

chapter

8

Managing Human Resources and Labour Relations

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After reading this chapter, you will be able to:

LO-1 Define *human resource management*, discuss its strategic significance, and explain how managers plan for human resources.

LO-2 Identify the issues involved in *staffing* a company, including internal and external recruiting and *selection*.

LO-3 Discuss different ways in which organizations go about developing the capabilities of employees and managers.

LO-4 Discuss the importance of *wages and salaries*, *incentives*, and *benefit programs* in attracting and keeping skilled workers.

LO-5 Describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace.

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

LO-7 Trace the evolution of, and discuss trends in, *unionism* in Canada.

LO-8 Describe the *major laws governing unionism*.

LO-9 Identify the steps in the *collective bargaining process*.

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Are More Cracks Appearing in the Glass Ceiling?

Back in the 1990s, much was written about how a “glass ceiling”—the invisible barrier that prevents women from moving into the very top jobs in business firms—was starting to break down. Dramatic changes occurred in the automobile business, for example, Maureen Kempston Darkes was appointed CEO of General Motors of Canada and Bobbie Gaunt became CEO of Ford Motor Company of Canada. These were major changes in an industry that had been very male-dominated. Other high-profile appointments have continued to be evident. For example, in 2008 Monique Leroux was appointed CEO of Desjardins Group, Quebec’s largest financial institution. She is the first woman to lead a top 10 financial institution in Canada. A year earlier, Cynthia Carroll shattered another ceiling when she became the first female CEO to lead a global mining company, Anglo American PLC. This was quite significant when you consider that Ontario legislation did not even permit women to work underground until 1979. It has not been quite that difficult in other areas. In 2010, Kathleen Taylor took over as CEO of the Four Seasons hotel chain, in an industry that has long been favourable to women.

So progress is evident. But it is also slow. A Statistics Canada report showed that women aged 25–29 who worked full time earned only 85 percent of what men earned. That gap is the same size it was five years earlier. During the last few years, other studies have revealed some other interesting statistics:

- Women with advanced degrees earn 96 percent of what men earn; women with bachelor’s

How Will This Help Me?

Effectively managing human resources is critical to the success of organizations. A firm that handles this activity well has a better chance for success than a firm that simply goes through the motions. After reading the material in this chapter, you’ll be better able to understand—from the perspective of a *manager*—the importance of properly managing human resources in a department or business you own or supervise. You’ll also understand—from the perspective of an *employee*—why your employer has adopted certain approaches to dealing with issues like hiring, training, compensation, and benefits.

degrees earn 89 percent; and at the trades certificate level, women earn just 65 percent of what men earn.

- The average single woman earns 99 percent of what the average man earns.
- In law firms, women comprise 50 percent of associates but only 16 percent of partners. Women also drop out of practice at two or three times the rate of men. In contrast, more than half of all senior management positions at Vancouver City Savings Credit Union and Coast Capital Savings Credit Union are occupied by women.
- No member state in the Organisation for Economic Co-operation and Development (OECD) has been able to erase the wage gap; in the OECD as a whole, the difference is about 15 percent.
- For men aged 55–64, the proportion of potential years of work spent actually working is 92.3 percent, but for women aged 55–64, the ratio is only 64.2 percent.
- Compared to men, the average woman has less labour market experience, is less likely to work full time, and is more likely to leave the labour force for long periods of time.

A study that analyzed the pay earned by males and females at equivalent levels of responsibility found that base pay rates were not much different, but men received bonuses that often doubled their total pay while women received bonuses that only slightly increased their total pay.

Various reasons have been proposed for pay inequity and the under-representation of women in the top ranks of management. They include simple male bias against promoting women; the “old boys network”; women dropping out of the workforce to have children; lack of organizational support and role models for women; stereotyping; partners who don’t help at home; and a work culture that’s not compatible with family life. Some researchers say that both men and women are ambitious, competent, and competitive, but men carry everything to an extreme. For men, winning is everything and they feel the need to decisively defeat their opponents (think sports). This line of thinking says that male hormones (notably testosterone) cause men to have an extremely strong drive for dominance, status, power, and control, and that kind of behaviour is rewarded in organizations.

In this same vein, another study found that women don’t aspire to top management positions like men do. About one-third of men surveyed said they aspired to positions like chief executive officer or chief operations officer, but only about one-fifth of women wanted such a job title. Age was also a factor: 89 percent of women aged 25–34 aspired to top positions, but only 58 percent of women aged 45–55 had such aspirations. This suggests that the issue is generational, and that more and more women are going to be appointed to top jobs as time passes because they have different attitudes about the desirability of top management jobs. There is also the matter of overcoming traditions and expectations. Cynthia Carroll may have broken the glass ceiling in the mining field, but the rest of the statistics in the industry are still quite unfavourable. Only 14 percent of the labourers and 1 percent of geological engineers are women.

For change to occur, structural action is needed. There have been some positive steps. For example, the Iron Ore Company of Canada teamed up with a community college in Labrador City to create an apprenticeship program that actively recruits and attracts young women. There are some systematic obstacles still in place but actions like these are slowly eliminating barriers even in traditionally male-dominated industries.

HUMAN RESOURCE MANAGEMENT

(HRM) Set of organizational activities directed at attracting, developing, and maintaining an effective workforce.

LO-1 The Foundations of Human Resource Management

and maintaining an effective workforce. Human resource management takes place within a complex and ever-changing environmental context and is increasingly being recognized for its strategic importance.¹

The Strategic Importance of HRM

Human resources are critical for effective organizational functioning. HRM (or *personnel*) was once relegated to second-class status in many organizations, but its importance has grown dramatically in the last two decades, stemming from increased legal complexities, the

Human resource management (HRM) is the set of organizational activities directed at attracting, developing,

recognition that human resources are a valuable means for improving productivity, and an awareness of the costs associated with poor human resource management.

Managers now realize that the effectiveness of their HR function has a substantial impact on a firm's bottom-line performance. Poor human resource planning can result in spurts of hiring followed by layoffs—a process that is costly in terms of unemployment compensation payments, training expenses, and morale. Haphazard compensation systems do not attract, keep, and motivate good employees, and outmoded recruitment practices can expose the firm to expensive and embarrassing legal action. Consequently, the chief human resource 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.

Human Resource Planning

Planning is the starting point in attracting qualified human resources. Human resource (HR) planning involves *job analysis*, *forecasting* the demand for and supply of labour, and *matching* supply and demand.

Job Analysis **Job analysis** is a systematic analysis of jobs within an organization. A job analysis is made up of two parts:

- 1 The **job description** lists the duties of a job, its working conditions, and the tools, materials, and equipment used to perform it.
- 2 The **job specification** lists the skills, abilities, and other credentials needed to do the 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 and job-relevant performance appraisal systems and to set equitable compensation rates.

Forecasting HR Demand and Supply After managers fully understand 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. A good sales forecast is often the foundation, especially for smaller organizations. Historical ratios can then be used to predict demand for types of employees, such as operating employees and sales representatives. Large organizations use much more complicated models to predict HR needs.

Forecasting the supply of labour involves two tasks:

- Forecasting *internal supply*—the number and type of employees who will be in the firm at some future date
- Forecasting *external supply*—the number and type of people who will be available for hiring from the labour market at large

The simplest approach merely adjusts present staffing levels for anticipated turnover and promotions. Large organizations often use extremely sophisticated models to keep track of the present and future distributions of professionals and managers. This allows the company to spot areas where there will eventually be too many qualified professionals competing for too few promotions or, conversely, too few good people available to fill important positions. Research In Motion and about 550 high-tech companies are located in Canada's "technology triangle" (Kitchener, Waterloo, and Cambridge, Ontario). At the beginning of 2010, unemployment was high but there were about 1500–2000 high-tech, high-paying jobs open in the region. Why? These jobs are highly specialized and require experienced workers, so there was a bit of a mismatch in supply and demand at the time.²

Replacement Charts At higher levels of the 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 he or she will probably stay in it before moving on, and who is now qualified or soon will be qualified to move into it. This technique allows ample time to plan developmental experiences for people identified as potential successors to critical managerial jobs. WestJet had a smooth transition of power when Sean Durfy took over as CEO from Clive Beddoe. In 2010, when Mr. Durfy had to leave abruptly for personal reasons, after just 18 months on the job, Gregg Saretsky took over. He was regarded as the logical successor, having been hired nine months earlier as vice-president of WestJet Vacations, but nobody expected him to get the CEO opportunity so quickly.³

Skills Inventories To facilitate planning and to identify people for transfer or promotion, some organizations also have **employee information systems**, or **skills inventories**. These systems are usually computerized and contain information on each employee's education, skills,

JOB ANALYSIS

A detailed study of the specific duties in a particular job and the human qualities required for that job.

JOB DESCRIPTION

The objectives, responsibilities, and key tasks of a job; the conditions under which it will be done; its relationship to other positions; and the skills needed to perform it.

JOB SPECIFICATION

The specific skills, education, and experience needed to perform a job.

REPLACEMENT

CHART An HR technique that lists each important managerial position, who occupies it, how long he or she will probably stay in it before moving on, and who (by name) is now qualified or soon will be qualified to move into it.

EMPLOYEE INFORMATION SYSTEMS (SKILLS INVENTORIES)

Computerized systems that contain information on each employee's education, skills, work experience, and career aspirations.

RECRUITING The phase in the staffing of a company in which the firm seeks to develop a pool of interested, qualified applicants for a position.

INTERNAL RECRUITING Considering present employees as candidates for job openings.

EXTERNAL RECRUITING Attracting people outside the organization to apply for jobs.

INTERNSHIPS Short-term paid or unpaid positions where students focus on a specific project.

work experience, and career aspirations. Such a system can quickly locate every employee in the company who is qualified to fill a position requiring, say, a degree in chemical engineering, three years of experience in an oil refinery, and fluency in French.

Forecasting the external supply of labour is more difficult. For example, how does a manager predict how many electrical engineers will be seeking work in Ontario or British Columbia three years from now? To get an idea of the future availability of labour, planners must rely on information from outside sources, including population and demographic statistics and figures

supplied by colleges and universities on the number of students in major fields. These statistics show that Canada is soon likely to face a severe labour shortage with baby boomers reaching retirement age.⁴ The recession of 2008–2009 meant a surplus of labour, but as the economy improves we are starting to see strong hiring needs in the mining, construction, wholesale, and retail trade sectors.⁵

Matching HR Supply and Demand After comparing future demand and internal supply, managers can make plans to navigate 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 persuaded to stay on, or labour-saving or productivity-enhancing systems can be installed.

If the organization needs to hire, the external labour-supply forecast helps managers plan how to recruit according to whether the type of person needed is readily available or scarce in the labour market. The use of temporary workers also helps managers by giving them extra flexibility in staffing. 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 people off.

Before we take a closer look at the recruiting process, read the boxed insert entitled “Green Recruiting.” It illustrates the increasing importance of environmental considerations in recruiting.

Staffing the Organization

Once managers have decided what positions they need to fill, they must find and hire individuals who meet the job requirements. A study by the Canadian Federation of Independent Business found that the top three characteristics employers are looking for are a good work ethic, reliability, and willingness to stay on the job.⁶ Staffing of the business is one of the most complex and important aspects of good human resource management. In this section, we will describe both the process of acquiring staff from outside the company (*external staffing*) and the process of promoting staff from within (*internal staffing*); both start with effective recruiting.

LO-2 Recruiting Human Resources

Recruiting is the process of attracting qualified people to apply for available jobs. Some recruits are found internally; others come from outside the organization.

Internal recruiting means considering present employees as candidates for openings. Promotion from within can help build morale and keep high-quality employees from leaving. In unionized firms, the procedures for notifying employees of internal job-change opportunities are usually spelled out in the union contract. For higher-level positions, a skills inventory system may be used to identify internal candidates, or managers may be asked to recommend individuals who should be considered.

External recruiting means attracting people outside the organization to apply for jobs. External recruiting methods include advertising, campus interviews, employment agencies or executive search firms, union hiring halls, referrals by present employees, and hiring “walk-ins” (people who show up without being solicited). Private employment agencies can be a good source of clerical and technical employees, and executive search firms specialize in locating top-management talent. Newspaper and job-search website ads are often used because they reach a wide audience and thus allow minorities “equal opportunity” to learn about and apply for job openings.

At a job fair, candidates browse through the positions available and talk face to face with recruiters. Job fairs are cheaper than posting jobs with an employment agency or headhunter. **Internships**—short-term paid positions where students focus on a specific project—are increasingly popular. If the individual works out well, the company often hires the student full time after graduation.

Green Recruiting

When Chad Hunt went looking for a job after graduating from university, one key criterion he used was the prospective employer's environmental impact. He eventually took a job with Husky Injection Molding Systems because of the company's emphasis on protecting the environment. Dirk Schlimm, vice-president of corporate affairs for Husky, says that when prospective hires are asked during job interviews why they want to work for Husky, they often mention the company's environmental responsibility program.

Sara Wong said it was the zero-waste program at Hudson's Bay Company (HBC) that caught her attention when she was job hunting. Bob Kolida, the senior vice-president for human resources at HBC, says workers today are more vocal about their desire to work for a green employer. When they visit the company's website, they often click on the corporate social responsibility report.

In a survey conducted by Monster.ca, 78 percent of respondents said they would quit their current job if they could get one at a company that had an environmentally friendly focus. In a second survey, 81 percent of the respondents said that their current employer was not environmentally friendly, and only 18 percent said their employer was "extremely green."

Gabriel Bouchard, Monster.ca's vice-president and general manager, says that employers need to recognize that an environmentally friendly workplace is important to both current employees and job candidates. Bob Willard, who has written books about how businesses can benefit by going green, says that Canadians in general have become more concerned about the environment, and they want to work for companies that share their concerns. So, there is a

connection between being green and being a desired employer.

Over half a million Canadians are now employed in environment-related jobs, many of which didn't even exist a generation ago (e.g., consultants for home energy efficiency). According to the Environmental Careers Organization of Canada, the top five green careers are environmental engineer, environmental technologist, conservation biologist, geographic information system analyst, and environmental communications officer.

Ontario has set up a new \$650 million fund to secure the next generation of high-paying jobs. Ontario's premier said the money will be used to develop clean and green technologies and businesses. The world is looking for innovative ways to conserve energy and to fight global warming, and *some* place is going to secure thousands of new jobs by developing new solutions. Ontario wants to be that place.

Critical Thinking Questions

1. What are the advantages of working for an environmentally friendly company? Are there any disadvantages?
2. Consider the following statement: "*All the publicity about graduates looking for jobs at environmentally friendly companies is exaggerated. Since being green is the thing to do, many graduates are merely claiming they want to work for an environmentally friendly company, even though most of them really don't care that much about the environment.*" Do you agree or disagree with the statement? Explain your reasoning.

At Bayer Inc. in Toronto, interns are paid at about the same level as full-time employees.⁷

The biggest change in recent years has been the influential impact of internet recruiting. Companies like Monster.ca and Workopolis.ca have become key sources. Internet recruiting gives employers and those seeking employment a fast, easy, and inexpensive way of interacting. But there are drawbacks. For example, employers often receive applications from unqualified people, and those seeking a job often find that they receive no response to their application. Adding to the complexity

of the recruitment process is the growing use of social media by job searchers and recruiters. Read the following E-Business and Social Media Solutions boxed insert titled "Job Recruitment in the Social Media Era."

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 information from applicants that will predict their job success and then to hire the candidates likely to be most successful.

VALIDATION The process of determining the predictive value of information.

The process of determining the predictive value of information is called **validation**.

To reduce the element of uncertainty, managers use a variety of selection techniques,

the most common of which are shown in Figure 8.1. Each organization develops its own mix of selection techniques and may use them in almost any order.

Application Forms The first step in selection is asking the candidate to fill out an application form. An

E-BUSINESS AND SOCIAL MEDIA SOLUTIONS

Job Recruitment in the Social Media Era

The internet has transformed the job recruitment process. Online recruitment sites like Monster.ca and Workopolis made the first revolutionary impression and changed the traditional job-hunting process a few years ago. However, the best way to find a job is through a personal contact. Since social media plays a big role in the private lives of job hunters and HR officers, it is only natural that this relationship would transfer into the job-search process. Some sites like LinkedIn were designed with business networking in mind; others like Facebook and Twitter are evolving. Here are some examples.

- Razor Suleman runs I Love Rewards Inc., a Toronto-based company that consults companies on employee incentives and recognition programs. When the company needed to hire 17 people he did not place ads in a national paper (approximate cost \$5000) or use an internet job site (approximate cost \$700). Instead, he asked employees to put job postings on Facebook, share them with their LinkedIn networks, and tweet them to friends. He expects this approach to yield 1000 applicants at a minimal cost. It costs on average \$2000 to fill a clerical job and \$35 000 to fill an executive position using traditional means.
- Mark Buell got a job as a social media communications officer in Ottawa after reading a tweet from one of his contacts. He wasn't looking for a job but used this inside track to apply for the job before it was posted. After his initial interview he sent them a link to his Twitter account to help demonstrate who he is. It worked; his tweets helped him secure the job.
- Future Shop turned to social media to help attract 5000 people for the holiday season. The company has over 17 000 followers on its Facebook page.
- Shannon Yelland found a job at Vancouver-based ActiveState Software Inc. by using her Twitter account proactively. She updated her profile and

let people know that she was looking for an online marketing position in Vancouver. She conducted a search on Twitter and Twitter directory sites twellow and tweepsearch. She quickly received tips from her 4000 Twitter followers, including some recruiters.

- U.S. Cellular in Chicago moved to online recruiting years ago but still spent about \$4 million annually to post and screen resumés on Monster.ca, CareerBuilder, and Yahoo!HotJobs. When the company had to cut the budget below \$1 million, it turned to social media. Many of their new hires come from LinkedIn, where the company signed a \$60 000 deal to have access to all 42 million members.

Canadians are among the world's busiest users of social media. LinkedIn has over 2 million members in Canada. The company, which helps professionals connect online, recently announced that it would open an office here. But, the story does not end with the popular social media sites. The online options are endless and are increasingly tailored to people's needs. For example, TheLadders.com and BlueSteps.com are sites dedicated to helping people find executive-level jobs (\$100 000+).

Yes, social media sites are increasingly being used by job seekers, but recruiters are also using sites to discover who candidates really are. You might keep that in mind before posting material online that may hurt your future prospects.

Critical Thinking Questions

1. Have you ever used a social media or online recruiting site to find a job? In your opinion how effective are these tools?
2. Should recruiters be legally permitted to conduct background checks on candidates based on publicly available information on social media sites? Does this prospect worry you?



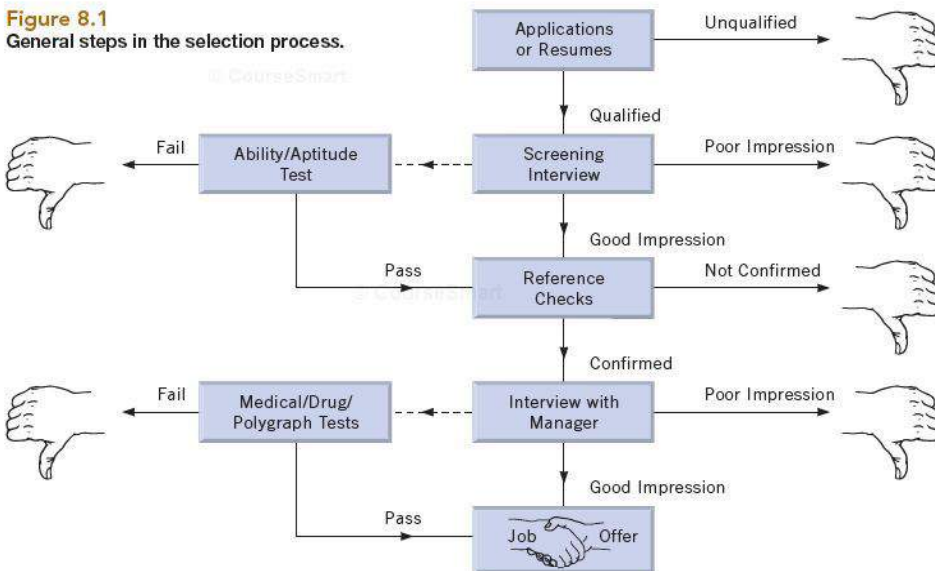
While internet solutions are taking a major role in recruitment, the old application process is still alive and well.

application form is an efficient method of gathering information about the applicant's previous work history, educational background, and other job-related demographic data. It should not contain questions about areas unrelated to the job, such as gender, religion, or national origin. Application-form data are generally used informally to decide whether a candidate merits further evaluation, and interviewers use application forms to familiarize themselves with candidates before interviewing them.

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. At Astral Media, job candidates are required to take a series of tests that measure verbal and numerical skills, as well as psychological traits.⁸ Some companies administer tests to determine how well applicants score on the "big five" personality dimensions discussed in Chapter 9. These scores are used to help make hiring decisions. In addition to being validated, tests should be administered and scored consistently. All candidates should be given the same directions, allowed the same amount of time, and offered the same testing environment, including temperature, lighting, and distractions.

Figure 8.1
General steps in the selection process.



ASSESSMENT CENTRE

A series of exercises in which management candidates perform realistic management tasks while being observed by appraisers.

VIDEO ASSESSMENT

Involves showing potential hires videos of realistic work situations and asking them to choose a course of action to deal with the situation.

BEHAVIOUR-BASED INTERVIEWING

An approach to improving interview validity by asking questions that focuses the interview much more on behaviour than on what a person says.

An **assessment centre** is a series of exercises in which candidates perform realistic management tasks under the watchful eye of expert appraisers. During this time, potential managers take selection tests, engage in management simulations, make individual presentations, and conduct group discussions. Assessors check to see how each participant reacts to stress or to criticism by colleagues. A relatively new type of test is **video assessment**, which involves showing potential hires videos of realistic work situations and asking them to choose a course of action to deal with the situation.

Interviews The interview is a popular selection device, but

it is sometimes a poor predictor of job success because biases inherent in the way people perceive and judge others on first meeting affect subsequent evaluations. Many companies are placing more emphasis on testing and less emphasis on interviewing because job candidates are becoming clever at giving all the “right” answers during interviews.⁹ Interview validity can be improved by training interviewers to be aware of potential biases, and by writing out questions in advance and asking all interviewees the same set of questions.

Interviewers can also increase interview validity by asking “curveball” questions—that is, questions that job

applicants would never expect to be asked—to see how well they think on their feet. Questions such as “How would you move Mount Fuji?” or “How would you sell me a glass of water?” are curveball questions.¹⁰

Another approach to improving interview validity is **behaviour-based interviewing**. Instead of asking a traditional interview question like “Do you often take the initiative?” behaviour-based interviewing asks, “Tell me about a situation where you became aware of a problem. What did you do?” This approach puts a spotlight on behaviour rather than on what a person says. It can be used to test for technical skills (e.g., accounting, welding, or computer programming), management skills (e.g., organizing, motivating others, or communicating), and individual skills (e.g., dependability, discipline, or the ability to work on a team).

Other Techniques Organizations also use other selection techniques that vary with the circumstances. A manufacturer afraid of injuries to workers on the job might require new employees to have a physical examination. This gives the company some information about whether the applicants are physically fit to do the work and what (if any) pre-existing injuries they might have.

Drug tests are coming under fire. According to the Canadian Human Rights Commission policy, pre-employment drug testing and random drug testing are not permitted. However, recent legal decisions make this anything but a black-and-white issue. Rulings related to the Greater Toronto Airport Authority (GTAA) and Goodyear Canada are open to other interpretations. The decisions upheld the rights of these organizations to use drug and alcohol testing for safety-sensitive positions and as a post-treatment check for employees with a history of drug abuse. However, it was also deemed unreasonable to deny selection because of a pre-employment positive drug test. This is an area of law that will continue to evolve and be debated.¹¹

Reference checks with previous employers are also used but may be of limited value because individuals are likely to provide the names of only those references who will give them positive recommendations. It is also getting harder to get good reference information because many HR people are worried about legal rulings south of the border as high as \$1.4 million. Many legal experts say that the fear is unwarranted; the law protects them in giving honest, even if negative, information.¹²



An in-depth interview with a prospective employee is often part of the recruiting process, particularly for managerial jobs.

LO-3 Developing Human Resources

After a company has hired new employees, it must acquaint them with the firm and their new jobs. This process begins with a formal orientation to welcome the

employee and transfer information about the company history, structure, culture, benefits programs, and much more. Managers also take steps to train employees and develop necessary job skills. In addition, every firm has some system for performance appraisal and feedback.

Training and Development

On-the-job training occurs while employees are in the actual work situation. Much on-the-job training is informal, as when one employee shows another how to operate the photocopy machine. Training may also be formal, as when a trainer shows employees how to operate a new software program. In **job rotation**, employees learn a wide array of tasks and acquire more abilities as they are moved from one job to another.

Off-the-job training is performed at a location away from the work site. For example, **vestibule training** involves employees performing work under conditions closely *simulating* the actual work environment. Montreal-based CAE is famous for building flight simulators that enable airline pilots to learn how to fly a new jet without ever leaving the ground. CAE also develops mock-up operating rooms where medical students can learn in a simulated environment.¹³

Management development programs try to enhance conceptual, analytical, and problem-solving skills.

Most large companies run formal in-house management development programs or send managers to programs on university campuses. Some management development takes place informally, often through processes such as networking and mentoring. **Networking** refers to informal interactions among managers for the purpose of discussing mutual problems, solutions, and opportunities. Networking takes place in a variety of settings, both inside and outside the office. **Mentoring** means having a more experienced manager sponsor and teach a less experienced manager. The fast pace of technology has even created an interesting twist to mentoring, with many companies employing a reverse mentoring approach in which younger, more tech-savvy employees mentor senior staff members on everything from viral marketing to blogging to the use of Facebook and YouTube.¹⁴

Team Building and Group-Based Training

Since more and more organizations are using teams as a basis for doing work, it should not be surprising that many of the same companies are developing training programs specifically designed to facilitate cooperation among team members.

One popular method involves various outdoor training exercises. Some programs involve a group going through a physical obstacle course that requires climbing, crawling, and other physical activities. Outward Bound and several other independent companies specialize in offering these

kinds of programs to client firms like Xerox and Burger King. Participants, of course, must see the relevance of such programs if they are to be successful. Firms don't want employees returning from team-building programs to report merely that the experience "was childlike and fun and fairly inoffensive."¹⁵

Evaluating Employee Performance

Performance appraisals are designed to show how well workers 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 multi-step process. The appraisal process begins when a manager defines performance standards for an employee. The manager then observes the employee's performance. If the standards are clear, the manager should have little difficulty comparing expectations with performance. The process is completed when the manager and employee meet to discuss the appraisal.

It is best to rely on several information sources when conducting appraisals. A system called **360-degree feedback** gathers information from supervisors, subordinates, and co-workers. The most accurate information comes from individuals who have known the person being appraised for one to three years. Eight or 10 individuals should take part in the evaluation.¹⁶

Performance appraisal in many organizations tends to focus on negatives. As a result, managers may have a tendency to avoid giving feedback because they know that an employee who receives negative feedback may be angry, hurt,

ON-THE-JOB TRAINING

Those development programs in which employees gain new skills while performing them at work.

JOB ROTATION

A technique in which an employee is rotated or transferred from one job to another.

OFF-THE-JOB TRAINING

Those development programs in which employees learn new skills at a location away from the normal work site.

VESTIBULE TRAINING

A work simulation in which the job is performed under conditions closely simulating the actual work environment.

MANAGEMENT DEVELOPMENT PROGRAMS

Development programs in which managers' conceptual, analytical, and problem-solving skills are enhanced.

NETWORKING

Informal interactions among managers, both inside and outside the office, for the purpose of discussing mutual problems, solutions, and opportunities.

MENTORING

Having a more experienced manager sponsor and teach a less experienced manager.

PERFORMANCE APPRAISALS

A formal program for evaluating how well an employee is performing the job; helps managers to determine how effective they are in recruiting and selecting employees.

360-DEGREE FEEDBACK


Gathering information from a manager's subordinates, peers, and superiors when assessing the manager's performance.

SIMPLE RANKING METHOD A method of performance appraisal that requires a manager to rank-order from top to bottom or from best to worst each member of a particular workgroup or department.

GRAPHIC RATING SCALE A statement or question about some aspect of an individual's job performance for which the rater must select the response that fits best.

CRITICAL INCIDENT METHOD A technique of performance appraisal in which raters recall examples of especially good or poor performance by an employee and then describe what the employee did (or did not do) that led to success or failure.

COMPENSATION What a firm offers its employees in return for their labour.


Variety Manufacturing

Employee Name: _____

Supervisor's Name: _____

Part 1. Circle the most descriptive point on each scale.

INITIATIVE

1	2	3	4	5
Never Does Anything Without Being Told		Handles Simple Matters Alone		Handles All Functions Without Help

PUNCTUALITY

1	2	3	4	5
Is Almost Always Late		Is Seldom Late		Is Never Late

CLEANLINESS

1	2	3	4	5
Work Area Is Always Dirty and Messy		Work Area Is Generally Clean and Orderly		Work Area Is Always Clean and Orderly

Please complete the separate evaluation form on page two.

Figure 8.2 Performance rating scale.

discouraged, or argumentative. But clearly, if employees are not told about their shortcomings, they will have no concrete reason to try to improve and receive no guidance as to *how* to improve. In a recently released book, Professor Samuel Culbert from UCLA argues that the traditional performance review approach is both flawed and damaging; 80 to 90 percent of employees and managers dislike and are stressed by the ritual. According to Culbert, companies should focus more on "performance previews" and use a continuous feedback approach.¹⁷

Methods for Appraising Performance The **simple ranking method** requires a manager to rank-order from top to bottom or from best to worst each member of a particular workgroup or department. The individual ranked first is the top performer; the individual ranked second is the second-best performer, and so forth. Another ranking method, the forced distribution method, involves grouping employees into predefined frequencies of performance ratings. Those frequencies are determined in advance and are imposed on the rater. A decision might be made, for instance, that 10 percent of the employees in a workgroup will be categorized as outstanding, 20 percent as very good, 40 percent

as average, 20 percent as below average, and the remaining 10 percent as poor. The forced distribution method is familiar to students because it is the principle used by professors who grade on a so-called "bell curve" or "normal curve."

One of the most popular and widely used methods is the **graphic rating scale**, which consists simply of a statement or question about some aspect of an individual's job performance. Figure 8.2 shows a sample graphic rating scale.

The **critical incident method** focuses attention on an example of especially good or poor performance on the part of the employee. Raters then describe what the employee did (or did not do) that led to success or failure. This technique not only provides information for feedback but defines performance in fairly clear behavioural terms.

LO-4 Compensation and Benefits

Compensation refers to the rewards that organizations provide to individuals in return for their willingness to perform various jobs and tasks within the organization.

Compensation includes a number of different elements, including base salary, incentives, bonuses, benefits, and other rewards. The compensation received by CEOs can be extremely large, especially when bonuses are included. The most highly paid executives in the 2009 *Globe and Mail* Survey of Compensation were Aaron Regent of Barrick Gold (who earned \$24.2 million), Hunter Harrison of Canadian National Railway (\$17.3 million), and Gerald Swartz of Onex Corp. (\$16.7 million).¹⁸ Critics have frequently questioned the wisdom of giving executives such large amounts of money, but most attempts to rein in executive salaries have failed. In 2009, there was a huge outcry in the United States about bonuses paid to executives of AIG, a company that was in deep financial trouble and had been bailed out by taxpayers. Shareholders at CIBC and the Royal Bank of Canada passed motions demanding that the companies give them a voice in executive compensation through non-binding shareholder votes.¹⁹ In Sweden, Norway, and the Netherlands, shareholders have a binding vote on executive pay packages. Whether binding or non-binding, investor feedback may help boards of directors rein in executive compensation that is perceived as too high.²⁰

Determining Basic Compensation

Wages generally refer to hourly compensation paid to operating employees. Most of the jobs that are paid on an hourly wage basis are lower-level and/or operating-level jobs. In 2008, the average hourly wage in manufacturing was \$21.66, while in retailing it was only \$14.87. The manufacturing sector is shrinking, and retailers are now the biggest employers in Canada.²¹

Rather than expressing compensation on an hourly basis, the organization may instead describe compensation on an annual or monthly basis. Many college and

university graduates, for example, compare job offers on the basis of annual **salary**, such as \$40 000 versus \$38 000 a year.

Companies often use **pay surveys** to determine pay levels. These surveys show the compensation that is being paid to employees by other employers in a particular geographic area, an industry, or an occupational group. For example, the Canadian Federation of Business School Deans publishes an annual summary of salaries for professors teaching in business schools in Canadian universities. The internet allows job seekers and current employees to more easily get a sense of what their true market value is. If they can document the claim that their value is higher than what their current employer now pays or is offering, they are in a position to demand a higher salary.

Another means of determining basic compensation is **job evaluation**, a method for determining the relative value or worth of a job to the organization so that individuals who perform it can be compensated appropriately. In other words, it is concerned with establishing internal pay equity. There should be a logical ranking of compensation levels from the most valuable to the least valuable jobs throughout the organization.

Incentive Programs

Employees feel better about themselves and their company when they believe that they are being fairly compensated. However, studies have shown that beyond a certain point, more money will not produce better performance. As well, 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 Under a **piece-rate incentive plan**, employees receive a certain amount of money for every unit they produce. An assembly-line worker might be paid \$1 for every 12 units of a product successfully

WAGES Dollars paid based on the number of hours worked.

SALARY Dollars paid at regular intervals in return for doing a job, regardless of the amount of time or output involved.

PAY SURVEYS A survey of compensation paid to employees by other employers in a particular geographic area, an industry, or an occupational group.

JOB EVALUATION A method for determining the relative value or worth of a job to the organization so that individuals who perform it can be appropriately compensated.

INCENTIVE PROGRAMS Special compensation programs designed to motivate high performance.

PIECE-RATE INCENTIVE PLAN A compensation system in which an organization pays an employee a certain amount of money for every unit produced.



Individual incentive plans have been a big part of professional sports for many years. Some players receive multimillion-dollar annual compensation for outstanding individual performance.

BONUS Individual performance incentive in the form of a special payment made over and above the employee's salary.

PAY FOR PERFORMANCE (VARIABLE PAY) Individual incentive that rewards a manager for especially productive output.

PROFIT-SHARING PLANS An incentive program in which employees receive a bonus depending on the firm's profits.

GAINSHARING PLANS An incentive program in which employees receive a bonus if the firm's costs are reduced because of greater worker efficiency and/or productivity.

PAY-FOR-KNOWLEDGE PLANS Incentive plan to encourage employees to learn new skills or become proficient at different jobs.

BENEFITS What a firm offers its workers other than wages and salaries in return for their labour.

PROTECTION PLANS A plan that protects employees when their income is threatened or reduced by illness, disability, death, unemployment, or retirement.

EMPLOYMENT INSURANCE A protection plan that provides a basic subsistence payment to employees who are between jobs.

CANADA PENSION PLAN A plan that provides income to retired individuals through employee and employer taxes that are withheld from payroll.

WORKERS' COMPENSATION Mandated insurance that covers individuals who suffer a job-related illness or accident.

completed. Sales employees are often paid a **bonus**—a special payment above their salaries—when they sell a certain number or certain dollar amount of goods for the year. Bonuses are also given in non-sales jobs. For example, many baseball players have contract clauses that pay them bonuses for hitting over 300, making the all-star team, or being named Most Valuable Player. Despite public outcries, large bonuses at the “Big Six” Canadian banks continue to rise. For example, in 2010, the Royal Bank of Canada was expected to pay \$1.87 billion in bonuses, up from \$1.7 billion a year earlier.²²

With pay for performance (or variable pay) schemes, managers are rewarded for especially productive output—for producing earnings that significantly exceed the cost of bonuses. Such incentives go to middle managers on the basis of company-wide performance, business-unit performance, personal record, or all three factors. Eligible managers must often forgo merit or entitlement raises (increases for staying on and reporting to work every day), but many firms say that variable pay is a better motivator because the range between generous and mediocre merit raises is usually quite small.

Team and Group Incentives

Some incentive programs apply to all the employees in a firm. Under **profit-sharing plans**, profits earned above a certain level are distributed to employees. At the Great Little Box Company in Richmond, B.C., 15 percent of company profits are split evenly among staff. The company also has an “open book” policy of providing financial information to employees

so they can relate financial performance of the company to their share of the profits.²³

Gainsharing plans distribute bonuses to employees when a company's costs are reduced through greater work efficiency. **Pay-for-knowledge plans** encourage workers to learn new skills and to become proficient at different jobs. These workers receive additional pay for each new skill or job they master.

Benefits

Benefits are rewards, incentives, and other things of value that an organization gives to employees in addition to wages, salaries, and other forms of direct financial compensation. Because these benefits have tangible value, they represent a meaningful form of compensation even though they are not generally expressed in financial terms. According to a PricewaterhouseCoopers survey, some of the top benefits sought, other than money, were gift cards, extra vacation days, and being fast-tracked for promotion.²⁴

Mandated Protection Plans Protection plans assist employees when their income is threatened or reduced by illness, disability, unemployment, or retirement. **Employment insurance** provides a basic subsistence payment to employees who are unemployed but are actively seeking employment. Both employers and employees pay premiums to an employment insurance fund. As of 2010, employee premiums were \$1.73 per hundred dollars of earnings, and employer premiums were \$2.42.²⁵

The **Canada Pension Plan** provides income for retired individuals to help them supplement their personal savings, private pensions, part-time work, etc. It is funded through employee and employer taxes that are withheld from payroll. In 2009, the Canada Pension Plan had a surplus of almost \$127 billion.²⁶

Workers' compensation is mandated insurance that covers individuals who suffer a job-related illness or accident. Employers bear the cost of workers' compensation insurance. The premium is related to each employer's past experience with job-related accidents and illnesses. For example, a steel company might pay \$20 per \$100 of wages, while an accounting firm might pay only \$0.10 per \$100 of wages.

Optional Protection Plans Health insurance is the most important type of coverage, and has expanded in recent years to include vision care, mental health services, dental care, and prescription drugs. Employee prescription drug plan costs are doubling about every five years, and companies are increasingly concerned about their ability to offer this kind of coverage.²⁷ Pension liabilities are also a problem.

Paid Time Off *Paid vacations* are usually for periods of one, two, or more weeks. Most organizations vary the

amount of paid vacation with an individual's seniority, but some companies are reducing the time required to qualify for paid vacations. At Carlson Wagonlit Travel Canada, employees get four weeks of paid vacation after working at the company for just five years. Formerly, 10 years of service was required.²⁸

Another common paid time off plan is *sick leave*, which is provided when an individual is sick or otherwise physically unable to perform his or her job. Sometimes an organization will allow an employee to take off a small number of days simply for "personal business." The Catholic Children's Aid Society provides its child protection workers with time off when they need it because they routinely face high-stress situations.²⁹

Some companies go even further and offer their employees paid or unpaid sabbaticals to help them rejuvenate themselves and increase their enthusiasm for their jobs. Employees at Procter & Gamble are eligible for a 12-week unpaid sabbatical after they have worked for the company for one year.³⁰

Other Types of Benefits In addition to protection plans and paid time off, many organizations offer a number of other benefit programs. **Wellness programs**, for example, concentrate on preventing illness in employees rather than simply paying their expenses when they become sick.

Cafeteria-style benefit plans allow employees to choose the benefits they really want. The organization typically establishes a budget, indicating how much it is willing to spend, per employee, on benefits. Employees are then presented with a list of possible benefits and the cost of each. They are free to put the benefits together in any combination they wish. The range and significance of possible benefits is evident in the boxed insert entitled "The Importance of Perks."

job related (i.e., based on performance or qualifications) 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.

Anti-Discrimination Laws The key federal anti-discrimination legislation is the **Canadian Human Rights Act of 1977** (each province has also enacted human rights legislation). The goal of the Act is to ensure that any individual who wishes to obtain a job has an equal opportunity. The Act applies to all federal agencies, federal Crown corporations, any employee of the federal government, and business firms that do business inter-provincially. The Act prohibits a wide variety of practices in recruiting, selecting, promoting, and dismissing personnel. It specifically prohibits discrimination on the basis of age, race and colour, national and ethnic origin, physical handicap, religion, gender, marital status, or prison record (if pardoned). Some exceptions

to these blanket prohibitions are permitted. Discrimination cannot be charged if a blind person is refused a position as a bus driver or crane operator. Likewise, a firm cannot be charged with discrimination if it does not hire a deaf person as an audio engineer.

Difficulties in determining whether discrimination has occurred are sometimes dealt with by using the concept of **bona fide occupational requirement**. That is, an employer may choose one person over another based on overriding characteristics of the job in question. If a fitness centre wants to hire only women to supervise its women's locker room and sauna, it can do so without being discriminatory because it established a bona fide occupational requirement.

Enforcement of the federal Act is carried out by the Canadian Human Rights Commission. The commission can either respond to complaints from individuals who believe they have been discriminated against, or launch an investigation on its own if it has reason to believe that

WELLNESS PROGRAMS A program that concentrates on preventing illness in employees rather than simply paying their expenses when they become sick.

CAFETERIA-STYLE BENEFIT PLANS A flexible approach to providing benefits in which employees are allocated a certain sum to cover benefits and can "spend" this allocation on the specific benefits they prefer.

EQUAL EMPLOYMENT OPPORTUNITY REGULATIONS Regulations to protect people from unfair or inappropriate discrimination in the workplace.

CANADIAN HUMAN RIGHTS ACT Ensures that any individual who wishes to obtain a job has an equal opportunity to apply for it.

BONA FIDE OCCUPATIONAL REQUIREMENT When an employer may choose one applicant over another based on overriding characteristics of the job.

LO-5 The Legal Context of HRM

HRM is heavily influenced by federal and provincial law, so managers must be aware of the most important and far-reaching areas of HR regulation. These include *equal employment opportunity, comparable worth, sexual harassment, employee health and safety, and retirement*.

Equal Employment Opportunity

The basic goal of all **equal employment opportunity regulations** is to protect people from unfair or inappropriate discrimination in the workplace. Note that differentiating between employees—for example, giving one person a raise and denying the raise to another person—is not illegal. As long as the basis for this distinction is purely

EMPLOYMENT EQUITY ACT OF 1986

Federal legislation that designates four groups as employment-disadvantaged—women, visible minorities, Aboriginal people, and people with disabilities.

discrimination has occurred. If a claim of discrimination is substantiated, the offending organization or individual may be ordered to compensate the victim.

The **Employment Equity Act of 1986** addresses the issue of discrimination in employment

by designating four groups as employment-disadvantaged—women, visible minorities, Aboriginal people, and people

with disabilities. These four groups contain six of every 10 individuals in the Canadian workforce, and it is estimated that their underemployment costs the Canadian economy around \$50 billion each year.³¹ Companies covered by the Employment Equity Act are required to publish statistics on their employment of people in the four designated groups. In 2010, the Royal Bank of Canada received an award from Catalyst recognizing the bank's success in promoting diversity. For example, women at RBC now occupy nearly 40 percent of executive roles in the company, and this figure is growing.³²

MANAGING IN TURBULENT TIMES

The Importance of Perks

The list of perks that Canadian companies might offer employees is very long. It includes things like unlimited sick days, on-site childcare, eldercare benefits, counselling, flexible work schedules, free beverages, concierge services, laundry pickup and delivery, training and development opportunities, exercise facilities, on-site pet care, and wellness programs, to name just a few. The extent of these perks varies widely across companies.

Giving discounts to employees is a long-standing practice at some firms. Consider the following examples:

- lululemon gives employees a 60 percent discount on high-end clothing (plus two free weekly yoga lessons)
- Starbucks employees receive free beverages during their work shifts (plus one pound of coffee or one box of tea each week)
- Employees at Toronto-Dominion Bank can get fixed-rate mortgages for 1.5 percentage points below the posted rate (they can also get a Visa card with an interest rate as low as 5 percent)
- Fairmont Hotels & Resorts gives its employees discounts on rooms, food, and drink

Wellness programs—which concentrate on preventing illness in employees rather than simply paying their expenses when they become sick—have become increasingly popular. Labatt Brewing Company employs a full-time fitness coordinator who schedules nutritionists and massage therapists for employees.

Childcare and eldercare perks are also being more frequently offered to employees. The childcare

centre run by Husky Injection Molding Systems in Bolton, Ontario, provides on-site haircuts, music lessons, and a pajama party on Valentine's Day. Any organization that wants to be considered "family friendly" must have some type of childcare benefits, and being a family-friendly company is increasingly becoming a competitive advantage.

A study done for *Report on Business* magazine found that many of the traditional things that managers have assumed are important to employees—for example, fair pay, financial incentives like share ownership plans, and the opportunity for further training and education—are, in fact, important. However, employees also want to balance work and personal activities. A Canada@Work study done by Aon Consulting found that when employers recognize employee needs outside the workplace, employees are more likely to stay with the company, and are more likely to recommend the company as a good place to work. Overall, companies need to have a "people-first" attitude about their employees, and perks play a significant role in this.

But what about companies that are struggling financially? Can they afford to give perks? The good news is that there are cost-effective perks that can be used. The most powerful—and least expensive—perk can be time off. Experts suggest, for example, that up to 20 percent of workers would be willing to work fewer hours for lower pay.

Critical Thinking Questions

1. What are the advantages of perks? What are the disadvantages?
2. What other incentives might a company be able to offer its best workers to retain them?

Comparable Worth

Comparable worth is a legal concept that aims at paying equal wages for jobs that are of comparable value to the employer. This might mean comparing dissimilar jobs, such as those of secretaries and mechanics or nurses and electricians. Proponents of comparable worth say that all the jobs in a company must be evaluated and then rated in terms of basic dimensions such as the level of skill they require. All jobs could then be compared based on a common index. People in different jobs that rate the same on this index would be paid the same. Experts hope that this will help to reduce the gap between men's and women's pay. In a long-standing comparable worth dispute, the Supreme Court of Canada ruled that flight attendants at Air Canada—who have been trying for years to achieve pay equity with male-dominated groups of employees—could compare their pay with the pay of ground crews and pilots because all these employees work for the same company.³³

Critics of comparable worth object on the grounds that it ignores the supply and demand aspects of labour. They say that legislation forcing a company to pay people more than the open market price for their labour (which may happen in jobs where there is a surplus of workers) is another example of unreasonable government interference in business activities. They also say that implementing comparable worth will cost business firms too much money. A study prepared for the Ontario Ministry of Labour estimated that it would cost approximately \$10 billion for the public and private sectors in Ontario to establish equitable payment for jobs of equal value.

Sexual Harassment

Within the job context, **sexual harassment** refers to requests for sexual favours, unwelcome sexual advances,

or verbal or physical conduct of a sexual nature that creates an intimidating or hostile environment for a given employee. The Canadian Human Rights Act takes precedence over any policies that a company might have developed on its own to deal with sexual harassment problems.

Quid pro quo harassment is the most blatant form of sexual harassment. It occurs when the harasser offers to exchange something of value for sexual favours. A male supervisor, for example, might suggest to a female subordinate that he will recommend her for promotion or give her a raise in exchange for sexual favours. The creation of a **hostile work environment** is a subtler form of sexual harassment. A group of employees who continually make off-colour jokes and decorate the work environment with questionable photographs may create a hostile work environment for a colleague. Regardless of the pattern, the same bottom-line rules apply: sexual harassment is illegal, and the organization is responsible for controlling it. If a manager is found guilty of sexual harassment, the company is liable because the manager is an agent of the company.

Debrahlee Lorenzana made news when she sued Citibank and claimed that she was fired because her voluptuous body had become a workplace distraction. Debrahlee clearly stated that she followed the company dress code but admittedly dressed provocatively like a

Playboy model. Her enemies were calling her an attention-seeking gold digger who was fired for poor performance. The ruling on this case will be closely followed and discussed.³⁴

Employee Health and Safety

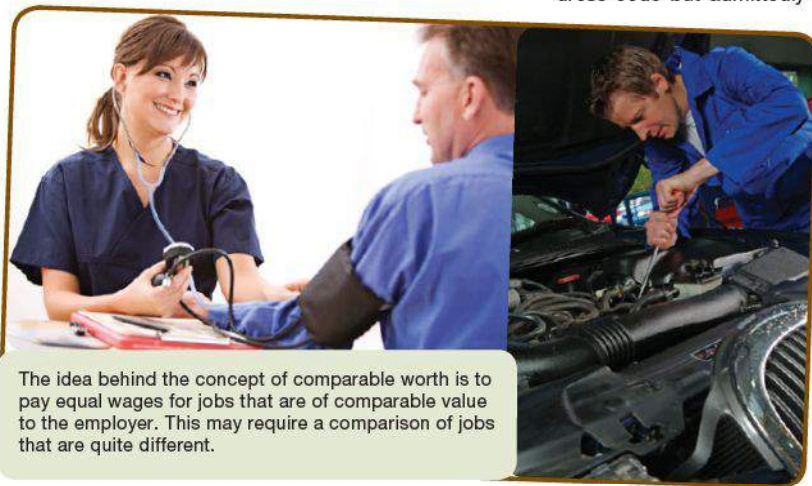
Employee health and safety programs help to reduce absenteeism and turnover, raise productivity, and boost morale by making jobs safer and

COMPARABLE WORTH A legal idea that aims to pay equal wages for work of equal value.

SEXUAL HARASSMENT Requests for sexual favours, unwelcome sexual advances, or verbal or physical conduct of a sexual nature that creates an intimidating or hostile environment for a given employee.

QUID PRO QUO HARASSMENT Form of sexual harassment in which sexual favours are requested in return for job-related benefits.

HOSTILE WORK ENVIRONMENT Form of sexual harassment deriving from off-colour jokes, lewd comments, and so forth.



The idea behind the concept of comparable worth is to pay equal wages for jobs that are of comparable value to the employer. This may require a comparison of jobs that are quite different.

REPETITIVE STRAIN

INJURY (RSI) An injury that occurs when a worker performs the same functions over and over again.

WORKFORCE

DIVERSITY The range of workers' attitudes, values, beliefs, and behaviours that differ by gender, race, age, ethnicity, physical ability, and other relevant characteristics.

more healthful. In Canada, each province has developed its own workplace health and safety regulations. The Ontario Occupational Health and Safety Act illustrates current legislation in Canada. It requires all employers to ensure that equipment and safety devices are used properly. Employers must also show workers the proper way to operate machinery. At the job site, supervisors are charged with the responsibility of ensuring that workers use equipment properly. The

Act also requires workers to behave appropriately on the job. Employees have the right to refuse to work on a job if they believe it is unsafe; a legal procedure exists for resolving any disputes in this area. In most provinces, the Ministry of Labour appoints inspectors to enforce health and safety regulations. If the inspector finds a sufficient hazard, he or she has the authority to clear the workplace. Inspectors can usually arrive at a firm unannounced to conduct an inspection.

Some industrial work—logging, construction, fishing, and mining—can put workers at risk of injury in obvious ways. But other types of work—such as typing or lifting—can also cause painful injuries. **Repetitive strain injuries (RSIs)** occur when workers perform the same functions over and over again. These injuries disable more than 200 000 Canadians each year and account for nearly half of all work-related lost-time claims.

Retirement

Until the 1990s, Canadian courts generally upheld 65 as the mandatory retirement age, but most Canadian provinces have now abolished mandatory retirement. In 2009, Nova Scotia became the latest province to remove this provision. In spite of this, workers are actually retiring earlier than they used to. In the late 1970s, the average retirement age in Canada was 65, but by 2009 it had dropped to 62.³⁵ A Statistics Canada study showed that “boomer” couples are unlikely to retire at the same time, with the woman often staying in the workforce longer than her husband.³⁶

Some managers fear that the abolition of mandatory retirement will allow less productive employees to remain at work after age 65, but research shows that the employees who stay on the job past 65 are usually the most productive ones. But there are two other interesting facts that should not be ignored: workers over age 65 are nearly four times as likely to die from work-related causes as

are younger workers, and older workers have double the health care costs that workers in their forties do.³⁷

LO-6 New Challenges in the Changing Workplace

As we have seen throughout this chapter, HR managers face various challenges in their efforts to keep their organizations staffed with effective workers. To complicate matters, new challenges arise as the economic and social environments of business change. Several of the most important HRM issues facing business today are *managing workforce diversity*, *managing knowledge workers*, and *managing contingent and temporary workers*.

Managing Workforce Diversity

One extremely important set of human resource challenges centres on **workforce diversity**—the range of workers' attitudes, values, beliefs, and behaviours that differ by gender, race, age, ethnicity, physical ability, and other characteristics. The situation for visible minorities is currently one of the most publicized aspects of diversity. Consider these facts:

- By 2015, 20 percent of Saskatchewan's population will be Aboriginal.
- In 2001, approximately 4 million Canadians were visible minorities; by 2017, that number could increase to as much as 8.5 million.
- Visible minorities currently make up more than 40 percent of the population of Vancouver.



Many Canadian organizations have evolved from dealing with diversity to proactively embracing the business benefits of a diverse workforce.

- By 2017, visible minorities will form more than 50 percent of the populations of Toronto and Vancouver.
- By 2017, 22 percent of the total Canadian population will be visible minorities.³⁸

In the past, organizations tended to work toward homogenizing their workforces, getting everyone to think and behave in similar ways. Organizations are now increasingly recognizing that diversity can be a competitive advantage. By hiring the best people available from every group rather than hiring from just one or a few groups, a firm can develop a higher-quality workforce. 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*.³⁹

The Nature of Knowledge Work These employees are usually called **knowledge workers**, and the skill with which they are managed is a major factor in determining which firms will be successful in the future. Knowledge workers, including computer scientists, engineers, and physical scientists, provide special challenges for the HR manager. They tend to work for high-tech firms and are usually experts in some abstract knowledge base. They often prefer to work independently and tend to identify more strongly with their profession than with the organization that pays them—even to the extent of defining performance in terms recognized by other members of their profession.

As the importance of information-driven jobs grows, the need for knowledge workers increases. But these employees require extensive and highly specialized training, and not every organization is willing to make the human capital investments necessary to take advantage of these employees. Even after knowledge workers are on the job, training updates are critical to prevent their skills from becoming obsolete. The failure to update such skills not only results in the loss of competitive advantage, it also increases the likelihood that knowledge workers will move to another firm that is more committed to updating their knowledge.

Knowledge Worker Management and Labour Markets Organizations that need knowledge workers must introduce regular market adjustments (upward) to pay them enough to keep them. This is especially critical in areas in which demand is growing, as even entry-level salaries for these employees are skyrocketing. Once

an employee accepts a job with a firm, the employer faces yet another dilemma. Once hired, workers are subject to the company’s internal labour market, which is not likely to be growing as quickly as the external market for knowledge workers as a whole. Consequently, the longer knowledge workers remain with a firm, the further behind the market their pay falls—unless it is regularly adjusted upward.

KNOWLEDGE WORKERS Workers who are experts in specific fields like computer technology and engineering, and who add value because of what they know, rather than how long they have worked or the job they do.

Managing Contingent Workers

A contingent worker is one who works for an organization on something other than a permanent or full-time basis. Categories of contingent workers include part-time workers, independent contractors (freelancers), on-call workers, temporary employees (usually hired through outside “temp” agencies), contract workers, and guest workers (foreigners working in Canada for a limited time).

Trends in Contingent Employment Contingent employment is on the rise in Canada. Part-time employment in all categories was nearly 7 percent higher in 2009 than in 2005.⁴⁰ In Canada, there is increasing demand for temporary workers in top management because the economic downturn has created a lot of turnover in this area. These “temps at the top” usually stay for a year or less until a permanent person is found.⁴¹

The number of guest workers in Canada—one category of contingent workers—is increasing. They work in all kinds of industries, including agriculture, manufacturing, and services. Each year there are over 150 000 guest workers in Canada. The number is predicted to rise in the future.⁴²

Management of Contingent Workers The effective management of contingent workers requires consideration of three issues. First, careful planning must be done so the organization brings in contingent workers only when they are actually needed and in the quantity needed to complete necessary tasks. Second, the costs and benefits of using contingent workers must be understood. Many firms bring in contingent workers in order to reduce labour costs, but if contingent workers are less productive than permanent workers, there may be no gain for the organization. Third, contingent workers should be integrated into the mainstream activities of the organization as much as possible. This involves deciding how they will be treated relative to permanent workers. For example, should contingent workers be invited to the company holiday party?

LABOUR UNION

A group of individuals who work together to achieve shared job-related goals.

COLLECTIVE

BARGAINING The process through which union leaders and management personnel negotiate common terms and conditions of employment for those workers represented by the union.

Should they have the same access to employee benefits? Managers must develop a strategy for integrating contingent workers according to some sound logic and then follow that strategy consistently over time.⁴³

LO-7 Dealing with Organized Labour

A **labour union** is a group of individuals working together to achieve shared job-related goals, such as higher pay, shorter working hours, greater benefits, or better working conditions.⁴⁴ Labour unions grew in popularity in Canada in the nineteenth and early twentieth centuries. At that time, work hours were long, pay was minimal, and working conditions were often unsafe. Workers had no job security and received few benefits. Many companies employed large numbers of children and paid them poverty-level wages. If people complained, they were fired.

Unions forced management to listen to the complaints of all workers rather than to just those few who were brave enough to speak out. Thus the power of unions comes from collective action. **Collective bargaining** is the process by which union leaders and company management negotiate terms and conditions of employment for those workers represented by unions. We discuss the role of **collective bargaining** in detail below.

Unionism Today

Although 4.6 million workers belonged to unions in 2009, union membership as a proportion of the non-agricultural workforce (called *union density*) has stagnated, and less than one-third of Canadian workers belong to unions. From 1970 to 2009, union density has ranged from 27.2 percent to 30.5 percent. In the United States, union density is even lower (12.1 percent).⁴⁵

The highest rates of unionization are found in Newfoundland (37.7 percent) and Quebec (37.5 percent). The lowest rates are found in Alberta (23.0 percent) and New Brunswick (26.4 percent). The public sector is quite heavily unionized (72.7 percent), but the private sector is not (18.1 percent).⁴⁶ In some occupations like teaching and nursing over 80 percent of workers are unionized. In other occupations like management and food and beverage services, less than 10 percent of workers belong to unions.⁴⁷

Many years ago, unions routinely won certification votes. But in recent years, they have had less success. One reason is that today's workforce is increasingly diverse. Women and ethnic minorities have weaker traditions of union affiliation than white males (who dominated the blue-collar jobs in the past). The workforce is also increasingly employed in the service sector, which traditionally has been less heavily unionized.

Another reason for declining unionization is that companies have become far more aggressive in opposing unions. Federal and provincial labour legislation restricts what management of a company can do to keep out a union, but companies are free to pursue certain strategies to minimize unionization, such as creating a more employee-friendly work environment. For example, Japanese manufacturers who have set up shop in North America have avoided unionization efforts by the United Auto Workers (UAW) by providing job security, higher wages, and a work environment in which employees are allowed to participate and be actively involved in plant management. The case at the end of the chapter explores union management issues in detail.

Trends in Union-Management Relations The problems that have been experienced by unions have caused some significant changes in union-management relations. Not so long ago, most union-management bargaining was very adversarial, with unions making demands for dramatic improvements in wages, benefits, and job security. But with organizational downsizing and a decade of low inflation in Canada, many unions today find themselves able to achieve only modest improvements in wages and benefits. A common goal of union strategy is therefore to preserve what has already been won. For example, unions are well aware that companies have an incentive to relocate jobs to lower-wage foreign countries, so unions have to work hard to keep jobs in Canada and thus maintain job security for members.

Today, unions must cooperate with employers if both companies and unions are to survive and prosper. The goal is to create win-win partnerships in which managers and workers share the same goals: profitability, growth, and effectiveness, with equitable rewards for everyone. Even in those sectors of the economy where unions remain quite strong—most notably in the automobile and steel industries—unions have changed their tactics. In the automobile industry, Buzz Hargrove, former president of the Canadian Auto Workers, has urged members of the union bargaining team to come up with new ideas for improving quality and productivity so that Canadian factories will be more attractive for new investment.⁴⁸

The Future of Unions

Despite declining membership and loss of power, labour unions remain a significant factor in Canadian business. The labour organizations in the Canadian Labour Congress and independent major unions such as the International Brotherhood of Teamsters and the Canadian Union of Public Employees can disrupt the economy by refusing to work. The votes of their members are still sought by politicians at all levels. In addition, the concessions they have won—better pay, shorter working hours, and safer working conditions—now cover many non-unionized workers as well.

The big question is this: Will unions be able to cope with the many challenges that are currently facing them, or will their power continue to dwindle? The challenges facing unions are many, including the decline of the so-called “smokestack industries” (where union power has traditionally been very strong), employment growth in service industries (where union power has traditionally not been strong), the globalization of business (which has raised the very real possibility of more jobs being moved to areas of the world with lower labour costs), and technological change (which often reduces the number of workers that are needed).

LO-8 The Legal Environment for Unions in Canada

Political and legal barriers to collective bargaining existed until well into the twentieth century (see Table 8.1). Courts held that some unions were conspirators in restraint of trade. Employers viewed their employees’ efforts to unionize as attempts to deprive the employers of their private property. The employment contract, employers contended, was between the individual worker and the employer—not between the employer and employees as

a group. The balance of bargaining power was very much in favour of the employer.

The employer–employee relationship became much less direct as firms grew in size. Managers were themselves employees, and hired managers dealt with other employees. Communication among owners, managers, and workers became more formalized. Big business had more power than workers did. Because of mounting public concern, laws were passed to place workers on a more even footing with employers.

The **Constitution Act** (originally the BNA Act), passed in 1867, has also affected labour legislation. This Act allocated certain activities to the federal government (e.g., labour legislation for companies operating inter-provincially) and others to individual provinces (labour relations regulations in general). Thus, labour legislation comes from both the federal and provincial governments but is basically a provincial matter. That is why certain groups of similar employees might be allowed to go on strike in one province but not in another.

CONSTITUTION ACT

Divided authority over labour regulations between the federal and provincial governments.

CANADA LABOUR CODE

Legislation that applies to the labour practices of firms operating under the legislative authority of parliament.

Federal Legislation—The Canada Labour Code

The **Canada Labour Code** is a comprehensive piece of legislation that applies to the labour practices of firms operating under the legislative authority of parliament. In 2005, a sweeping review of the Canada Labour Code was announced by the federal Minister of Labour. One of the issues that the review will focus on is whether managers and supervisors should also be protected by labour code restrictions on the number of hours they work each week, and whether they should receive overtime pay. The issue came to the forefront after the Manitoba Labour Board

Table 8.1 Historical Steps for Canadian Labour Legislation

Date	Legislation	Accomplishments/Goals
1900	Conciliation Act	<ul style="list-style-type: none"> ■ designed to help settle labour disputes through voluntary conciliation ■ first step in creating more favourable labour conditions
1907	Industrial Disputes Investigation Act	<ul style="list-style-type: none"> ■ compulsory investigation of labour disputes by a government-appointed board before any strike action (found to violate a provision of the British North America [BNA] Act).
1943	Privy Council Order 1003	<ul style="list-style-type: none"> ■ recognized the right of employees to bargain collectively ■ prohibited unfair management labour practices ■ established a labour board to certify bargaining authority ■ prohibited strikes and lockouts (except in collective bargaining agreements [CBAs])

ruled that Sharon Michalowski, a manager at Nygard International, was entitled to overtime pay, even though she was a manager and had signed a contract stipulating that she would work whatever hours were required to earn her annual salary of \$42 000.⁴⁹ As of 2009, managers were still not covered by the provisions of the Canada Labour Code.

The Canada Labour Code has four main sections: fair employment practices; standard hours, wages, vacations, and holidays; safety of employees; and Canada industrial relations regulations.

Fair Employment Practices This section prohibits an employer from either refusing employment on the basis of a person's race or religion or using an employment agency that discriminates against people on the basis of their race or religion. These prohibitions apply to trade unions as well, but not to non-profit, charitable, and philanthropic organizations. Any individual who believes a violation has occurred may make a complaint in writing to Labour Canada. The allegation will then be investigated and, if necessary, an Industrial Inquiry Commission will be appointed to make a recommendation in the case. Since 1982, fair employment practices have been covered by the Canadian Human Rights Act; they are also covered by the Canadian Charter of Rights and Freedoms.

Standard Hours, Wages, Vacations, and Holidays

This section deals with a wide variety of mechanical issues such as standard hours of work (8-hour day and 40-hour week), maximum hours of work per week (48), overtime pay (at least one and a half times the regular pay), minimum wages, equal wages for men and women doing the same jobs, vacations, general holidays, and parental leave. The specific provisions are changed frequently to take into account changes in the economic and social structure of Canada, but their basic goal is to ensure consistent treatment of employees in these areas.

Safety of Employees This section requires that every person running a federal work project do so in a way that will not endanger the health or safety of any employee. It also requires that safety procedures and techniques be implemented to reduce the risk of employment injury. This section requires employees to exercise care to ensure their own safety; however, even if it can be shown that the employee did not exercise proper care, compensation must still be paid. This section also makes provisions for a safety officer whose duty is to assure that the provisions of the

code are fulfilled. The safety officer has the right to enter any federal project "at any reasonable time."

Canada Industrial Relations Regulations The final major section of the Canada Labour Code deals with all matters related to collective bargaining.

Provincial Labour Legislation

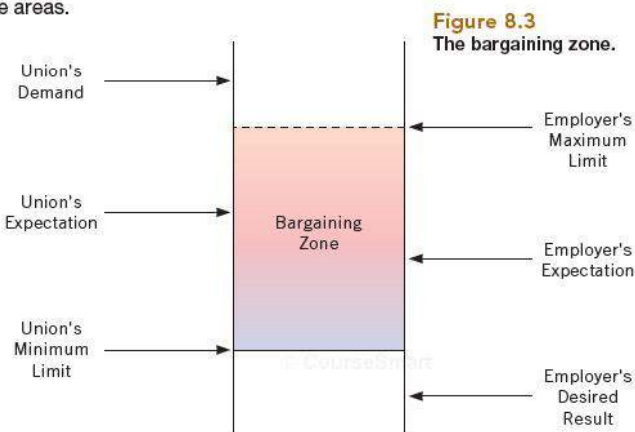
Each province has enacted legislation to deal with the personnel practices covered in the Canada Labour Code. These laws vary across provinces and are frequently revised; however, their basic approach and substance is the same as in the Canada Labour Code. Certain provinces may exceed the minimum code requirements on some issues (e.g., minimum wage).

LO-9 Collective Bargaining

People often associate collective bargaining with the specific act of signing of a contract between a union and a company or industry. In fact, collective bargaining is an ongoing process involving both the drafting and administration of the terms of a labour contract.

Reaching Agreement on the Contract's Terms

The collective bargaining process begins when the union is recognized as the exclusive negotiator for its members. The bargaining cycle begins when union leaders meet with management representatives to begin working on a new contract. By law, both parties must negotiate "in good faith." When each side has presented its demands, sessions focus on identifying the *bargaining zone*. This process is shown in Figure 8.3. For example, although an



employer may initially offer no pay raise, it may expect that it may eventually have to grant a raise of up to 6 percent. Likewise, the union may initially demand a 10 percent pay raise while expecting to accept a raise as low as 4 percent. The bargaining zone, then, is a raise between 4 and 6 percent. Obviously, compromise is needed on both sides if agreement is to be reached. The new tentative agreement is then submitted for a ratification vote by union membership.

Contract Issues

Most of the issues in the labour contract arise from demands that unions make on behalf of their members. Issues that are typically most important to union negotiators include *compensation*, *benefits*, and *job security*. *Certain management rights* issues are also negotiated in most bargaining agreements.

Compensation The most common issue is compensation. Unions want their employees to earn higher wages immediately, so they try to convince management to raise wages for all or some employees. Of equal concern to unions is future compensation that is to be paid during subsequent years of the contract. 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.

A **wage reopener clause** is now included in some labour contracts as well. Such a clause allows wage rates to be renegotiated at preset times during the life of the contract. For example, a union might be uncomfortable with a long-term contract based solely on COLA wage increases.

Benefits Benefits that are commonly addressed during negotiations include insurance, retirement benefits, paid holidays, working conditions, and the cost of supplementary health care (prescription drugs, eye care, dental care, etc.). The health care issue is becoming increasingly contentious during negotiations because the cost of health care is rapidly increasing. For example, General Motors spends more on health care benefits for its 1.1 million workers than it does on steel. And insurance premiums for drug plans are doubling every five years.⁵⁰

Job Security 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 also increasingly setting their sights on preserving jobs for workers in Canada in the face of business efforts to

outsource production in some sectors to countries where labour costs are cheaper. For example, Gildan Activewear outsources much of its production to low-wage countries in the Caribbean.

Other Union Issues Other possible issues might include such specific details as working hours, overtime policies, rest periods, differential pay plans for shift employees, the use of temporary workers, grievance procedures, and allowable unionactivities (dues collection, union bulletin boards, etc.). In addition, some contracts are beginning to include formal mechanisms for greater worker input into management decisions.

Management Rights Management wants as much control as possible over hiring policies, work assignments, and so forth. Unions, meanwhile, often try to limit management rights by specifying hiring, assignment, and other policies. At one Chrysler plant the contract stipulates that three workers are needed to change fuses in robots: a machinist to open the robot, an electrician to change the fuse, and a supervisor to oversee the process. Such contracts often bar workers in one job category from performing work that falls within the domain of another. Unions try to secure jobs by defining as many different categories as possible (the Chrysler plant has over 100). Of course, management resists this practice, which limits flexibility and makes it difficult to reassign workers.

When Bargaining Fails

An impasse occurs if management and labour fail to agree on a new contract. Although it is generally agreed that both parties suffer when an impasse is reached and action is taken, each side can employ several tactics to support its cause until the impasse is resolved.

Union Tactics A **strike** occurs when employees temporarily walk off the job and refuse to work. In 2008, 500 workers at Potash Corporation of Saskatchewan (Potash-Corp) were on strike for 99 days. They eventually agreed to a new contract that was not much different from the one management had offered during negotiations.⁵¹ Strike

COST-OF-LIVING ADJUSTMENT (COLA) A contract clause specifying that wages will increase automatically with the rate of inflation.

WAGE REOPENER CLAUSE A contract clause that allows wage rates to be renegotiated at preset times during the life of the contract.

STRIKE A tactic of labour unions in which members temporarily walk off the job and refuse to work, in order to win concessions from management.

PICKETING A tactic of labour unions in which members march at the entrance to the company with signs explaining their reasons for striking.

BOYCOTT Union members agree not to buy the product of the firm that employs them.

WORK SLOWDOWN Workers perform their jobs at a much slower pace than normal.

LOCKOUT A tactic of management in which the firm physically denies employees access to the workplace to pressure workers to agree to the company's latest contract offer.

STRIKEBREAKER An individual hired by a firm to replace a worker on strike; a tactic of management in disputes with labour unions.

EMPLOYERS' ASSOCIATIONS A group of companies that get together to plan strategies and exchange information about how to manage their relations with unions.

DECERTIFICATION The process by which employees terminate their union's right to represent them.

MEDIATION A method of settling a contract dispute in which a neutral third party is asked to hear arguments from both the union and management and offer a suggested resolution.

VOLUNTARY ARBITRATION A method of settling a contract dispute in which the union and management ask a neutral third party to hear their arguments and issue a binding resolution.

actions are growing in China as well, in industries ranging from car manufacturing to electronics to hospitality management.⁵² During a strike, unions may picket or launch a boycott. **Picketing** involves having workers march at the entrance to the company with signs explaining their reasons for striking. The most strike-prone sectors in Canada are mining and transport/communication.⁵³

During a strike, workers are not paid and the business is usually unable to produce its normal range of products and services. After a strike is over, employees may exhibit low morale, anger, increased absenteeism, and decreased productivity. In these situations, care must be taken to improve communications between management and workers. Sometimes a union is not permitted to strike. The Province of Nova Scotia passed a law that forbids strikes by health care workers in that province.⁵⁴ Hospital workers cannot strike in Alberta, P.E.I., or Ontario either. Strikes may also be illegal if the union does not go through certain necessary steps before striking.

A **boycott** occurs when union members agree not to buy the product of the firm that employs them. Workers may also urge other consumers to shun their firm's product.

In a **work slowdown**, 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 Management can also respond forcefully to an impasse. A **lockout** occurs when employers

physically deny employees access to the workplace. Management might lock workers out if they fear that workers will damage expensive equipment. Petro-Canada workers were locked out of a refinery for more than a year. The company kept the refinery running by using replacement workers.⁵⁵ As an alternative to a lockout, firms can hire temporary or permanent replacements (**strikebreakers**) for the absent employees. However, the use of replacement workers is illegal in Quebec and British Columbia.

Companies can also lessen the impact of unions by contracting out—to non-union contractors—a lot of assembly work they used to do themselves. This results in fewer union workers within the company. Companies can also join **employers' associations**—groups of companies that get together to plan strategies and exchange information about how to manage their relations with unions.

The threat of **decertification**—the process by which employees legally terminate their union's right to represent them—is also a deterrent to unions. For example, the Manitoba Labour Board decertified Local 832 of the United Food and Commercial Workers for workers at the Hampton Inn & Suites in Winnipeg. The workers said they weren't getting value for the dues they were paying to the union.⁵⁶

In extreme cases, management may simply close down a plant if an agreement cannot be reached with the union. For example, Magna International decided to shut down a plant in Syracuse, New York, when a deal could not be reached with the United Auto Workers union.⁵⁷ Maple Leaf Foods closed its Edmonton hog processing plant when the workers went on strike there. That cost 850 workers their jobs. In 2009—when GM and Chrysler were thinking of declaring bankruptcy—there was speculation that they would be able to dissolve high-cost union collective agreements ("union busting") as part of the bankruptcy plan. But Canadian laws are different from U.S. laws, and collective agreements are not necessarily negated when a bankruptcy occurs.

Mediation and Arbitration

Rather than using their weapons on one another, labour and management can agree to call in a third party to help resolve a dispute. In **mediation**, the neutral third party (a mediator) advises the parties about how to reach a settlement. The mediator cannot impose a settlement. When the United Steelworkers union and PotashCorp were initially unable to reach a collective agreement, both parties asked for a mediator to help them with their contract talks.⁵⁸ In **voluntary arbitration**, the neutral third party (an arbitrator) dictates a settlement

between two sides that have agreed to submit to outside judgment. Air Canada and the Canadian Union of Public Employees requested that an arbitrator decide on an exit package for terminated Air Canada employees when the company cut 2000 jobs.⁵⁹ In some cases, arbitration is legally required to settle bargaining disputes. This

compulsory arbitration is used to settle disputes between government and public employees such as firefighters and police officers.

COMPULSORY ARBITRATION A method of settling a contract dispute in which the union and management are forced to explain their positions to a neutral third party, which issues a binding resolution.



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Summary of Learning Objectives

1. **Define *human resource management*, discuss its strategic significance, and explain how managers plan for human resources.** Human resource management, or HRM, is the set of organizational activities directed at attracting, developing, and maintaining an effective workforce. HRM plays a key strategic role in organizational performance. Planning for human resource needs entails several steps: (1) conducting a *job analysis*, (2) forecasting demand and supply, and (3) matching HR supply and demand.
2. **Identify the issues involved in *staffing* a company, including *internal recruiting* and *selection*.** Recruiting is the process of attracting qualified persons to apply for open jobs. *Internal recruiting* involves considering present employees for new jobs. It builds morale and rewards the best employees. *External recruiting* means attracting people from outside the organization. Key selection techniques include *application forms*, *tests*, and *interviews*. The techniques must be valid predictors of expected performance.
3. **Discuss different ways in which organizations go about developing the capabilities of employees and managers.** Nearly all employees undergo some initial *orientation* process. Many employees are also given the opportunity to acquire new skills through various *work-based* and/or *instructional-based programs*.
4. **Discuss the importance of *wages and salaries*, *incentives*, and *benefit programs* in attracting and keeping skilled workers.** *Wages and salaries*, *incentives*, and *benefit packages* may all be parts of a company's *compensation program*. By providing competitive compensation levels, a business can attract and keep qualified personnel. Incentive programs can also motivate people to work more productively. *Indirect compensation* also plays a major role in effective and well-designed compensation systems.
5. **Describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace.** Managers must obey a variety of federal and provincial laws in the areas of *equal opportunity* and *equal pay*, *sexual harassment*, and *comparable worth*. Firms are also required to provide employees with safe working environments, as per the guidelines of provincial occupational health and safety acts.
6. **Discuss *workforce diversity*, the management of *knowledge workers*, and the use of *contingent* and *temporary workers* as important changes in the contemporary workplace.** *Workforce diversity* refers

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to the range of workers' attitudes, values, beliefs, and behaviours that differ by gender, race, ethnicity, age, and physical ability. Many firms now see diversity as a source of competitive advantage and work actively to achieve diversity in their ranks. Additional challenges exist in managing *knowledge workers* (rapidly increasing salaries and high turnover). *Contingent workers* are hired to supplement an organization's permanent workforce. The use of contingent workers gives managers flexibility; also these workers are usually not covered by employers' benefit programs—two reasons why their numbers are growing.

7. **Trace the evolution of, and discuss trends in, unionism in Canada.** The first unions were formed in the early nineteenth century in the Maritime provinces. Labour organizations sprang up and faded away during the nineteenth century and unions began to develop in the twentieth century. Since the mid-1970s, labour unions in Canada have had difficulty attracting new members. Membership as a percentage of total workforce has declined. Increasingly, unions recognize that they have lost significant power and that it is in everyone's best interests to work with management instead of against it.

8. **Describe the major laws governing unionism.** *Privy Council Order 1003* gave unions the right to bargain collectively in Canada. *The Constitution Act of 1867* allows the federal government to pass labour legislation (e.g., the *Canada Labour Code*) for companies that operate inter-provincially, and allowed the provincial governments to pass legislation (e.g., the *Ontario Labour Relations Act*) for companies that operate in only one province.

9. **Identify the steps in the collective bargaining process.** Once certified, the union engages in collective bargaining with the organization. The initial step is reaching agreement on a *labour contract*. Contract demands usually involve wages, job security, or management rights.

Both labour and management have several tactics that can be used against the other if negotiations break down. Unions may attempt a *strike*, a *boycott*, or a *slowdown*. Companies may hire *strikebreakers* or *lockout* workers.

In extreme cases, mediation or arbitration may be used to settle disputes. Once a contract has been agreed on, union and management representatives continue to interact to settle worker grievances and interpret the contract.

Questions and Exercises

Questions for Analysis

- Why is a good employee–job match important? Who benefits more, the organization or the employee? Why?
- What benefits do you consider most and least important in attracting workers? In keeping workers? In motivating workers to perform their jobs well? How much will benefit considerations affect your choice of an employer after graduation?
- Select a job currently held by you or a close friend. Draw up a job description and job specification for this position.
- 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?
- Suppose you are a manager in a non-unionized company. You have just heard a rumour that some of your workers are discussing forming a union. What would you do? Be specific.
- What training do you think you are most likely to need when you finish school and start your career?

Application Exercises

- Interview a human resource manager at a local company. Select a position for which the firm is currently recruiting applicants and identify the steps in the selection process.
- Interview the managers of two local companies, one unionized and one non-unionized. Compare the wage and salary levels, benefits, and working conditions of workers at the two firms.
- Obtain a copy of an employment application. Examine it carefully and determine how useful it might be in making a hiring decision.
- Consider the following statement: "*Many years ago, workers were treated very badly by management compared to the way they are treated now. Since unions exist largely to protect workers from unreasonable behaviour by management, the need for unions has disappeared.*" Do you agree or disagree with this statement? Explain your position.

Building Your Business Skills

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A Little Collective Bargaining

The Purpose of the Assignment

To encourage students to understand why some companies unionize and others don't.

The Situation

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

Assignment

Step 1 Come together with three other "co-workers" who have the same questions as you. Each person should target four companies to learn their union status. Avoid small businesses; choose large corporations such as Canadian National Railway, Bombardier, and Walmart. As you investigate, answer the following questions:

- Is the company unionized?
- Is every worker in the company unionized or only 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 labour-management issues?
- If a company is unionized, how would you describe the current status of labour-management relations? For example, is it cordial or strained?
- If a company is not unionized, what factors are responsible for its non-union 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 2 Go to the website of CUPE (www.cupe.ca) to learn more about the current status of the union movement. Then, with your co-workers, write a short report about the advantages of union membership.

Step 3 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 have learned, are you sympathetic to the union movement? Would you want to be a union member?
2. Are the union members you spoke with 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 have learned, do you think the union movement in Canada will stagnate or thrive in the years ahead?

Exercising Your Ethics

Handling the Layoffs

The Situation

The CEO of a moderate-sized company is developing a plan for laying-off employees. 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 Wiggins: white female, very ambitious, three years with the company, above-average performer, puts in extra time at work; is known to be abrasive when dealing with others
- George Sinclair: Aboriginal, 20 years with the company, average performer, was previously laid off but called back when business picked up
- Dorothy Henderson: white female, 25 years with the company, below-average performer, has filed five sexual harassment complaints in the last 10 years
- Wanda Jackson: black female, eight years with the company, outstanding performer, is rumoured to be looking for another job
- Jerry Loudder: white male, single parent, five years with the company, average performer
- Martha Strawser: white female, six years with company, excellent performer but spotty attendance, is putting husband through university

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. Identify any disagreements that occurred along the way, and indicate how they were resolved.
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?

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BUSINESS CASE 8

Reports from the Walmart-Union Battlefield

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In 2009, an arbitrator ruled that workers in the United Food and Commercial Workers (UFCW) in Saint-Hyacinthe, Quebec, would not receive the wage and benefits increase they had hoped to get from Walmart. In rejecting the union's demands, the arbitrator portrayed Walmart as a good employer and concluded that Walmart's performance-based compensation system had to be retained because it was part of the culture of the company. The arbitrator also noted that Walmart sometimes paid its employees more than competitors like Zellers did. The arbitrator's ruling is the latest round in the intense battle that is taking place between the UFCW and Walmart. The UFCW is committed to organizing Walmart's employees, while Walmart's management aggressively fights every UFCW attempt. The fight has been bitter at times, and the eventual outcome is not yet clear. Each side has had both victories and defeats. In 2010, this battle was intensifying even as Walmart was announcing further Canadian expansion with another 6500 employees needed to staff 35-40 planned superstores.



The Quebec Labour Relations Board certified the UFCW as the sole bargaining agent for about 150 workers at a Walmart store in Gatineau in December 2008. That required Walmart to negotiate with the union regarding

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a collective agreement. If the past is any indication, the negotiations are going to be very difficult. Here's why.

In August 2005, the UFCW was certified as the sole bargaining agent for nine tire and lubrication workers at another Walmart in Gatineau. The UFCW and Walmart then tried to negotiate a collective agreement, but failed. In August 2008, an arbitrator imposed an agreement that, among other things, raised workers' wages from \$9.25 an hour to \$11.54 an hour over three years. Two months later Walmart closed the store.

Until the mid-1990s, Walmart had never had a union in any of its stores in the United States, Canada, Puerto Rico, Argentina, Brazil, or Mexico. It had been able to resist unions partly by promoting its family-like culture. The company argued that forcing employees to work under a collective agreement would reduce their motivation and damage the company's successful formula for keeping customers happy. In 1996, management first began hearing rumours that the Canadian Auto Workers (CAW) union was approaching employees at the Windsor, Ontario, store about unionizing. During the organizing drive, there was much squabbling among employees, and when the certification vote was held, the workers voted 151–43 against joining the union. In spite of this, the Ontario Labour Relations Board certified the union as the employees' bargaining agent on the grounds that the company had intimidated employees during the membership drive. A first collective agreement was approved, but in April 2000 the union was officially decertified.

In 2003, the Labour Relations Board of British Columbia found Walmart guilty of an unfair labour practice, namely, that it undermined a union-organizing drive at the Walmart store in Quesnel, British Columbia. As part of its decision, the board required Walmart management to schedule an employee meeting and read aloud the board's decision to employees.

During 2003 and 2004, the UFCW made efforts to organize Walmart stores in Saskatchewan, British Columbia, and Manitoba. Walmart won a victory in Saskatchewan when it successfully challenged the constitutionality of that province's labour law, which restricts employer–employee communication during an organizing drive. Walmart argued that workers should hear the whole story before voting.

The UFCW's strategy has been to organize stores in Canada because labour laws are stronger here than they

are in the United States. In Quebec, for example, the card-based certification system allows workers to unionize by signing cards rather than having an actual vote. UFCW president Wayne Hanley calls this a "luxury" that does not now exist for unions in the United States (but the U.S. Congress is considering passage of such a bill). The UFCW is particularly interested in unionizing Walmart's Supercentres in Alberta, British Columbia, and Ontario. That battle will be intense because Walmart is deeply committed to its strategy of providing customers with very low prices.

There is also a lot at stake for the UFCW. Food workers make up about 60 percent of UFCW membership, and 40 percent of those work for Loblaw. But Loblaw management has become more aggressive in dealing with unions because its market share is under attack from Walmart. When 800 workers went on strike in Quebec, Loblaw closed 13 Maxi outlets there until the strike was resolved. The UFCW also has to cope with declining unionization rates in the retail food industry. In the 1980s, 60–70 percent of food workers were unionized, but now only 40–50 percent are.

Walmart is not the only company where unions are trying to gain a foothold. Ken Lewenza, the new president of the Canadian Auto Workers (CAW), said that employees at WestJet are "ripe" for organizing. The CAW already represents call centre workers and customer service agents at Air Canada, and the CAW wants to organize the same types of workers at WestJet. The idea is being played down by WestJet, which says that it has a very positive corporate culture, a profit-sharing plan, and a share purchase program in which 80 percent of its employees take part. The Pro-Active Communication Team (PACT)—a non-union group that represents about 6300 WestJet workers—also represents workers' concerns, and the president of PACT sits on WestJet's board of directors.

Questions for Discussion

1. From a practical perspective explain why Walmart is so intent on fighting unionization attempts in Canada.
2. Why is the UFCW's battle with Walmart so important to the union? Take a look at its strategic approach of focusing on union-friendly Canadian provinces.
3. Debate the following controversial statement: "Unions are divisive and they artificially inflate wages and make companies less competitive."

