10 Human Resource Management and Labor Relations

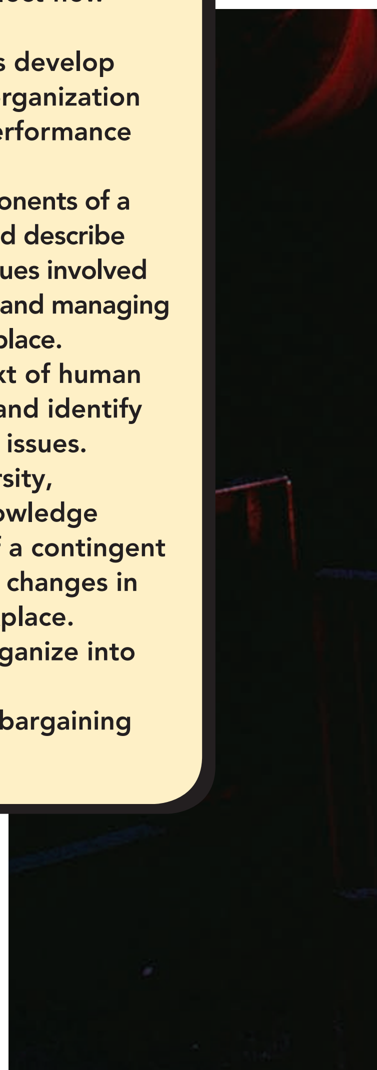
A Unique Partnership Drives Nucor Steel

For the most part, the watchwords in U.S. business during the 2008–2010 recession were cutting payroll, reducing headcount, and eliminating jobs. But one company—Nucor, the country's largest steelmaker, still has *all* its jobs. Hit by a 50-percent plunge in output that had begun in September 2008, the U.S. steel industry had laid off some 10,000 workers by January 2009, and the United Steelworkers union was expecting the number to double before the recession came to an end. As of the end of 2010, however, Nucor had refused to follow suit in laying anyone off. At its 11 U.S. facilities, Nucor employees have been rewriting safety manuals, getting a head start on maintenance jobs, mowing the lawns, and cleaning the bathrooms—but they're still drawing paychecks. "Financially," says one employee at the company's facility in Crawfordsville, Indiana, "Nucor workers are still better off than most."

As far as top management is concerned, the company's ability to weather the recent economic crisis was based on several factors, most importantly, the firm's employees and culture. What's that culture like? It originated in the 1960s as the result of policies established by Ken Iverson, who brought a radical perspective on how to manage a company's human resources to the job of CEO. Iverson figured that workers would be much more productive if an employer went out

After reading this chapter, you should be able to:

1. Define *human resource management* and explain how managers plan for their organization's human resource needs.
2. Identify the tasks in staffing a company and discuss ways in which organizations select new employees.
3. Describe how managers develop the workforce in their organization through training and performance appraisal.
4. Describe the main components of a compensation system and describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace.
5. Discuss the legal context of human resource management and identify the contemporary legal issues.
6. Discuss workforce diversity, the management of knowledge workers, and the use of a contingent workforce as important changes in the contemporary workplace.
7. Explain why workers organize into labor unions.
8. Describe the collective bargaining process.



of its way to share authority with them, respect what they accomplished, and compensate them as handsomely as possible. Today, the basics of the company's HR model are summed up in its "Employee Relations Principles":

1 Management is obligated to manage Nucor in such a way that employees will have the opportunity to earn according to their productivity.
2 Employees should feel confident that if they do their jobs properly, they will have a job tomorrow.
3 Employees have the right to be treated fairly and must believe that they will be.
4 Employees must have an avenue of appeal when they believe they are being treated unfairly.

The Iverson approach is based on motivation, and the key to that approach is a highly original

WHAT'S IN IT FOR ME?

Effectively managing human resources is the lifeblood of organizations. A firm that handles this activity has a much better chance for success than does a firm that simply goes through the motions. By understanding the material in this chapter, you'll be better able to understand (1) the importance of properly managing human resources in a unit or business you own or supervise and (2) why and how your employer provides the working arrangements that most directly affect you.

We start this chapter by explaining how managers plan for their organization's human resource needs. We'll also discuss ways in which organizations select, develop, and appraise employee performance and examine the main components of a compensation system. Along the way, we'll look at some key legal issues involved in hiring, compensating, and managing workers in today's workplace and discuss workforce diversity. Finally, we'll explain why workers organize into labor unions and describe the collective bargaining process. Let's get started with some basic concepts of human resource management.

MyBizLab Where you see MyBizLab in this chapter, go to **www.mybizlab.com** for additional activities on the topic being discussed.

H. Mark Weidman Photography/Alamy

pay system. Step 1, which calls for base pay below the industry average, probably doesn't seem like a promising start, but the Nucor compensation plan is designed to get better as the results of the work get better. If a shift, for example, can turn out a defect-free batch of steel, every worker is entitled to a bonus that's paid weekly and that can potentially triple his or her take-home pay. In addition, there are one-time annual bonuses and profit-sharing payouts. In 2005, for instance, Nucor had an especially good year: It shipped more steel than any other U.S. producer, and net income hit $1.3 billion, up from $311 million in 2000. The average steelworker took home $79,000 in base pay and weekly bonuses, plus a $2,000 year-end bonus and an average of $18,000 in profit-sharing money.

The system, however, cuts both ways. Take that defect-free batch of steel, for example. If there's a problem with a batch, workers on the shift obviously don't get any weekly bonus. And that's if they catch the problem before the batch leaves the plant. If it reaches the customer, they may *lose* up to three times what they would have received as a bonus. "In average-to-bad years," adds HR vice president James M. Coblin, "we earn less than our peers in other companies. That's supposed to teach us that we don't want to be average or bad. We want to be good." During fiscal 2009, total pay at Nucor was down by about 40 percent.

Everybody in the company, from janitors to the CEO, is covered by some form of incentive plan tied to various goals and targets. We've just described the Production Incentive Plan, which covers operating and maintenance workers and supervisors and which may boost base salaries by 80 percent to 150 percent. Bonuses for department managers are based on a return-on-assets formula tied to divisional performance, as are bonuses under the Non-Production and Non-Department–Manager Plan, which covers everyone, except senior officers, not included in either of the first two plans; bonuses under both manager plans may increase base pay by 75 percent to 90 percent. Senior officers don't work under contracts or get pension or retirement plans, and their base salaries are below industry average. In a world in which the typical CEO makes more than 400 times what a factory worker makes, Nucor's CEO makes considerably less. In the banner year of 2005, for example, his combined salary and bonus (about $2.3 million) came to 23 times the total taken home by the average Nucor factory worker. His bonus and those of other top managers are based on a ratio of net income to stockholder's equity.[1]

Our opening story continues on page 262.

The Foundations of Human Resource Management

1 **Define *human resource management* and explain how managers plan for their organization's human resource needs.**

Human resource management (HRM) is the set of organizational activities directed at attracting, developing, and maintaining an effective workforce.

The Strategic Importance of HRM

Human resources (or *personnel*, as the department is sometimes called) has a substantial impact on a firm's bottom-line performance. Consequently, the chief HR executive of most large businesses is a vice president directly accountable to the CEO, and many firms are developing strategic HR plans that are integrated with other strategic planning activities.

HR Planning

As you can see in Figure 10.1, the starting point in attracting qualified human resources is planning. Specifically, HR planning involves job analysis and forecasting the demand for, and supply of, labor.

Job Analysis

Job analysis is a systematic analysis of jobs within an organization; most firms have trained experts who handle these analyses. A job analysis results in two things:

- The **job description** lists the duties and responsibilities of a job; its working conditions; and the tools, materials, equipment, and information used to perform it.
- The **job specification** lists the skills, abilities, and other credentials and qualifications needed to perform the job effectively.

Gain hands-on experience through an interactive, real-world scenario. This chapter's simulation entitled Human Resource Management is located at **www.mybizlab.com.**

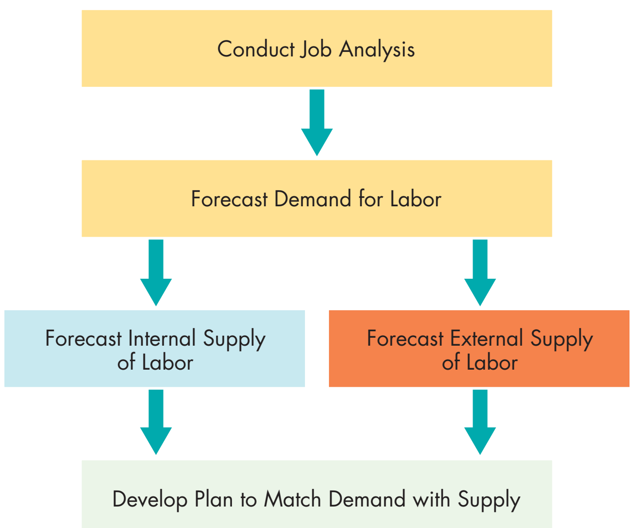


Figure 10.1 **The HR Planning Process**

Human Resource Management (HRM) set of organizational activities directed at attracting, developing, and maintaining an effective workforce

Job Analysis systematic analysis of jobs within an organization

Job Description description of the duties and responsibilities of a job, its working conditions, and the tools, materials, equipment, and information used to perform it

Job Specification description of the skills, abilities, and other credentials and qualifications required by a job

Job analysis information is used in many HR activities. For instance, knowing about job content and job requirements is necessary to develop appropriate selection methods, to create job-relevant performance appraisal systems, and to set equitable compensation rates.

Forecasting HR Demand and Supply After managers comprehend the jobs to be performed within an organization, they can start planning for the organization's future HR needs. The manager starts by assessing trends in past HR usage, future organizational plans, and general economic trends.

Forecasting the supply of labor is really two tasks:

1 Forecasting *internal supply*—the number and type of employees who will be in the firm at some future date.

2 Forecasting *external supply*—the number and type of people who will be available for hiring from the labor market at large.

Replacement Charts At higher levels of an organization, managers plan for specific people and positions. The technique most commonly used is the **replacement chart,** which lists each important managerial position, who occupies it, how long that person will probably stay in it before moving on, and who is now qualified or soon will be qualified to move into it. (In most firms, of course, this information is computerized today.) This technique allows ample time to plan developmental experiences for people identified as potential successors for critical managerial jobs. Halliburton, for instance, has a detailed replacement system that the firm calls its Executive Succession System (ESS). When a manager has his or her performance reviewed each year, notations are placed in the system about the person's readiness for promotion, potential positions for promotion, and what development activities are needed in order to prepare the individual for promotion. Other managers throughout the firm can access the system whenever they have vacant positions available.

Skills Inventories To facilitate both planning and identifying people for transfer or promotion, some organizations also have **employee information systems (skills inventories)** that contain information on each employee's education, skills, work experience, and career aspirations. Such a system can quickly locate every employee who is qualified to fill a position. Again, while these systems were once handled with charts and files they are almost always in electronic form today.

Forecasting the external supply of labor is a different problem altogether. Planners must rely on information from outside sources, such as state employment commissions, government reports, and figures supplied by colleges on the numbers of students in major fields.

Matching HR Supply and Demand After comparing future demand and internal supply, managers can make plans to manage predicted shortfalls or overstaffing. If a shortfall is predicted, new employees can be hired, present employees can be retrained and transferred into understaffed areas, individuals approaching retirement can be convinced to stay on, or labor-saving or productivity-enhancing systems can be installed. If overstaffing is expected to be a problem, the main options are transferring the extra employees, not replacing individuals who quit, encouraging early retirement, and laying off workers. During the 2008–2010 recession, many firms found it necessary to reduce the size of their workforces through layoffs. Others accomplished the same thing by reducing the number of hours their employees worked.

2 **Identify the tasks in staffing a company and discuss ways in which organizations select new employees.**

Staffing the Organization

When managers have determined that new employees are needed, they must then turn their attention to recruiting and hiring the right mix of people. This involves two processes: acquiring staff from outside the company and promoting staff from within. Both external and internal staffing, however, start with effective *recruiting*.

Recruiting Human Resources

Recruiting is the process of attracting qualified persons to apply for the jobs that are open.

Internal Recruiting **Internal recruiting** means considering present employees as candidates for openings. Promotion from within can help build morale and keep high-quality employees from leaving. For higher-level positions, a skills inventory system may be used to identify internal candidates, or managers may be asked to recommend individuals to be considered.

External Recruiting **External recruiting** involves attracting people outside the organization to apply for jobs. External recruiting methods include posting jobs on the company website or other job sites, such as Monster.com; holding campus interviews for potential college recruits; using employment agencies or executive search firms to scout out potential talent; seeking referrals by present employees; advertising in print publications; and hiring "walk-ins" (unsolicited applicants).

Selecting Human Resources

Once the recruiting process has attracted a pool of applicants, the next step is to select someone to hire. The intent of the selection process is to gather from applicants the information that will predict job success and then to hire the candidates likely to be most successful.

Application Forms The first step in selection is usually asking the candidate to fill out an application. An application form is an efficient method of gathering information about the applicant's previous work history, educational background, and other job-related demographic data. Application forms are seldom used for upper-level jobs; candidates for such positions usually provide the same information on their résumé. Most applications for larger firms are now prepared electronically and submitted at the firm's website.

Tests Employers sometimes ask candidates to take tests during the selection process. Tests of ability, skill, aptitude, or knowledge relevant to a particular job are usually the best predictors of job success, although tests of general intelligence or personality are occasionally useful as well. Some companies use a test of the "big five" personality dimensions discussed in Chapter 8 to predict success.

Interviews *Interviews* are a very popular selection device, although they are sometimes a poor predictor of job success. For example, biases inherent in the way people perceive and judge others on first meeting affect subsequent evaluations. Interview validity can be improved by training interviewers to be aware of potential biases and by tightening the structure of the interview. In a structured interview, questions are written in advance, and all interviewers follow the same question list with each candidate. For interviewing managerial or professional candidates, a somewhat less structured approach can be used. Although question areas and information-gathering objectives are still planned in advance, specific questions vary with the candidates' backgrounds. Sometimes, companies are looking for especially creative employees and may try to learn more about the individual's creativity during an interview.

Replacement Chart list of each management position, who occupies it, how long that person will likely stay in the job, and who is qualified as a replacement

Employee Information System (Skills Inventory) computerized system containing information on each employee's education, skills, work experiences, and career aspirations

Recruiting process of attracting qualified persons to apply for jobs an organization is seeking to fill

Internal Recruiting considering present employees as candidates for openings

External Recruiting attracting persons outside the organization to apply for jobs

ENTREPRENEURSHIP AND NEW VENTURES

Moving People to Move Movies

Selling movies to consumers is a dynamic and challenging industry today. The market is evolving so rapidly that even the basic business model, product, and technology are unresolved. Is streaming media the right way to deliver content? Are movies best viewed on a television, PC monitor, PDA, or cell phone? Should the consumer rent the content or own it? What is the role of advertising? Netflix is one of the companies at the forefront of addressing these questions.

In order to cope with the many complex issues the company faces, Netflix CEO and founder Reed Hastings recruited a team of top performers in fields as diverse as marketing, content management, and website operations. Then the company had to find a way to motivate these stars to fulfill their potential. Netflix uses monetary rewards as a motivator. "We're unafraid to pay high," says Hastings. However, the company achieves its greatest results by focusing on employee needs.

One important set of needs that Netflix fulfills is the desire to work with friends, be part of a team, and belong. Employees recommend people they've enjoyed working with at other jobs. The atmosphere is casual and collaborative. However, the company avoids patronizing its employees. As Michelle Conlin of *BusinessWeek* puts it, "Netflix is no frat party with beer bashes and foosball tables." The Netflix values statement says, "The benefit of a high-performance culture is that you work with consistently outstanding colleagues, which is exhilarating. We're a high-performance team, not a family. A strong family is together forever, no matter what. A strong company, on the other hand, is more like a professional sports team, which is built to win."[2]

Netflix works to fulfill employees' needs for esteem by providing an employer that is well liked. The job pages of the company's website say, "It is satisfying to work at a company that people love. We're ranked number one in customer satisfaction across the entire Internet, narrowly besting such great companies as Apple and Amazon."

Another set of fulfilled needs is related to employees' passion to achieve. The "best in class" personnel at this firm of just 400 workers are attracted by the opportunity to have a significant impact on a successful and ever-changing company. Before founding Netflix, Hastings started Pure Software. At first the start-up was an exciting place to work, but it became more humdrum and bureaucratic as it grew. When Pure was sold to IBM, Hastings vowed to never repeat that mistake. The Netflix values statement summarizes Hastings's viewpoint, saying, "Rules inhibit creativity and entrepreneurship, leading to a lack of innovation. Our solution to increased complexity is to increase talent density. Great people make great judgment calls, despite ambiguity. We believe in freedom and responsibility, not rules."

Clearly, the Netflix motivation scheme is not for everyone. "At most companies, average performers get an average raise," says Hastings. "At Netflix, they get a generous severance package." However, the company is doing a good job of motivating stellar workers. Netflix is depending on wringing maximum performance from those workers to win competitive advantage over top competitors such as Apple, Blockbuster, and Amazon.

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Michael Tercha/MCT/Newscom

Other Techniques Organizations also use other selection techniques that vary with circumstances. Polygraph tests, once popular, are declining in popularity. On the other hand, organizations occasionally require applicants to take physical exams (being careful that their practices are consistent with the Americans with Disabilities Act). More organizations are using drug tests, especially in situations in which drug-related performance problems could create serious safety hazards. Some organizations also run credit checks on prospective employees. Reference checks with previous employers are also used, but have been shown to have limited value because individuals are likely to only provide the names of references that will give them positive recommendations.

Developing the Workforce

3 Describe how managers develop the workforce in their organization through training and performance appraisal.

After a company has hired new employees, it must acquaint them with the firm and their new jobs. Managers also take steps to train employees and to further develop necessary job skills. In addition, every firm has some system for performance appraisal and feedback.

Training

As its name suggests, **on-the-job training** occurs while an employee is at work. **Off-the-job training** takes place at locations away from a work site. This approach offers a controlled environment and allows focused study without interruptions. Training is a necessary practice if the organization wants to maintain a qualified and effective workforce. Moreover, many employees see training as a benefit—it allows them to keep their job skills current and to learn new skills to prepare them for the jobs of tomorrow.

A variation of off-site training is **vestibule training,** which takes place in simulated work environments that make the off-the-job training more realistic; increasingly, these simulations are computerized or web-based. American Airlines, for example, trains flight attendants at a vestibule training site that resembles the interior cabin of an airplane; it also uses simulation software to help acquaint its pilots with new instrumentation that is added to its aircraft.[3]

Performance Appraisal

Performance appraisals are designed to show workers precisely how well they are doing their jobs. Typically, the appraisal process involves a written assessment issued on a regular basis. As a rule, however, the written evaluation is only one part of a multistep process.

The appraisal process begins when a manager defines performance standards for an employee. The manager then observes the employee's performance. For some jobs, a rating scale like the abbreviated one in Figure 10.2 is useful in providing a basis for comparison. Comparisons drawn from such scales form the basis for written appraisals and for decisions about raises, promotions, demotions, and firings. The process is completed when the manager and employee meet to discuss the appraisal.

Compensation and Benefits

4 Describe the main components of a compensation system and describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace.

People who work for a business expect to be paid, and most workers today also expect certain benefits from their employers. Indeed, a major factor in retaining skilled workers is a company's **compensation system**—the total package of rewards that it offers employees in return for their labor. Finding the right combination of compensation elements is always complicated by the need to make employees feel valued, while holding down company costs.

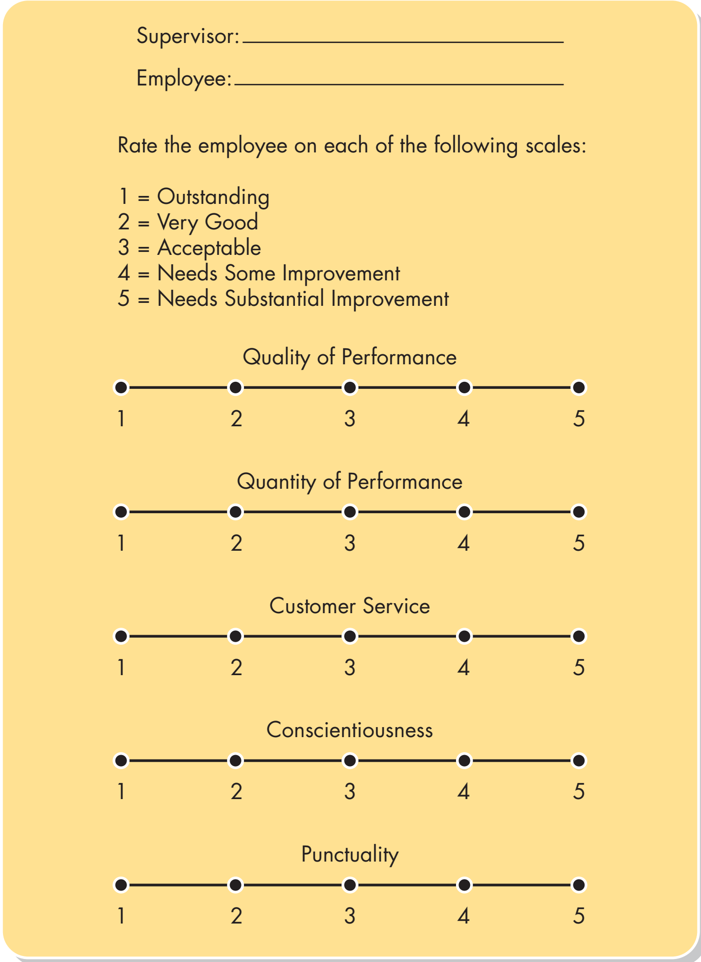
On-the-Job Training training, sometimes informal, conducted while an employee is at work

Off-the-Job Training training conducted in a controlled environment away from the work site

Vestibule Training off-the-job training conducted in a simulated environment

Performance Appraisal evaluation of an employee's job performance in order to determine the degree to which the employee is performing effectively

Compensation System total package of rewards that organizations provide to individuals in return for their labor


Supervisor: ______________________

Employee: ______________________

Rate the employee on each of the following scales:

1 = Outstanding
2 = Very Good
3 = Acceptable
4 = Needs Some Improvement
5 = Needs Substantial Improvement

Quality of Performance

1 2 3 4 5

Quantity of Performance

1 2 3 4 5

Customer Service

1 2 3 4 5

Conscientiousness

1 2 3 4 5

Punctuality

1 2 3 4 5

Figure 10.2 **Sample Performance Evaluation Form**

Wages and Salaries

Wages and salaries are the dollar amounts paid to employees for their labor. **Wages** are paid for time worked; for example, if your job pays you $8 an hour, that is your wage. A **salary,** on the other hand, is paid for performing a job. A salaried executive earning $100,000 per year is paid to achieve results even if that means working 5 hours one day and 15 the next. Salaries are usually expressed as an amount paid per month or year.

In setting wage and salary levels, a company may start by looking at its competitors' levels. Firms must also decide how their internal wage and salary levels will compare for different jobs. Although two employees may do exactly the same job, the employee with more experience may earn more.

The recession of 2008–2010 prompted some firms to reduce the wages and salaries they were paying in order to lower costs. For example, Hewlett-Packard reduced the salaries of all but its top performers by amounts ranging from 2.5 to 20 percent. CareerBuilder.com reduced all employee pay but also began giving all employees Friday afternoons off.

Incentive Programs

As we discussed in Chapter 8, studies have shown that beyond a certain point, more money will not produce better performance. Money motivates employees only if it is tied directly to performance. The most common method of establishing this link is the use of **incentive programs**—special pay programs designed to motivate high performance. Some programs are available to individuals, whereas others are distributed on a companywide basis.

Individual Incentives

A sales bonus is a typical incentive. Employees receive a **bonus**—special payments above their salaries—when they sell a certain number or certain dollar amount of goods for the year. Employees who fail to reach this goal earn no bonuses. **Merit salary systems** link pay raises to performance levels in nonsales jobs.

Executives commonly receive stock options as incentives. Halliburton CEO David Lesar, for example, can buy several thousand shares of company stock each year at a predetermined price. If his managerial talent leads to higher profits and stock prices, he can buy the stock at a price lower than the market value for which, in theory, he is largely responsible. He is then free to sell the stock at market price, keeping the profits for himself.

A newer incentive plan is called **pay for performance** (or **variable pay**). In essence, middle managers are rewarded for especially productive output—for producing earnings that significantly exceed the cost of bonuses. The number of variable pay programs in the United States has been growing consistently for the last decade, and most experts predict that they will continue to grow in popularity. Many firms say that variable pay is a better motivator than merit raises because the range between generous and mediocre merit raises is usually quite small.

Companywide Incentives

Some incentive programs apply to all the employees in a firm. Under **profit-sharing plans,** for example, profits earned above a certain level are distributed to employees. Also, **gainsharing plans** distribute bonuses to employees when a company's costs are reduced through greater work efficiency. **Pay-for-knowledge plans** pay workers to learn new skills and to become proficient at different jobs.

Benefits Programs

Benefits—compensation other than wages and salaries and other incentives offered by a firm to its workers—account for an increasing percentage of most compensation budgets. Most companies are required by law to pay tax for Social Security retirement benefits and provide **workers' compensation insurance** (insurance for compensating workers injured on the job). Most businesses also provide health, life, and disability insurance for their workers, as well as paid time off for vacations and holidays. Many also allow employees to use payroll deductions to buy stock at discounted prices. Counseling services for employees with alcohol, drug, or emotional problems are also becoming more common, as are on-site child-care centers. Some companies even provide reduced membership fees at gyms and health clubs, as well as insurance or other protection for identity theft.[4]

Retirement Plans

Retirement plans (or pension plans) constitute another important—and sometimes controversial—benefit that is available to many

Wages compensation in the form of money paid for time worked

Salary compensation in the form of money paid for discharging the responsibilities of a job

Incentive Program special compensation program designed to motivate high performance

Bonus individual performance incentive in the form of a special payment made over and above the employee's salary

Merit Salary System individual incentive linking compensation to performance in nonsales jobs

Pay for Performance (Variable Pay) individual incentive that rewards a manager for especially productive output

Profit-Sharing Plan incentive plan for distributing bonuses to employees when company profits rise above a certain level

Gainsharing Plan incentive plan that rewards groups for productivity improvements

Pay-for-Knowledge Plan incentive plan to encourage employees to learn new skills or become proficient at different jobs

Benefits compensation other than wages and salaries

Workers' Compensation Insurance legally required insurance for compensating workers injured on the job employees. Most company-sponsored retirement plans are set up to pay pensions to workers when they retire. In some cases, the company contributes all the money to the pension fund. In others, contributions are made by both the company and employees. In recent years, some companies have run into problems because they have not set aside enough money to cover the retirement funds they have agreed to provide. Both FedEx and Goodyear, for instance, recently announced that they were freezing their pension programs in order to transition workers to riskier 401(k)s, in which payroll deductions are invested in stocks and other non-guaranteed funds.[5] This trend increased during the 2008–2010 recession. For example, 16 major U.S. employers stopped contributing to employee retirement accounts, and several more followed suit in 2010. Among these were Anheuser-Busch, Wells-Fargo, and Saks.

Containing the Costs of Benefits As the range of benefits has increased, so has concern about containing the costs of these benefits. Many companies are experimenting with cost-cutting plans while still attracting and retaining valuable employees. One approach is the **cafeteria benefits plan.** A certain dollar amount of benefits per employee is set aside so that each employee can choose from a variety of alternatives.

Another area of increasing concern is health care costs. Medical expenses have increased insurance premiums, which have increased the cost to employers of maintaining benefits plans. Many employers are looking for new ways to cut those costs. One increasingly popular approach is for organizations to create their own networks of health care providers. These providers agree to charge lower fees for services rendered to employees of member organizations. In return, they enjoy established relationships with large employers and, thus, more clients and patients. Insurers also charge less to cover the employees of network members because they make lower reimbursement payments.

5 Discuss the legal context of human resource management and identify the contemporary legal issues.

The Legal Context of HRM

Federal law and judicial review heavily influence HRM as much or more than any area of business. In this section, we summarize some of the most important and far-reaching areas of HR regulation.

Equal Employment Opportunity

The basic goal of all **equal employment opportunity** regulation is to protect people from unfair or inappropriate discrimination in the workplace.[6] Let's begin by noting that discrimination in itself is not illegal. Whenever one person is given a pay raise and another is not, for example, the organization has made a decision to distinguish one person from another. As long as the basis for this discrimination is purely job related (made, for example, on the basis of performance or seniority) and is applied objectively and consistently, the action is legal and appropriate. Problems arise when distinctions among people are not job related. In such cases, the resulting discrimination is illegal.

Protected Classes in the Workplace To combat illegal discrimination, laws have been passed to protect various classes of individuals. A **protected class** consists of all individuals who share one or more common characteristics as indicated by a given law. The most common criteria for defining protected classes include race, color, religion, gender, age, national origin, disability status, and status as a military veteran.[7] One recent illustration of this protection is the Americans with Disabilities Act of 1990. This law requires employers to not discriminate on the basis of physical limitations and to provide reasonable work-related modifications to help disabled individuals do their jobs.

Enforcing Equal Employment Opportunity The enforcement of equal opportunity legislation is handled by two agencies. The **Equal Employment Opportunity Commission (EEOC)** is a division of the Department of Justice. It was created by

Title VII of the 1964 Civil Rights Act and has specific responsibility for enforcing Title VII, the Equal Pay Act, and the Americans with Disabilities Act.

The other agency charged with monitoring equal employment opportunity legislation is the *Office of Federal Contract Compliance Programs* (*OFCCP*). The OFCCP is responsible for enforcing executive orders that apply to companies doing business with the federal government. A business with government contracts must have on file a written **affirmative action plan**—that is, a written statement of how the organization intends to actively recruit, hire, and develop members of relevant protected classes.

Legal Issues in Compensation As noted earlier, most employment regulations are designed to provide equal employment opportunity. Some legislation, however, deals with other issues such as compensation. For example, the Fair Labor Standards Act (passed in 1938) established a minimum hourly wage, whereas the Employee Retirement Income Security Act of 1974 sets standards by which companies must manage pension funds.

Contemporary Legal Issues in HRM

In addition to these established areas of HR legal regulation, several emerging legal issues will likely become more important in the future. These include employee safety and health, various emerging areas of discrimination law, employee rights, and employment at will.

Employee Safety and Health The **Occupational Safety and Health Act of 1970 (OSHA)** is the single most comprehensive piece of legislation ever passed regarding worker safety and health. OSHA holds that every employer has an obligation to furnish each employee with a place of employment that is free from hazards that cause or are likely to cause death or physical harm. It is generally enforced through inspections of the workplace by OSHA inspectors. Serious or willful and repeated violations may incur fines up to $10,000 per incident.

Emerging Areas of Discrimination Law Managers must also be familiar with several emerging areas of discrimination law.

AIDS in the Workplace Although AIDS is considered a disability under the Americans with Disabilities Act of 1990, the AIDS situation itself is severe enough that it warrants special attention. Employers cannot legally require an HIV test or any other medical examination as a condition for making an offer of employment. Organizations must accommodate or make a good-faith effort to accommodate individuals with HIV, maintain the confidentiality of all medical records, and try to educate coworkers about AIDS.

Sexual Harassment **Sexual harassment** is defined by the EEOC as unwelcome sexual advances in the work environment. If the conduct is indeed unwelcome and occurs with sufficient frequency to create an abusive work environment, the employer is responsible for changing the environment by warning, reprimanding, or perhaps firing the harasser.[8]

Cafeteria Benefits Plan benefit plan that sets limits on benefits per employee, each of whom may choose from a variety of alternative benefits

Equal Employment Opportunity legally mandated nondiscrimination in employment on the basis of race, creed, sex, or national origin

Protected Class set of individuals who by nature of one or more common characteristics is protected under the law from discrimination on the basis of that characteristic

Equal Employment Opportunity Commission (EEOC) federal agency enforcing several discrimination-related laws

Affirmative Action Plan written statement of how the organization intends to actively recruit, hire, and develop members of relevant protected classes

Occupational Safety and Health Act of 1970 (OSHA) federal law setting and enforcing guidelines for protecting workers from unsafe conditions and potential health hazards in the workplace

Sexual Harassment making unwelcome sexual advances in the workplace

MANAGING IN TURBULENT TIMES

In Good Times and Bad

Sometimes the worst brings out the best in both people and businesses. When Hurricane Katrina struck the Gulf Coast in 2005, for instance, millions of people lost everything they had, and to make matters worse, the response of the federal government was fraught with bureaucratic blundering. Fortunately, many businesses stepped forward to come to the aid of Katrina victims. Dozens of companies, including Apple, Citigroup, Enterprise Rent-a-Car, and the Gap, made contributions of $1 million, and some gave much more, with Wal-Mart's $17 million topping the list.

Some employers made funds available to match employee contributions, and other firms donated goods or services. Abbott donated infant formula, and AT&T donated calling cards. Clorox supplied 50,000 gallons of bleach to aid in removing mold. Albertson's donated $9 million in food, and pharmaceutical firms furnished medicines. Some companies made more unusual offers. A few banks, for example, offered home equity loans, even for homes that weren't habitable. DIRECTV launched a Hurricane Katrina information channel. KB Home, a national builder, committed to building thousands of new houses.

The outpouring of support went a long way toward helping New Orleans residents and other Gulf Coast residents rebuild shattered lives. That support, however, took forms other than corporate financial resources: In many cases, it took the form of corporate human resources. Consider the response of Entergy, the country's third-largest electric utility, which serves 2.7 million customers in the Gulf Coast region. When Katrina hit, more than 1 million Entergy customers were left without power—including 1,500 Entergy employees. CEO Wayne Leonard immediately began organizing repair efforts, but his goal was to restore more than electricity. Leonard firmly believes that he and his employees "do a lot more than make electricity and money. We cool [people's] homes in the summer and warm their homes in the winter. We allow people to cook their food. We clean the environment and educate their children."

Using optimistic (and sometimes emotional) e-mails, Leonard motivated Entergy employees by appealing to a company culture based on his conviction that the people who work for an organization "want to know that what they do makes a difference." "We have a great passion for the difference we make in other people's lives," he told his workforce." "We provide a commodity that sustains life." Working 16-hour days, Entergy crews had restored power to 550,000 people by the end of the first week, and by the end of September, nearly every Entergy customer had electricity. In the third week of September, when Hurricane Rita followed hard on the heels of Katrina, knocking out power to 750,000 customers, Entergy employees—many of whom had barely had time to check up on their own families—were back at work with the same levels of commitment and teamwork.

Jeff Greenberg/Alamy

Employees were also a major focus of disaster response at the Domino Sugar refinery located in St. Bernard Parish, east of New Orleans. Virtually the entire parish was flooded, leaving most of the plant's 332 employees homeless. At the refinery itself, floodwaters melted 6.5 million pounds of sugar into huge lakes of sugar syrup. Because 19 percent of the nation's sugar supply comes through the St. Bernard facility, it was imperative for officials to get it up and running again as quickly as possible. "We can fix anything," says VP for operations Mickey Seither. "We can rebuild everything. But," he adds, "if we don't have employees, it's for naught." From the outset, Seither recalls, "we decided the one thing we have to really concentrate on is fixing the situation that our employees are in."

So Domino managed to get 200 mobile homes from the Federal Emergency Management Agency within two weeks and immediately set up a mobile home park on the grounds of the refinery. Other companies in the area also set up mobile home parks, but Domino was the only employer to house employees' families as well. Not every household was comfortable, but each mobile home had hot water and a microwave for cooking. Said one worker who lived in 28-foot mobile home with his wife and five children, "We, as employees, appreciate it because, if not, we'd be ... at my brother-in-law's house with 15 people." Within 6 months, the refinery was operating at nearly full capacity, providing 300 well-paying jobs and working to function as a catalyst for further recovery in the parish. During the entire period, according to the company, not one employee lost an hour of pay.

MyBizLab

The courts have defined two types of sexual harassment:

1 In cases of **quid pro quo harassment**, the harasser offers to exchange something of value for sexual favors. A male supervisor, for example, might tell or suggest to a female subordinate that he will recommend her for promotion or give her a raise in exchange for sexual favors.

2 The creation of a **hostile work environment** is a subtler form of sexual harassment. A group of male employees who continually make off-color jokes and lewd comments and perhaps decorate the work environment with inappropriate photographs may create a hostile work environment for a female colleague, who may become uncomfortable working in that environment.

In recent years, the concept of harassment has been expanded to encompass unwelcome or inappropriate behaviors regarding ethnicity, religion, and age.

Employment at Will The concept of **employment at will** holds that both employer and employee have the mutual right to terminate an employment relationship at any time for any reason, with or without advance notice to the other. Over the last two decades, however, terminated employees have challenged the employment-at-will doctrine by filing lawsuits against former employers on the grounds of wrongful discharge.

In the last several years, such suits have put limits on employment-at-will provisions in certain circumstances. In the past, for example, organizations were guilty of firing employees who filed workers' compensation claims or took "excessive" time off to serve on jury duty. More recently, however, the courts have ruled that employees may not be fired for exercising rights protected by law.

The Patriot Act In response to the terrorist attacks of September 11, 2001, the U.S. government passed legislation that increases its powers to investigate and prosecute suspected terrorists. This legislation, known as the Patriot Act, has several key implications for HRM. For instance, certain "restricted" individuals (including ex-convicts and aliens from countries deemed by the State Department to have "repeatedly provided support for acts of international terrorism") are ineligible to work with potentially dangerous biological agents. More controversial are sections granting government investigators access to previously confidential personal and financial records.

New Challenges in the Changing Workplace

6 Discuss workforce diversity, the management of knowledge workers, and the use of a contingent workforce as important changes in the contemporary workplace.

In addition to the challenges we have already considered, HR managers face several new challenges reflecting the changing economic and social environments of business.

Managing Workforce Diversity

One extremely important set of HR challenges centers on **workforce diversity**—the range of workers' attitudes, values, beliefs, and behaviors that differ by gender, race, age, ethnicity, physical ability, and other relevant characteristics. In the past, organizations tended to work toward homogenizing their workforces, getting everyone to think and behave in similar ways. Partly as a result of affirmative action efforts, however, many U.S. organizations are now creating more diverse workforces than ever before.

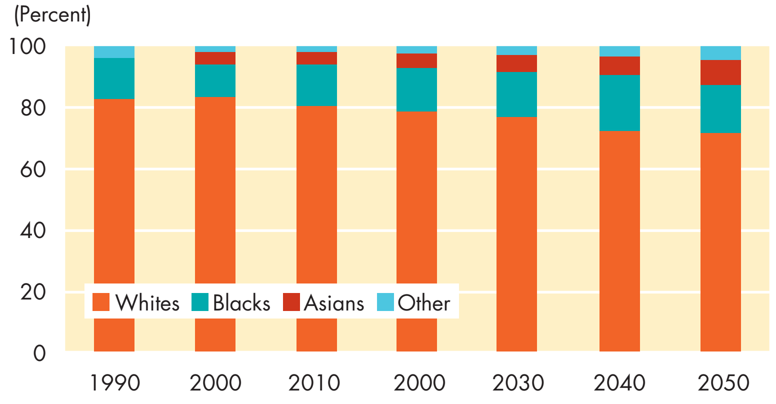
Quid Pro Quo Harassment form of sexual harassment in which sexual favors are requested in return for job-related benefits

Hostile Work Environment form of sexual harassment deriving from off-color jokes, lewd comments, and so forth

Employment at Will principle, increasingly modified by legislation and judicial decision, that organizations should be able to retain or dismiss employees at their discretion

Workforce Diversity the range of workers' attitudes, values, beliefs, and behaviors that differ by gender, race, age, ethnicity, physical ability, and other relevant characteristics

Figure 10.3 **Distribution of the labor force by race 1990-2050**
Source: http://www.dol.gov/asp/media/reports/workforce2007/ADW2007_Full_Text.pdf (p. 38). U.S. Department of Labor, "America's Dynamic Workforce," (August 2007), p. 38, at http://www.dol.gov/asp/media/reports/workforce2007/ADW2007_Full_Text.pdf.



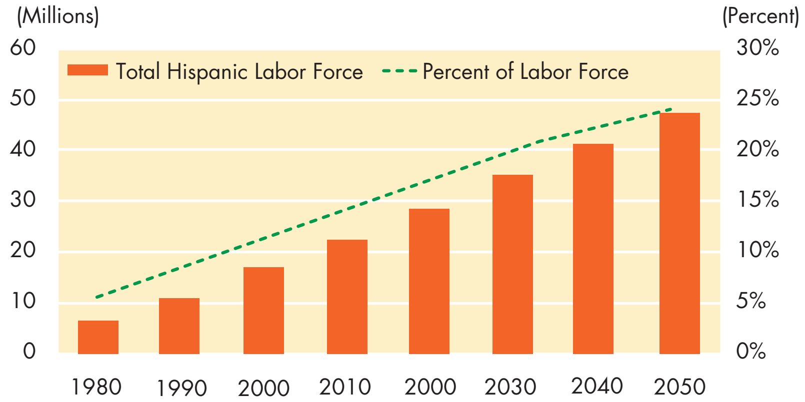


Figure 10.3 projects the racial and ethnic composition of the U.S. workforce through 2050. The picture is clearly one of increasing diversity. The number of white Americans as a percentage of the total workforce is declining steadily, offset by increases in every other racial group. Most striking are the growing numbers of people of Hispanic origin (who may be members of any racial group). By 2050 the U.S. Department of Labor estimates that nearly a quarter of the workforce will be Hispanic.

Today, organizations are recognizing that diversity can be a competitive advantage. For example, by hiring the best people available from every single group rather than hiring from just one or a few groups, a firm can develop a higher-quality labor force. Similarly, a diverse workforce can bring a wider array of information to bear on problems and can provide insights on marketing products to a wider range of consumers.

Managing Knowledge Workers

Traditionally, employees added value to organizations because of what they did or because of their experience. In the information age, however, many employees add value because of what they *know*.

The Nature of Knowledge Work

Employees who add value because of what they know are usually called **knowledge workers.** Knowledge workers—including computer scientists, engineers, physical scientists, and game developers—typically require extensive and highly specialized training; once they are on the job, retraining and training updates are critical to prevent their skills from becoming obsolete. It has been suggested, for example, that the half-life of a technical education in engineering is about three years.

A firm's failure to update the skills of its knowledge workers will not only result in the loss of competitive advantage, it will also increase the likelihood that those workers will go to other firms that are more committed to updating their skills. Hence, HR managers must ensure that the proper training is prepared to enable knowledge workers to stay current while also making sure they are compensated at market rates.

Contingent and Temporary Workers

A final contemporary HR issue of note involves the growing use of contingent and temporary workers. Many employers use contingent and temporary workers to increase their flexibility and, in most cases, lower their costs.

Trends in Contingent and Temporary Employment A **contingent worker** is a person who works for an organization on something other than a permanent or full-time basis. Categories of contingent workers include independent contractors, on-call workers, temporary employees (usually hired through outside agencies), and contract and leased employees. Another category is part-time workers. In recent years there has been an explosion in the use of such workers by organizations. For instance, in 2010 about 12 percent of employed U.S. workers fell into one of these categories, up from 10 percent in 2008.

Managing Contingent and Temporary Workers One key to managing contingent workers effectively is careful planning and analysis. Rather than having to call in workers sporadically, and with no prior notice, organizations try to bring in specified numbers of workers for well-defined periods of time. Firms should also be able to document the labor-cost savings of using contingent workers.

A second key is recognizing what can and cannot be achieved by using contingent and temporary workers. For instance, these workers may lack the firm-specific knowledge to perform as effectively as a permanent employee would perform. They are also less committed to the organization and less likely to engage in organizational citizenship behaviors.

Finally, managers must make decisions about how to integrate contingent workers into the organization. These decisions may be as simple as whether to invite contingent workers to the holiday party, or they may be more complicated, such as whether to grant contingent workers access to such employee benefits as counseling services and child care.

Dealing with Organized Labor

7 **Explain why workers organize into labor unions.**

A **labor union** is a group of individuals working together to achieve shared job-related goals, such as higher pay, shorter working hours, more job security, greater benefits, or better working conditions. **Labor relations** refers to the process of dealing with employees who are represented by a union.

Unionism Today

In the years immediately following World War II and continuing through the mid-1960s, most unions routinely won certification elections. In recent years, however, labor unions have been winning certification less than 50 percent of the times that workers are called upon to vote. As a result, although millions of workers still belong

Knowledge Workers employees who are of value because of the knowledge they possess

Contingent Worker employee hired on something other than a full-time basis to supplement an organization's permanent workforce

Labor Union group of individuals working together to achieve shared job-related goals, such as higher pay, shorter working hours, more job security, greater benefits, or better working conditions

Labor Relations process of dealing with employees who are represented by a union

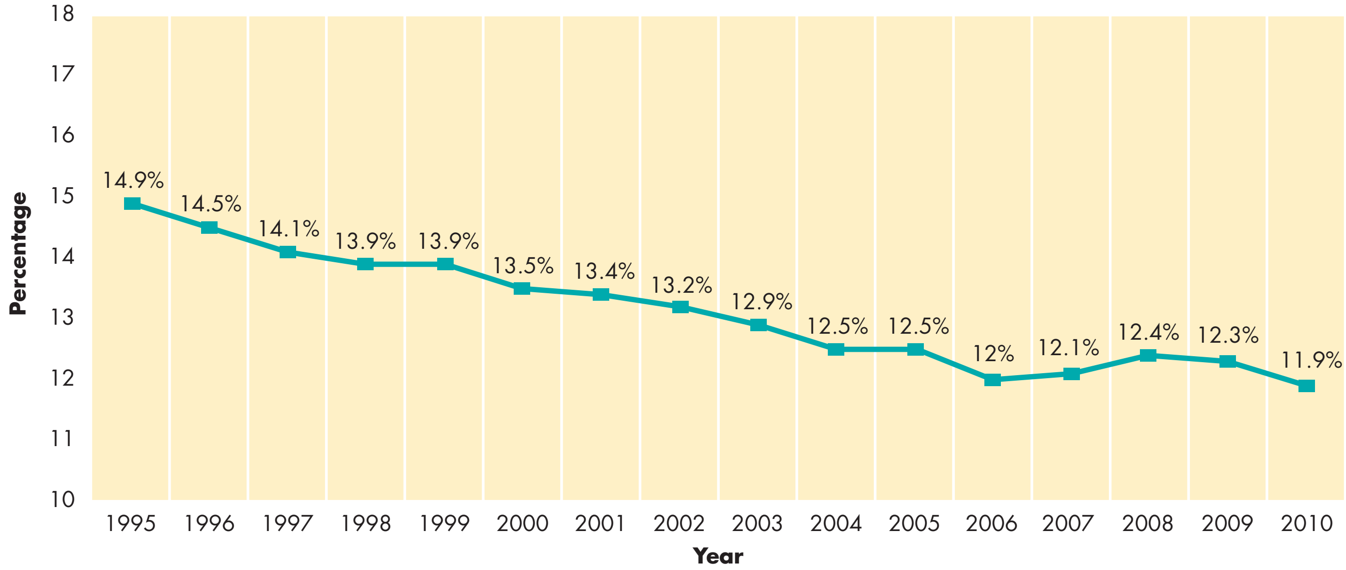


Figure 10.4 **Percentage of Workers Who Belong to Unions: 1995–2010**
Source: U.S. Department of Labor, Bureau of Labor Statistics, www.aflcio.org/joinaunion/why/uniondifference/uniondiff11.cfm.

to unions, union membership as a percentage of the total workforce has steadily declined. In 2007, only 12.1 percent of U.S. workers belonged to a labor union, down from 20.1 percent in 1983, when the U.S. Department of Labor first began compiling data.[9] As the recession of 2008–2010 began to increase fears about unemployment and wage cuts, union membership began to increase again, albeit only slightly. By 2010 it had dropped again, falling below pre-recession levels. These trends are shown in Figure 10.4.

The Future of Unions Even though several of its members withdrew from the parent organization in 2005, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), as well as independent major unions such as the Teamsters and the National Education Association (NEA), still play a major role in U.S. business. Unions in the traditional strongholds of goods-producing industries continue to wield considerable power as well. The United Auto Workers (UAW) was for decades one of the largest unions in the United States. But it, too, seems to be entering a period of decline. The traumas experienced by the U.S. auto industry in 2008–2009, for instance, required the UAW to make many major concessions in order to help Ford, DaimlerChrysler, and General Motors survive. In addition, auto plant closures will dramatically reduce the number of auto jobs in the years to come.

Another issue affecting the future of unionism is the geographic shift in the U.S. economy. For the most part unionism in the United States started in the north and midwest regions and in cities like Detroit, Pittsburgh, Cleveland, St. Louis, and Chicago. But over the past several decades there has been a pronounced shift as businesses have moved their operations to the south and southwest, areas that do not have a strong union heritage. For instance, Nucor Steel, profiled in our opening case, locates its facilities in smaller communities in the southern United States in part because it knows these workers are not prone to unionization.

8 **Describe the collective bargaining process.**

Collective Bargaining

The power of unions comes from collective action—forcing management to listen to the demands of all workers rather than to just the few who speak out. **Collective bargaining** is the process by which labor and management negotiate conditions of employment for union-represented workers and draft a labor contract.

Reaching Agreement on Contract Terms

The collective bargaining process begins when the union is recognized as the exclusive negotiator for its members and union leaders meet with management representatives to agree on a contract. By law, both parties must sit down at the bargaining table and negotiate in good faith. Figure 10.5 shows what is called the "bargaining zone." For instance, in theory employers want to pay as little as possible; they will generally pay more than the minimum, but there is also some upper limit beyond which they will not pay. Likewise, unions want the highest pay possible but expect to get less. But they too have a limit beyond which they will not go.

For example, suppose the barganing issue is pay increases. The employer may initially propose a pay increase of 2 percent but (secretly) be willing to offer up to 6 percent. However, under no circumstances can it afford to pay more than 8 percent. The union, meanwhile, may initially demand a 10 percent increase but (secretly) be willing to accept as little as 4 percent. Assuming each party negotiates in good faith and is willing to make concessions to the other, the real bargaining zone falls between the union minimum (4 percent) and the employer maximum (6 percent). The real outcome will then depend on such things as other items being negotiated and the skills of the respective negotiators.

Sometimes, this process goes quite smoothly. At other times, the two sides cannot agree. For instance, the example above should result in an agreement since the union minimum and the employer maximum provide a bargaining zone. But if the union demands no less than, say 8 percent and the employer is unwilling to give more than a 4 percent increase, there is no bargaining zone. Resolving the impasse depends in part on the nature of the contract issues, the willingness of each side to use certain tactics, such as strikes, and the prospects for mediation or arbitration.

Contract Issues

The labor contract itself can address an array of different issues. Issues that are typically most important to union negotiators include *compensation*, *benefits*, and *job security*. Certain management rights, such as control over hiring policies and work

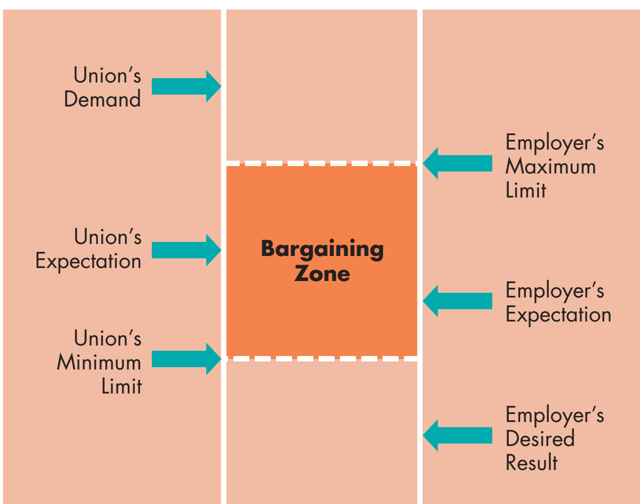


Figure 10.5 **The Bargaining Zone**

Collective Bargaining process by which labor and management negotiate conditions of employment for union-represented workers assignments, are also negotiated in most bargaining agreements. Other possible issues might include such specific details as working hours, overtime policies, rest period arrangements, differential pay plans for shift employees, the use of temporary workers, grievance procedures, and allowable union activities (dues collection, union bulletin boards, and so forth).

Compensation Compensation includes both current and future wages. One common tool for securing wage increases is a **cost-of-living adjustment (COLA).** Most COLA clauses tie future raises to the *Consumer Price Index (CPI)*, a government statistic that reflects changes in consumer purchasing power. Almost half of all labor contracts today include COLA clauses.

A union might be uncomfortable with a long-term contract based solely on COLA wage increases. One solution is a **wage reopener clause,** which allows wage rates to be renegotiated at preset times during the life of the contract.

Benefits Employee benefits are also an important component in most labor contracts. Unions typically want employers to pay all or most of the costs of insurance for employees. Other benefits commonly addressed during negotiations include retirement benefits, paid holidays, and working conditions. Due to surging health care costs, employee health insurance premiums have become a major point of contention in recent years. For example, many employees have much larger co-pays today when they visit their doctor than was the case a few years ago. (A *co-pay* is the dollar amount a patient pays to the doctor; insurance then pays the remainder.)

Job Security Job security also remains an important agenda item in many bargaining sessions today. In some cases, a contract may dictate that if the workforce is reduced, seniority will be used to determine which employees keep their jobs. Unions are setting their sights on preserving jobs for workers in the United States in the face of business efforts to outsource production in some sectors to countries where labor costs are cheaper. For example, the AFL-CIO has been an outspoken opponent of efforts to normalize trade relations with China, fearing that more businesses might be tempted to move jobs there to take advantage of lower wage levels.

When Bargaining Fails

An impasse occurs when, after a series of bargaining sessions, management and labor have failed to agree on a new contract or a contract to replace an agreement that is about to expire. Although it is generally agreed that both parties suffer when an impasse is reached and some action by one part against the other is taken, each side can use several tactics to support its cause until the impasse is resolved.

Union Tactics Historically, one of the most common union tactics has been the **strike,** which occurs when employees temporarily walk off the job and refuse to work. The number of major strikes in the U.S. has steadily declined over the past few decades. From 1960 to 1980, for example, an average of 281 strikes occurred per year. In the 1980s there was an average of 83 major strikes per year; in the 1990s this figure fell to an average of 35 per year. And between 2000 and 2009 there was an average of 20 major strikes per year.[10]

To support a strike, a union faced with an impasse has recourse to additional legal activities:

- In **picketing,** workers march at the entrance to the employer's facility with signs explaining their reasons for striking.
- A **boycott** occurs when union members agree not to buy the products of a targeted employer. Workers may also urge consumers to boycott the firm's products.
- Another alternative to striking is a **work slowdown.** Instead of striking, workers perform their jobs at a much slower pace than normal. A variation is the *sickout*, during which large numbers of workers call in sick.

Management Tactics Like workers, management can respond forcefully to an impasse with the following:

- **Lockouts** occur when employers deny employees access to the workplace. Lockouts are illegal if they are used as offensive weapons to give management a bargaining advantage. However, they are legal if management has a legitimate business need (for instance, avoiding a buildup of perishable inventory). When the National Football League failed to reach a new contract agreement with its player's union in 2011, the league owners imposed a lockout until an agreement was reached.
- A firm can also hire temporary or permanent replacements called **strikebreakers.** However, the law forbids the permanent replacement of workers who strike because of unfair practices. In some cases, an employer can obtain legal injunctions that either prohibit workers from striking or prohibit a union from interfering with its efforts to use replacement workers.

Mediation and Arbitration Rather than wield these often unpleasant weapons against one another, labor and management can agree to call in a third party to help resolve the dispute:

In **mediation,** the neutral third party (the mediator) can suggest, but cannot impose, a settlement on the other parties.

In **arbitration,** the neutral third party (the arbitrator) dictates a settlement between the two sides, which have agreed to submit to outside judgment. In some disputes, such as those between the government and public employees, arbitration is compulsory, or required by law.

Managing an organization's human resources is both a complex and an important undertaking. Most businesses can buy the same equipment and use the same technology as their competitors. But differences in employee talent and motivation are not easily copied. Consequently, most well-managed companies today recognize the value provided by their employees and strive to ensure that the HR function is managed as efficiently and effectively as possible.

Cost-Of-Living Adjustment (COLA) labor contract clause tying future raises to changes in consumer purchasing power

Wage Reopener Clause clause allowing wage rates to be renegotiated during the life of a labor contract

Strike labor action in which employees temporarily walk off the job and refuse to work

Picketing labor action in which workers publicize their grievances at the entrance to an employer's facility

Boycott labor action in which workers refuse to buy the products of a targeted employer

Work Slowdown labor action in which workers perform jobs at a slower than normal pace

Lockout management tactic whereby workers are denied access to the employer's workplace

Strikebreaker worker hired as a permanent or temporary replacement for a striking employee

Mediation method of resolving a labor dispute in which a third party suggests, but does not impose, a settlement

Arbitration method of resolving a labor dispute in which both parties agree to submit to the judgment of a neutral party


H. Mark Weidman Photography/Alamy

Continued from page 244

Getting the Steel Out the Door

Nucor needs just four incentive plans because of an unusually flat organizational structure—another Iverson innovation. There are just four layers of personnel between a janitor and senior management: general managers, department managers, line supervisors, and hourly personnel. Most operating decisions are made at the divisional level or lower, and the company is known for its tolerance of honest mistakes made in the line of decision-making duty. The Nucor website quotes an unnamed executive as saying, "Workers excel here because they are allowed to fail," and goes on to explain that the occasional misstep is considered a good trade-off for the benefits of initiative and idea sharing: "Nucor managers at all levels encourage their employees to try out their new ideas. Sometimes the ideas work out, sometimes they don't. But this freedom to try helps give Nucor one of the most creative, get-it-done workforces in the world."

The Nucor system works not only because employees share financial risks and benefits but because, in sharing risks and benefits, they're a lot like owners. And people who think like owners are a lot more likely to take the initiative when decisions have to be made or problems solved. What's more, Nucor has found that teamwork is a good incubator for initiative as well as idea sharing. John J. Ferriola, who managed the Nucor mill in Hickman, Arkansas, before becoming chief operating officer, remembers an afternoon in March 2006 when the electrical grid at his facility went down. His electricians got on the phone to three other company electricians, one in Alabama and two in North Carolina, who dropped what they were doing and went straight to Arkansas. Working 20-hour shifts, the joint team had the plant up and running again in three days (as opposed to an anticipated full week). There was nothing in it (at least financially) for the visiting electricians, but they knew that maintenance personnel get no bonuses when equipment in their facility isn't operating. "At Nucor," says one frontline supervisor, "we're not 'you guys' and 'us guys.' It's all of us guys. Wherever the bottleneck is, we go there, and everyone works on it."

Nucor also likes to see teamwork—cooperation and idea sharing—combined with a little productive competition. Plant managers often set up contests between shifts to improve efficiency, output, or safety, but sometimes the effort of a work group to give itself a competitive edge can be taken to another level. In 2002, the Nucor plant in Crawfordsville, Indiana, was a pioneer in the development of an innovative process called thin-strip steel casting, and as of 2008, it was still setting records for continuous output from the process. The facility, however, isn't located near any major waterway and is thus at a disadvantage when it comes to transportation costs, especially when fuel prices are high. So General Manager Ron Dickerson and his employees collaborated on a plan not only to get around the problem but to increase profitability at the same time. Because it was too expensive for them to ship sheet steel as wide as that regularly made by competitors (including other Nucor-owned plants), Crawfordsville management and workers campaigned for the opportunity to shift the plant's focus to other types of steel.

It was a risky proposition, but today Crawfordsville turns out 160 different grades of steel. Some of them present manufacturing difficulties that employees have had to solve over time, but making the new processes work meant more orders for the plant and more hours for its employees. By the first quarter of 2008, the plant was setting production and shipment records. "We're continually expanding product ranges and the types of steel we make," says Dickerson, who continues to look forward, particularly to the opportunity to apply the Nucor brand of employee initiative to new technologies. "Nucor has a couple of other things going on," he notes, "and it's not yet decided where they'll make an investment. [But] Crawfordsville is known for successful startups, so I'm hoping we get some of these new technologies."

QUESTIONS FOR DISCUSSION

1 Instead of a system of individual performance appraisals, Nucor appraises employee performance according to division-wide quality, productivity, and profitability goals and targets. What are the advantages and disadvantages of this approach?

2 Identify the incentives—both financial and nonfinancial—that Nucor uses to motivate employees.

3 How does Nucor's flat organizational structure contribute to the success of its compensation system?

4 Many firms today use temporary, part-time, or virtual workers to reduce costs and gain flexibility. Nucor has never taken this route. Should management consider it in the future? Why or why not?

5 Nucor's CEO believes that when the economy turns around, Nucor will be "first out of the box" in the steel industry. What reasons does he have for being so optimistic?

SUMMARY OF LEARNING OBJECTIVES

MyBizLab

1. Define *human resource management* and explain how managers plan for their organization's human resource needs. (pp. 245–246)

Human resource management (*HRM*) is the set of organizational activities directed at attracting, developing, and maintaining an effective workforce. *Job analysis* is a systematic analysis of jobs within an organization resulting in two things: a *job description* and a *job specification.* Managers must plan for future HR needs by assessing past trends, future plans, and general economic trends. Forecasting labor supply is really two tasks: (a) *forecasting internal supply* and (b) *forecasting external supply.* The next step in HR planning is matching HR supply and demand.

2. Identify the tasks in staffing a company and discuss ways in which organizations select new employees. (pp. 246–248)

Staffing an organization means recruiting and hiring the right mix of people. *Recruiting* is the process of attracting qualified persons to apply for open jobs, either from within the organization or from outside the organization. The next step is the *selection process*—gathering information that will predict applicants' job success and then hiring candidates. Common selection techniques include application forms; tests of ability, aptitude, or knowledge; and interviews.

3. Describe how managers develop the workforce in their organization through training and performance appraisal. (p. 249)

New employees must be trained and allowed to develop job skills. *On-the-job training* occurs while the employee is at work. *Off-the-job training* takes place off-site where controlled environments allow focused study. Some firms use *vestibule training*—off-the-job training in simulated work environments. In larger firms, *performance appraisals* show how well workers are doing their jobs.

4. Describe the main components of a compensation system and describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace. (pp. 249–252)

A *compensation system* is the total package of rewards that a firm offers employees in return for their labor. Although *wages* and *salaries* are key parts of all compensation systems, most also include incentives and employee benefits programs. Beyond a certain point, money motivates employees only when tied directly to performance. One way is to use *incentive programs*—special pay programs designed to motivate performance. *Benefits*—compensation other than wages and salaries—account for a large percentage of compensation budgets. The law requires most companies to provide social security benefits and *workers' compensation insurance.* Most companies provide health, life, and disability insurance; retirement plans pay pensions to workers when they retire.

5. Discuss the legal context of human resource management and identify the contemporary legal issues. (pp. 252–255)

HR management is influenced by the law. One area of HR regulation is *equal employment opportunity*—regulation to protect people from discrimination in the workplace. Because illegal discrimination is based on a prejudice about classes of individuals, laws protect various classes. A *protected class* consists of individuals who share one or more common characteristics as indicated by a given law (such as race, color, religion, gender, age, national origin, and so forth).

6. Discuss workforce diversity, the management of knowledge workers, and the use of a contingent workforce as important changes in the contemporary workplace. (pp. 255–257)

Workforce diversity refers to the range of workers' attitudes, values, beliefs, and behaviors that differ by gender, race, age, ethnicity, physical ability, and other relevant characteristics. Employees who add value because of what they know are usually called *knowledge workers,* and managing them skillfully helps to determine which firms will be successful in the future. *Contingent workers,* including independent contractors, on-call workers, temporary employees, contract and leased employees, and part-time employees, work for organizations on something other than a permanent or full-time basis.

7. Explain why workers organize into labor unions. (pp. 257–258)

A *labor union* is a group of individuals working together to achieve shared job-related goals. *Labor relations* refers to the process of dealing with employees represented by a union.

8. Describe the collective bargaining process. (pp. 258–261) The *collective bargaining* cycle begins when union leaders and management meet to agree on a contract. Each presents its demands, and then the two sides identify a *bargaining zone.* When a compromise is reached, the agreement is voted on by union members.

An *impasse* occurs when management and labor fail to agree on a contract. The most important union tactic is the *strike.* Unions may also use *picketing.* Under a *boycott,* union members agree not to buy the products of a targeted employer. During a *work slowdown,* workers perform their jobs at a much slower pace than normal. During a *sick-out,* large numbers of workers call in sick. Management may resort to *lockouts*—denying employees access to the workplace. Labor and management can call in a third party to help resolve the dispute. Common options include *mediation, voluntary arbitration,* and *compulsory arbitration.*

KEY TERMS MyBizLab

affirmative action plan (p. 253)
arbitration (p. 261)
benefits (p. 251)
bonus (p. 251)
boycott (p. 260)
cafeteria benefits plan (p. 252)
collective bargaining (p. 258)
compensation system (p. 249)
contingent worker (p. 257)
cost-of-living adjustment (COLA) (p. 260)
employee information system (skills inventory) (p. 246)
employment at will (p. 255)
equal employment opportunity (p. 252)
Equal Employment Opportunity Commission (EEOC) (p. 252)
external recruiting (p. 247)
gainsharing plan (p. 251)
hostile work environment (p. 255)
human resource management (HRM) (p. 245)
incentive program (p. 250)
internal recruiting (p. 247)
job analysis (p. 245)
job description (p. 245)
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knowledge workers (p. 256)
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QUESTIONS AND EXERCISES

QUESTIONS FOR REVIEW

1. What are the advantages and disadvantages of internal and external recruiting? Under what circumstances is each more appropriate?

2. Why is the formal training of workers so important to most employers? Why don't employers simply let people learn about their jobs as they perform them?

3. What different forms of compensation do firms typically use to attract and keep productive workers?

4. Why do workers in some companies unionize whereas workers in others do not?

QUESTIONS FOR ANALYSIS

5. What are your views on drug testing in the workplace? What would you do if your employer asked you to submit to a drug test?

6. Workers at Ford, GM, and Chrysler are represented by the UAW. However, the UAW has been much less successful in its attempts to unionize U.S. workers employed at Toyota, Nissan, and Honda plants in the United States. Why do you think this is so?

7. What training do you think you are most likely to need when you finish school and start your career?

8. How much will benefit considerations affect your choice of an employer after graduation?

APPLICATION EXERCISES

9. Interview an HR manager at a local company. Focus on a position for which the firm is currently recruiting applicants and identify the steps in the selection process.

10. Interview the managers of two local companies, one unionized and one nonunionized. Compare the wage and salary levels, benefits, and working conditions of employees at the two firms.

BUILDING YOUR BUSINESS SKILLS

A Little Collective Brainstorming

Goal

To help you understand why some companies unionize and others do not.

Background Information

You've been working for the same nonunion company for five years. Although there are problems in the company, you like your job and have confidence in your ability to get ahead. Recently, you've heard rumblings that a large group of workers wants to call for a union election. You're not sure how you feel about this because none of your friends or family are union members.

Method

Step 1

Come together with three other "coworkers" who have the same questions as you. Each person should target two companies to learn about their union status. Avoid small businesses. Choose large corporations such as General Motors, Intel, and Sears. As you investigate, answer the following questions:

- Is the company unionized?
- Is every worker in the company unionized, or just selected groups of workers? Describe the groups.
- If a company is unionized, what is the union's history in that company?
- If a company is unionized, what are the main labor-management issues?
- If a company is unionized, how would you describe the current status of labor-management relations? For example, is it cordial or strained?
- If a company is not unionized, what factors are responsible for its nonunion status?To learn the answers to these questions, contact the company, read corporate annual reports, search the company's website, contact union representatives, or do research on a computerized database.

Step 1

Go to the website of the AFL-CIO (www.aflcio.org) to learn more about the current status of the union movement. Then with your coworkers, write a short report about the advantages of union membership.

Step 1

Research the disadvantages of unionization. A key issue to address is whether unions make it harder for companies to compete in the global marketplace.

FOLLOW-UP QUESTIONS

1. Based on everything you learned, are you sympathetic to the union movement? Would you want to be a union member?
2. Are the union members you spoke with or read about satisfied or dissatisfied with their union's efforts to achieve better working conditions, higher wages, and improved benefits?
3. What is the union's role when layoffs occur?
4. Based on what you learned, do you think the union movement will stumble or thrive in the years ahead?

EXERCISING YOUR ETHICS: INDIVIDUAL EXERCISE

Operating Tactically

The Situation

Assume that you work as a manager for a medium-sized, nonunion company that is facing its most serious union-organizing campaign in years. Your boss, who is determined to keep the union out, has just given you a list of things to do in order to thwart the efforts of the organizers. For example, he has suggested each of the following tactics:

- Whenever you learn about a scheduled union meeting, you should schedule a "worker appreciation" event at the same time. He wants you to offer free pizza and to give cash prizes, which winners have to be present to receive.
- He wants you to look at the most recent performance evaluations of the key union organizers and to terminate the one with the lowest overall evaluation based on the "need to lower costs."
- He wants you to make an announcement that the firm is seriously considering such new benefits as on-site child care, flexible work schedules, telecommuting options, and exercise facilities. Although you know that the firm is indeed looking into these benefits, you also know that, ultimately, your boss will provide far less lavish benefits than he wants you to intimate.

The Dilemma

When you questioned the ethics—and even the legality—of these tactics, your boss responded by saying, "Look, all's fair in love and war, and this is war." He went on to explain that he was seriously concerned that a union victory might actually shut down the company's domestic operations altogether, forcing it to move all of its production capacities to lower-cost foreign plants. He concluded by saying that he was really looking out for the employees, even if he had to play hardball to help them. You easily see through his hypocrisy, but you also recognize some potential truth in his warning: If the union wins, jobs may actually be lost.

QUESTIONS TO ADDRESS

1 What are the ethical issues in this situation?
2 What are the basic arguments for and against extreme measures to fight unionization efforts?
3 What do you think most managers would do in this situation? What would you do?

EXERCISING YOUR ETHICS: TEAM EXERCISE

Handling the Layoffs

The Situation

The CEO of a moderate-sized company is developing a plan for laying off some members of the company workforce. He wants each manager to rank his or her employees according to the order in which they should be laid off, from first to last.

The Dilemma

One manager has just asked for help. He is new to his position and has little experience to draw from. The members of the manager's team are as follows:

- Tony Jones: white male, 10 years with the company, average performer, reportedly drinks a lot after work
- Amanda Wiggens: white female, very ambitious, 3 years with company, above-average performer, puts in extra time at work; is known to be abrasive when dealing with others
- Jorge Gonzalez: Latino, 20 years with the company, average performer, was laid off before but then called back when business picked up
- Dorothy Henderson: white female, 25 years with company, below-average performer, has filed five sexual harassment complaints in last 10 years
- Wanda Jackson: African American female, 8 years with company, outstanding performer, is rumored to be looking for another job
- Jerry Loudder: white male, single parent, 5 years with company, average performer
- Martha Strawser: white female, 6 years with company, excellent performer but spotty attendance, is putting husband through college

Team Activity

Assemble a group of four students. Your group has agreed to provide the manager with a suggested rank ordering of the manager's employees.

ACTION STEPS

1 Working together, prepare this list, ranking the manager's employees according to the order in which they should be laid off, from first to last.
2 As a group, discuss the underlying ethical issues in this situation and write them down.
3 As a group, brainstorm any legal issues involved in this situation and write them down.
4 Do the ethical and legal implications of your choices always align?
5 Do the ethical and performance implications of your choices always align?

CRAFTING A BUSINESS PLAN

Part 3: People in Organizations

Goal of the Exercise

At this point, your business has an identity and you've described the factors that will affect your business and how you will operate it. Part 3 of the business plan project asks you to think about your employees, the jobs they will be performing, and the ways in which you can lead and motivate them.

Exercise Background: Part 3 of the Business Plan

To complete this part of the plan, you need to refer back to the organizational chart that you created in Part 2. In this part of the business plan exercise, you'll take the different job titles you created in the organizational chart and give thought to the *skills* that employees will need to bring to the job *before* they begin. You'll also consider *training* you'll need to provide *after* they are hired, as well as how you'll compensate your employees. Part 3 of the business plan also asks you to consider how you'll lead your employees and keep them happy and motivated.

Your Assignment

Step 1

Open the *Business Plan* file you began working on in Parts 1 and 2.

Step 1

For the purposes of this assignment, you will answer the questions in "Part 3: People in Organizations:"

1 What do you see as the "corporate culture" of your business? What types of employee behaviors, such as organizational citizenship, will you expect?
Hint: Will your business demand a casual environment or a more professional environment? Refer to the discussion on employee behavior in Chapter 8 for information on organizational citizenship and other employee behaviors.
2 What is your philosophy on leadership? How will you manage your employees day-to-day?
Hint: Refer to the discussion on leadership in Chapter 9, to help you formulate your thoughts.
3 Looking back at your organizational chart in Part 2, briefly create a job description for each team member.
Hint: As you learned in Chapter 10, a job description lists the duties and responsibilities of a job; its working conditions; and the tools, materials, equipment, and information used to perform it. Imagine your business on a typical day. Who is working and what is each person's responsibilities?
4 Next, create a job specification for each job, listing the skills and other credentials and qualifications needed to perform the job effectively.
Hint: As you write your job specifications, consider what you would write if you were making an ad for the position. What would the new employee need to bring to the job in order to qualify for the position?
5 What sort of training, if any, will your employees need once they are hired? How will you provide this training?
Hint: Refer to the discussion of training in Chapter 10. Will you offer your employees on-the-job training? Off-the-job training? Vestibule training?
6 A major factor in retaining skilled workers is a company's compensation system—the total package of rewards that it offers

employees in return for their labor. Part of this compensation system includes wages/salaries. What wages or salaries will you offer for each job? Why did you decide on that pay rate? *Hint*: Refer to Chapter 10 for more information on forms of compensation. You may also want to check out sites like www.salary.com, which includes a salary wizard you can use to determine how much people with different job titles are making in your area and across the United States.

7 As you learned in Chapter 10, incentive programs are special programs designed to motivate high performance. What incentives will you use to motivate your workforce? *Hint*: Be creative and look beyond a simple answer, such as giving pay increases. Ask yourself, who are my employees and what is important to them? Refer to Chapter 10 for more information on the types of incentives you may want to consider.

Note: Once you have answered the questions, save your Word document. You'll be answering additional questions in later chapters.

VIDEO EXERCISE MyBizLab

Patagonia

Learning Objectives

The purpose of this video is to help you:

1 Understand how a company's human resource management system supports the company's mission.
2 Identify how a company can use recruitment and selection to find the best employees.
3 Describe the components of a company's compensation system.

Synopsis

Patagonia is a company with environmentalism at its core. Founder Yvon Chouinard became interested in rock climbing as a teenager and began forging pitons in his parents' backyard. This hobby has grown into an international business that still reflects Yvon's sense of adventure and love of the great outdoors. The company's mission statement reflects these values: *Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.* Patagonia's products, from clothing to climbing supplies, are recognized for their quality and environmentally conscious production. *Fortune* magazine has recognized Patagonia year after year as one of the 100 best places to work. The company exhibits a high level of social responsibility, taking care of employees with on-site child care centers and flexible work hours and through a sustained program of donating 1 percent of sales or 10 percent of products (whichever is greater) to environmental causes.

DISCUSSION QUESTIONS

1 Yvon Chouinard's mantra is "Let my people surf." What does this mean to Patagonia and its employees?
2 Patagonia has been recognized for its family-friendly policies? Describe a few of these policies as highlighted in the video. What are the benefits to the company and its employees?
3 How does the hiring process at Patagonia differ from the procedures used by most organizations? How does this process support the company's values and work style?
4 Although Patagonia is considered a great place to work, the company is not a pay leader, often paying slightly less than average wages to employees. Describe Patagonia's compensation system.
5 What motivates employees to work for Patagonia?

Online Exploration

After watching this video, you probably want to know more about Patagonia. Visit the company's website (www.patagonia.com), scrolling to the bottom of the home page. Click on Company Info, where you will find a detailed history of the company as well as information about jobs. Clicking on the Jobs link, you can view available jobs at the company's Ventura, California, headquarters as well as other locations. Click on the available jobs to view a job description for each opening. How do these job descriptions reflect the company's values?

END NOTES

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