the future. HR professionals need to be agile in their thinking as they adapt to the ebbs and flows of business. Therefore, HR executives are ensuring that human resources support the firm's mission.

HR professionals have changed the way they work. Working as a strategic business partner requires a much deeper and broader understanding of business issues.²⁴ What strategically should HR be doing exactly? Possible strategic tasks for HR include making workforce strategies fundamental to company strategies and goals; increasing HR's role in strategic planning, mergers, and acquisitions; developing awareness or an understanding of the business; and helping line managers achieve their goals as in the previous example of soft drink companies.

HR professionals can give the CEO and CFO a powerful understanding of the role that employees play in the organization and the way it combines with business processes to expand or shrink shareholder value. HR professionals are integrating the goals of HR with the goals of the organization and focusing on expanding its strategic and high-level corporate participation with an emphasis on adding value. In doing so, HR is demonstrating that it can produce a return on investment for its programs. It analyzes HR activities to determine whether they are maintaining acceptable profit margins. For example, HR professionals strive to develop cost-effective training strategies that boost sales revenue that far exceeds the cost of training. The CEO needs help in matters that HR professionals are qualified to handle. HR professionals are the enablers; they are the ones who should know about change and develop strategies to make it work.

A useful way to better understand *how* HR serves as a strategic business partner is to think about the use of capital for value creation. **Capital** refers to the factors that enable companies to generate income, higher company stock prices, economic value, strong positive brand identity, and reputation. There is a variety of capital that companies use to create value, including financial capital (cash) and capital equipment (state-of-the-art robotics used in manufacturing).

Employees represent a specific type of capital called human capital. **Human capital**, as defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create value for their employers. Companies purchase the use of human capital by

human capital

As defined by economists, refers to sets of collective skills, knowledge, and ability that employees can apply to create economic value for their employers.