Human Resources Management

Chapter Objectives

After completing this chapter, you will be able to:

Section 15.1 *Employees: The Key to Success*

- **Define** human resources management.
- **Describe** how a company attracts and rewards good employees.
- **Discuss** what a human resources manager should consider about job applicants.

Section 15.2 Developing and Retaining Employees

- Identify responsibilities of human resources managers after they have hired a new employee.
- **Describe** how the status of employees changes.

Ask

STANDARD Earnings and the P/E Ratio & POOR'S

- Q: I've heard a lot about P/E ratio. For what purposes do investors use P/E ratio?
- A: The Price/Earnings ratio is a popular indicator used to judge whether a stock is a good value. The P/E ratio compares the company's share price to its per-share earnings. A P/E of 15, for example, indicates that investors are willing to pay \$15 for every dollar of yearly earnings the company generates. Investors use the P/E ratio to compare companies in the same industry. In general, a high P/E suggests that investors expect higher earnings growth in the future compared to companies with a lower P/E.

Mathematics Imagine that a company's stock is trading at \$40. If it announces \$2 in earnings per share, what is the company's P/E ratio?

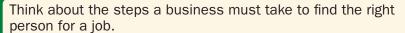
CONCEPT Using Ratios The P/E ratio is a useful way to look at the relationship between a stock's price and its underlying value. You can compare the P/E ratio of one company to another, across different sectors and industries. You can also compare similar companies to get a better idea of challenges in an industry.



Employees: The Key to Success

Reading Guide

Before You Read



Read to Learn

- · Define human resources management.
- Describe how a company attracts and rewards good employees.
- Discuss what a human resources manager should consider about job applicants.

The Main Idea

A human resources manager finds new employees for a company. Human resources staff members assist new workers through training and evaluations.

Key Concepts

- Human Resources
- Meeting Staffing Needs
- Considering Job Applicants

Vocabulary

Key Terms

human resources salary
human resources benefits
management recruitment
job description background check
compensation reference
wage

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

temporary summary comments

Graphic Organizer

List and write notes about the steps needed to select the right candidate for a job in a figure like the one below.

STEP	NOTES
1.	
2.	
3.	
4.	



Go to the *Introduction to Business* Online Learning Center through **glencoe.com** for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

Mathematics

Number and Operations Compute fluently and make reasonable estimates

Human Resources

Pioneer automaker Henry Ford once said, "You can take my factories, burn up my buildings, but give me my people and I'll build the business right back again." Human resources are the people employed in a business, commonly referred to as personnel. Employees provide the skills, knowledge, labor, and experience needed to make a business productive.

Managing human resources is not the same as supervising workers. Human resources management is the process of finding, selecting, training, and evaluating employees. The first step in this process is finding the right person for a job.

As You Read

Do you think automaker Henry Ford was right in believing that his employees were more important than his factories or equipment?

Meeting Staffing Needs

Most businesses have specific staffing needs. These needs are usually handled by a human resources manager. When filling a job, human resources managers begin by writing a job description.

Writing a Job Description

A **job description** is a detailed outline of the duties, qualifications, and conditions required to do a specific job (see **Figure 15.1** on page 258). For example, the job description for a graphic artist position could say the job involves being creative, meeting deadlines, and using a computer. The job might also require a certain level of experience and education. It could be part-time, full-time, permanent, or **temporary**.

Reading Check

Analyze Why is a job description essential when trying to fill a job?

ETHICSin Business

Psychological Testing

Critical Reading Life is full of important decisions. Think about the kinds of decisions that you make as you read the question below.

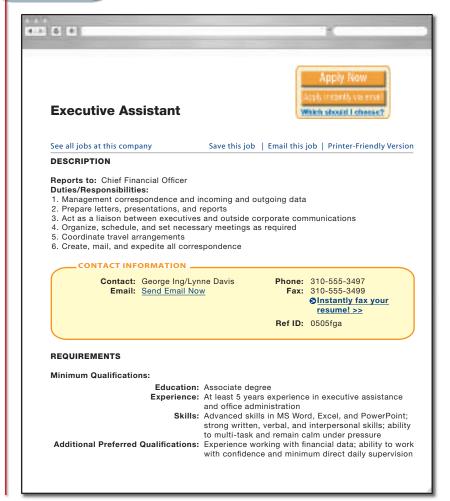
Imagine you own a retail store. You are looking for a cashier and want to make sure you hire someone who won't be likely to steal from you. You know that the federal government has banned the use of lie detectors for most employment situations, but that you can ask a prospective employee to take a psychological test. These exams can predict an individual's tendency to steal by matching his or her answers to those of known thieves. Questions may be obvious ("How often do you tell the truth?") or obscure ("How often do you make your bed?").

Decision Making Do you think it is appropriate to decide whether a person will steal based on the results of a psychological test? Explain the possible consequences of your decision.

Executive Assistant

This job description lists the duties and responsibilities of an executive assistant to the chief financial officer of a company. What qualifications must a person have for this Executive Assistant position?





As You Read

Think about other offerings besides money that would attract you to a job.

Pay and Benefits

To attract and keep good employees, businesses must offer competitive compensation. Compensation is pay and benefits. Pay can be in the form of a wage or a salary. A wage is an amount of money paid to an employee on an hourly basis. A salary is a fixed amount of pay for each week, month, or year. Benefits are extra compensation that workers receive such as health and life insurance, sick leave, holiday pay, and retirement plans. Retirement plans provide employees with money after working at a company for a certain number of years.

Some companies offer pension plans. A *pension plan* is a retirement plan that is funded at least in part by an employer. Some also offer profit-sharing plans. A *profit-sharing plan* makes an annual contribution to an employee's retirement **fund** when the company makes a profit. Another type of retirement plan is a 401(k). With a 401(k), employees set aside a percentage of funds from each paycheck to go into their 401(k) investment account. Many employers match a percentage of an employee's contribution to a 401(k).

Job Recruitment

Human resources managers often work as recruiters.

Recruitment means actively looking for qualified people to fill a job. Figure 15.2 illustrates qualities needed to succeed in all types of jobs. Most recruiters first consider filling a new job with someone who already works for the company. If no one is qualified, interested, or available, then the manager recruits outside the company. One way to recruit people is by placing ads in newspapers and magazines, at schools, or on the Internet. Employment agencies, referrals from employees, and job fairs are also ways to find qualified workers.

Considering Job Applicants

After recruiting job applicants, a human resources manager has to decide which one to hire. There are four steps to selecting the right person or *candidate* for the job. First, the recruiter must review each candidate's application and/or résumé. An *application* is a form companies give to potential employees to complete. It lists their work experience, education, skills, and references. Many applicants also submit a résumé. A *résumé* is a worker's **summary** of academic and work history. Reviewing the application and résumé leads to the screening step. *Screening* is a system of selecting suitable people for a job. Recruiters review applications to see which people meet their minimum qualifications. Only those who do will be considered further.

The next step is for the human resources manager to interview qualified candidates. An *interview* is a meeting in which a recruiter asks an applicant questions to see if the applicant is right for a job. It allows a company to get more details about a





What Qualities Are Needed? Here are a number of personal and interpersonal skills that are important to demonstrate in the workplace. How can you demonstrate these skills?

potential employee. It shows the interviewer how the applicant communicates. Interviews also allow applicants to find out more about a company. They help applicants to see if the company is a good place to work. Many companies test job candidates as part of the interview process. *Testing* helps companies make sure that job candidates have the right skills and character for a job.

Background Checks and References

The human resources manager's final step before hiring a new employee is to check the applicant's background and references. A **background check** is the process of verifying certain information provided by a job applicant. This includes information about past and present jobs and education. Some background checks also include a review of a job applicant's financial history.

A **reference** is someone who **comments** on a job applicant's character and qualifications for a job. The statement itself is also known as a reference. References give recruiters a better idea of the kind of person the job applicant is.

It is important to be truthful on job applications and résumés, and in interviews. Failing to do so can prevent you from being hired. If it is discovered that you gave false information that led to your being offered a job, you could be fired.

Section 15.1

After You Read

Review Key Concepts

- 1. What are human resources?
- 2. What do human resources managers do to help businesses meet staffing needs?
- **3.** What are the four steps to selecting the right person for a job?

Academic Skills

4. Mathematics Your manager at a landscaping company tells you that he wants you to stock up on gasoline for the mowing equipment for the next week. Each of the four mowers you maintain will use $1\frac{1}{2}$ gallons each day, Monday through Saturday. Gasoline costs \$3.50 per gallon. Explain how you might use mental math to figure out how many gallons you need and how much the gasoline will cost.

the fraction to a decimal. Then use addition and multiplication to determine the total number of gallons needed. Use multiplication again to calculate the total cost of the gasoline.



For math help, go to the Math Appendix.



Go to the *Introduction to Business* Online Learning Center through **glencoe.com** to check your answers.

Developing and Retaining Employees

Reading Guide

Before You Read



Read to Learn

- Identify responsibilities of human resources managers after they have hired a new employee.
- Describe how the status of employees changes.

The Main Idea

After employees are hired, a company has to develop their skills. New employees receive orientation, training, and evaluations. These processes help them become more valuable to a company.

Key Concepts

- Developing Employees
- · Changes in Employee Status

Vocabulary

Key Terms

orientation promotion on-the-job training transfer group training separation performance appraisal turnover

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

demonstates complement relaxed technical

Graphic Organizer

As you read, describe employee experiences on a figure like the one below.

Experience	Description
Orientation	
On-the-Job Training	
Performance Appraisal	



Go to the *Introduction to Business* Online Learning Center through **glencoe.com** for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

NCTE 4 Use written language to communicate effectively

NCTE 7 Conduct research, and gather, evaluate, and synthesize data to communicate discoveries

NCTE 11 Participate as members of literacy communities

Science

Content Standard E Students should develop understandings about science and technology



Training Methods

Dell Computer's Leadership Edge program allows its managers to go through 10 days of networking with other executives. That includes three days with Chairman Michael Dell. Do you think special in-house training programs work better than more traditional methods, such as on-the-job training or group training?

Developing Employees

Even people with work experience need to adjust to new jobs. They may have to learn new skills and need to keep track of how they are doing on the job. To develop as employees, they need to be oriented, trained, and evaluated. Human resources staff members assist in developing employees.

Orientation

Orientation is the process of helping new employees adjust to a company. New hires are usually taken on a tour of the building and introduced to other employees. They might also attend a group orientation session and watch a video about the company. Most new employees receive a manual that offers information on matters such as the company's organization, procedures, and safety rules. They also need to read about the company's code of ethics and policies. These documents give details about the company's goals and appropriate employee behavior.

BusinessWeek Reader and Case Study

What Works: Eyes on the Prize

The right bonus program can unlock your company's growth.

The 30 employees of Rockwood Retaining Walls in Rochester, Minn., are on a mission. "Everyone is talking about a common goal, which is growth," says Brian Price, who owns the company with his two brothers. Price expects this year's sales to total more than \$5 million, a sizable jump from last year's \$4 million.

It didn't take expensive consultants or whole-sale firings to get the company on the right track. Rather, Price instituted a well-designed bonus program in 2004, tying employees' pay directly to their performance and to the company's profitability. "I think it's fantastic," says Cathy Haggerty, a nine-year front-office and call-center manager for Rockwood. "If I do my job and stay on budget and inspire people to do theirs, I have a direct effect on the money I receive."

While there's no "bonus fairy" to give entrepreneurs a bit extra this holiday season, it's worth considering a bonus program for your employees. Sure, bonuses foster goodwill, but they can also be good business, encouraging workers to think beyond their own jobs and toward a larger goal.



CASE STUDY Go to the *Introduction to*Business Online Learning Center through
glencoe.com for the BusinessWeek Reader
Case Study.

Active Learning

Some companies tie bonuses to individual performance. Others tie them to the performance of the group. Calculate what your bonus would be if you were paid \$300 for every 'A' you receive versus if you received \$300 if your school performed in the top 20% for your state. Form groups to discuss the value of individual-versus-group performance. Use your discussion to write a persuasive article to your principal.



Workplace Skills
It is important to start
developing workplace skills
now. How can you develop
skills that will be valuable
to you on the job?

Training

New employees usually need some training for the specific job they were hired to do. On-the-job training involves learning a new job by actually doing it. It is usually done under the guidance of a supervisor, who demonstrates different tasks.

Many companies offer ways for employees to learn new skills in a more **relaxed** way and to share ideas with others. **Group training** involves teaching several employees in a class. An instructor or manager might teach a group of employees how to use a new software program at the same time.

Job rotation moves employees to different tasks or departments to help them gain experience. Sometimes if workers are absent or on leave, others have to handle their tasks. Job rotation also prevents boredom and increases morale. *Morale* is the general level of confidence or enthusiasm felt by a person or group of people.

Developing Soft Skills Soft skills refer to personality traits and personal abilities such as social skills, language skills, personal habits, and friendliness. Soft skills **complement** hard skills, which are the **technical** requirements of a job.

You can begin to develop soft skills now. Dress professionally and be organized. Be punctual, dependable, and take initiative and responsibility for tasks. Integrity, a positive attitude, and respect for yourself and others are important workplace characteristics. Try to improve your problem-solving, decision-making, and reasoning skills by thinking through issues. Evaluate yourself, and identify areas you can improve now.

As You Read

Think about working in a company that offers the opportunity to do a variety of different tasks.

Science/TechTRENDS

Human Resource Management Systems

Workers are not machines. They think, feel emotions, and communicate with others. Human resource management (HRM) is a business practice used to understand the human aspect of a company as well as its impact. HRM usually involves using software to help HR staff in their daily functions. Human resource management systems (HRMS) software melds these functions and information technology. It helps to reduce the manual workload by streamlining payroll; time and labor management; benefits administration; and HRM. This shift away from paper-based processes benefits employees, managers, and HR staff, resulting in reduced costs and better efficiency.



Go to the *Introduction to Business* Online Learning Center through **glencoe.com** for links to Web sites where you can find more information about HRMS. What are some specific ways that human resources professionals use HRMS? Write a one-page essay on your findings. Cite examples of companies that make HRMS software.

As You Read

Think about the types of evaluations you have received.

Evaluating Employees

A **performance appraisal** is an evaluation of how well an employee is doing a job. Employees are evaluated periodically. The evaluation might consist of an employee and his or her manager discussing the employee's strengths and weaknesses. During an evaluation, managers usually offer suggestions for improvement. Employees can also note their own progress.



Analyze Why are performance appraisals valuable to both the employer and the employee?

Changes in Employee Status

Human resources managers keep track of changes in the status of employees. For example, an employee might be promoted to a different position, transferred to another department, or fired. As a result, the worker might need to be reoriented, retrained, or replaced.

Promotion

A **promotion** gives an employee a higher-level job with more authority, responsibility, and pay. Most promotions are merit-based and encourage performance. If an employee is doing a great job, she or he might be promoted. Promotions are also given on the basis of seniority. *Seniority* is the status given to an employee based on rank or length of service.

Transfer

A **transfer** is a move to another job within a company, usually at the same level and pay. Employees might be transferred because another department needs them or their job in their present department has been eliminated. They might also be transferred if the company moves or opens a new office.

Separation

Separation is leaving a company for any reason. A voluntary separation occurs when an employee resigns or retires. When an employee voluntarily leaves, an *exit interview* is given to pinpoint why the employee is leaving.

Involuntary separations include layoffs and terminations. A worker may be fired or *terminated* if he or she breaks rules, becomes unable to perform at the expected level, or cannot get along with others. If the company needs to *downsize*, employees might be laid off. A *layoff* occurs when there is not enough work for all employees.

Turnover It costs companies a lot of money to search for, hire, and train new employees. Therefore, businesses are concerned with keeping turnover low. **Turnover** is the number of employees who leave an organization and are replaced over time. Careful hiring decisions and sufficient training increase chances for success with new employees.

Section 15.2



Review Key Concepts

- 1. How can a company help a new employee to develop?
- 2. What are three ways in which new employees can be trained?
- 3. What are some changes in status an employee might experience?

Academic Skills

- 4. English Language Arts Work in groups of three or four to plan, write, and illustrate a handbook for new students entering your school. Include a map of the school, behavior expectations, and information about sports and clubs.
- 5. English Language Arts Apprenticeship is one form of on-the-job training that has existed for hundreds of years. Write a 250-word paper on the history of apprenticeship. Include information about the current status of such programs.



Go to the *Introduction to Business* Online Learning Center through **glencoe.com** to check your answers.

Chapter 15 Review and Activities

Section 15.1 Summary

Employees: The Key to Success

Human resources are the people employed in a business. Employees are also referred to as personnel. They provide the skills, knowledge, labor, and experience needed to make a business productive. Human resources managers work as recruiters. Recruiters try to find the right person for a job. They also help people develop as employees so they can do their jobs well. Human resources managers begin the recruitment process by writing a job description. The job description is included in ads for the job.

Section 15.2 Summary

Developing and Retaining Employees

New employees need to be oriented, trained, and evaluated. Human resources staff members assist with all the activities for developing employees. New employees usually need training to learn the specific job they were hired to do. This includes on-the-job training and job rotation. Once they have been on a job for a while, new employees must be evaluated. A performance appraisal is used to determine whether an employee should get a raise, a promotion, or more training.

Vocabulary Review

1. On a sheet of paper, use each of these key terms and academic vocabulary terms in a sentence.

Key Terms

human resources
human resources management
job description
compensation
wage
salary
benefits
recruitment
background check

reference orientation on-the-job training group training performance appraisal promotion

promotion transfer separation turnover

Academic Vocabulary

temporary fund summary comments demonstrates relaxed complement technical

Review Key Concepts

- **2.** Define human resources management.
- **3.** Describe how a company attracts and rewards good employees.
- 4. Discuss what a human resources manager should consider about job applicants.
- **5.** Identify responsibilities of human resources managers after they have hired a new employee.
- **6.** Describe how the status of an employee can change.

Critical Thinking

- **7.** What do you think are the most important skills that you can work on now for success in a job in the future?
- **8.** A job description tells potential employees about the types of duties that need to be performed. Why do you think job descriptions often indicate that the employee will "perform other duties as assigned"?
- **9.** Why would a business list a new position as temporary but intend to have an employee in the position permanently?
- **10.** Think about some different types of jobs in your community. What types of jobs are available for workers on a salary basis?
- **11.** Most job interviews are structured the same for all candidates. Why do you think recruiters might ask the same questions of all applicants, instead of letting applicants decide what to emphasize?
- **12.** Who would you list as references for a job application? Why would you select those people?
- **13.** What changes do you think will occur in the workplace because of a rise in the number of younger workers (aged 16 to 34) and older workers (aged 55 and older)?

Write About It

- **14.** Read the job announcements in a local newspaper. In a one-page report, list the requirements or duties and responsibilities of five jobs.
- **15.** Assume that you are a recruiter for a restaurant and need to fill a part-time job for a food server. In at least two paragraphs, write a job description for a newspaper ad.
- **16.** In at least one page, describe the type of training that would best help you learn to do a new job entering and processing data using a computer.
- **17.** Research a job that you would like to have someday. Use various resources for your research, including newspaper ads, the Internet, and career guides. Write two or more paragraphs about it.
- **18.** Survey five people about their jobs. Ask them to state their job title and duties. How did they find the job they have? How long did it take to get a job with the company? How do they feel about their job? Write a two-page report summarizing their comments.
- **19.** Write at least two paragraphs summarizing information from the yellow pages about employment agencies in your area.

Technology Applications

Presentation Software

20. As recruiters, human resources managers try to bring in qualified workers to fill openings. Their efforts help assure that companies hire the best people for their jobs. Use graphic presentation software to prepare slides outlining the steps human resources managers take to fill a position. Then give a presentation to your class.

Business Ethics

Hiring Decisions

21. You have just been put on the employment screening committee for an all-male law firm. There are two finalists being considered for a position: a man and a woman. They are equally qualified. What guidelines do you think your committee should follow in selecting the right person for the job? Should gender be a factor?

Chapter 15 Review and Activities

Applying Academics to Business

English Language Arts

22. Parallel construction is a balance of two or more similar words, phrases, or clauses. Rewrite the following sentence to solve problems with parallel construction:

Human resources management is the process of finding, selecting, to train, and to evaluate employees.

Mathematics

23. As a human resources professional for a local biomedical company, you want to offer good research workers a competitive salary. You survey similar companies in your area and find out that medical researchers are paid:

Company A: \$60,100 Company B: \$45,900 Company C: \$64,000

What is the mean of this data? What is the median?

concept Data Analysis The mean of a set of data is the average. The median is the middle number when the data is arrayed in order from least to greatest.

English Language Arts

24. Write a job description for a task you perform. Make a list of the duties and responsibilities that consists of at least four phrases or complete sentences using parallel construction.

Mathematics

25. As manager of an aircraft parts department, you need to increase prices by 17%. Customers who buy in volume will get an 8% discount. A replacement engine mount used to cost \$67. To find the new price for a high-volume customer, use the following method:

17% - 8% = 9% $$67 \times 9\% = 6.03 \$67 + \$6.03 = \$73.03

You calculate the price to be \$72.12. What mistake was made?

discount is an amount off a selling price, often determined by multiplying the selling price by a given percent.

Active Learning

Developing Job Skills

26. Survey family, friends, or others about their work experience. Ask these questions: How did you acquire the skills and knowledge for your job? What type of training did you receive? How long was it? Is it ongoing? What type of training do you think you might need in the future? Prepare a two-page report about your findings. Present your report to your class.

Business in the Real World

Dealing with Personnel Problems

27. Ashley was hired as a Web designer. When she began work, her work was excellent, and she worked well with others. Lately, Ashley's work has slipped. She has been late to work and has been having arguments with her co-workers. What should her supervisor do to solve the problem? What would happen if her supervisor did nothing? In two or more paragraphs, discuss the supervisor's options.



INTERVIEW QUESTIONS

28. A job applicant cannot be asked the following questions during an interview: What nationality are you? Are you married? What are your day-care arrangements? What religious meetings or holidays do you observe? Write at least two paragraphs, explaining why these questions are considered inappropriate for a job interview.



FIND YOUR DREAM JOB

29. Go to the *Introduction to Business* Online Learning Center through **glencoe.com** for a link to the Occupational Outlook Handbook Web site. Click on the "OOH Search/A-Z Index" link and enter the job category "human resources, training, and labor relations managers and specialists." Then write a one-page report about this field. Conclude your report with a list of things you could do now to prepare yourself to pursue the occupation.



RESOLVING CONFLICTS

30. Situation As the human resources manager of a department store, you must resolve a conflict between two members of the sales staff. Both are good at their jobs and well-liked by customers and others.

> **Activity** Have a one-on-one talk with each of the two salespeople to determine possible solutions to resolve the conflict. Choose the best solution and present it to the employees' supervisor.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Allow both co-workers to explain their view of the situation.
- Identify the source of the conflict.
- Explain your perception of the problem and possible solution for it.
- Develop a solution to the problem.
- Speak clearly and use correct grammar.

Standardized Test Practice

Directions Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

- 1. For which of these situations would you need an exact number?
 - estimating the number of people who will attend a company picnic
 - В determining how many round trips your car can make on a full tank of gas
 - C ordering copies of a new employee benefits manual for present and future employees
 - calculating deductions for taxes and health insurance from an employee's payroll check



TEST-TAKING TIP When answering essay questions, make sure that you support generalizations with evidence. Back up your ideas with names, dates, and places. A short essay question should be answered with accurate explanations backed up by facts.



READING Go to the *Introduction to Business* Online Learning Center through glencoe.com for a list of outside reading suggestions.